

Edgar Filing: MARCONI PLC - Form 6-K

MARCONI PLC
Form 6-K
March 31, 2003

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER
PURSUANT TO RULE 13a-16 OR 15d-16 OF
THE SECURITIES EXCHANGE ACT OF 1934

For the month of March, 2003

MARCONI PLC
MARCONI CORPORATION PLC
(Exact name of Registrant as specified in its Charter)

4th Floor, Regents Place
338 Euston Road
London NW1 3BT
United Kingdom
(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F Form 40-F

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes No

(If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82-_____.)

INCLUDED DOCUMENTS

Included in this report is a document entitled "Proposals in Relation to Schemes of Arrangement" (the "SCHEME DOCUMENT"), which was sent by Marconi plc ("PLC") and Marconi Corporation plc ("CORP") to certain of their creditors on March 31, 2003, in connection with their proposed financial restructuring.

The proposed restructuring will be effected by means of two UK Schemes of Arrangement, one each for Corp and plc. A Scheme of Arrangement is a court-supervised procedure under English law through which a company may enter into a compromise with its creditors to effect a restructuring of its financial obligations.

The Scheme Document contains an Explanatory Statement required by Section 426 of

Edgar Filing: MARCONI PLC - Form 6-K

the UK Companies Act 1985, explaining and summarizing the terms, conditions and mechanics of the Schemes of Arrangement. Copies of both Schemes of Arrangement, appendixes setting forth various aspects of the proposed restructuring in greater detail, and certain other information are also included in the Scheme Document.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

MARCONI PLC

By: /s/ Mary Skelly

Name: Mary Skelly

Title: Secretary

Date: 31 March 2003

MARCONI CORPORATION PLC

By: /s/ Mary Skelly

Name: Mary Skelly

Title: Secretary

Date: 31 March 2003

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. IT IS BEING SENT TO PERSONS BELIEVED TO BE SCHEME CREDITORS, BEING CERTAIN CREDITORS OF MARCONI CORPORATION PLC AND CERTAIN CREDITORS OF MARCONI PLC, AND IS BEING MADE AVAILABLE TO PERSONS WITH INTERESTS IN BONDS ISSUED BY MARCONI CORPORATION PLC AND GUARANTEED BY MARCONI PLC. IF YOU HAVE ASSIGNED, SOLD, OR OTHERWISE TRANSFERRED, OR ASSIGN, SELL OR OTHERWISE TRANSFER, YOUR INTERESTS AS A SCHEME CREDITOR BEFORE THE RECORD DATE YOU MUST FORWARD A COPY OF THIS DOCUMENT TO THE PERSON OR PERSONS TO WHOM YOU HAVE ASSIGNED, SOLD OR OTHERWISE TRANSFERRED, OR ASSIGN, SELL OR OTHERWISE TRANSFER, YOUR INTERESTS AS A SCHEME CREDITOR. IF YOU ARE IN ANY DOUBT AS TO ANY ASPECT OF THESE PROPOSALS AND/OR ABOUT THE ACTION YOU SHOULD TAKE, YOU SHOULD CONSULT IMMEDIATELY YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISER AUTHORISED UNDER THE FINANCIAL SERVICES AND MARKETS ACT 2000.

THIS DOCUMENT IS ACCOMPANIED BY VOTING INSTRUCTIONS. IT IS IMPORTANT THAT YOU READ THIS DOCUMENT CAREFULLY FOR INFORMATION ABOUT THE RESTRUCTURING AND THAT YOU COMPLETE AND RETURN THE VOTING INSTRUCTIONS ENCLOSED WITH THIS DOCUMENT.

FURTHER COPIES OF THIS DOCUMENT CAN BE OBTAINED FROM KPMG IN LONDON (REFERENCE: 987/SRB/GTE, PHILIP WALLACE) AND FROM BONDHOLDER COMMUNICATIONS IN LONDON AND NEW YORK.

APPLICATION HAS BEEN MADE TO THE UKLA FOR THE NEW SHARES, THE NEW NOTES AND THE WARRANTS TO BE ADMITTED TO THE OFFICIAL LIST OF THE UKLA, AND TO THE LONDON STOCK EXCHANGE FOR THE NEW SHARES, THE NEW NOTES AND THE WARRANTS TO BE ADMITTED TO TRADING ON THE LONDON STOCK EXCHANGE'S MARKET FOR LISTED SECURITIES. LISTING IS CONDITIONAL UPON THE CORP SCHEME BECOMING EFFECTIVE. IT IS EXPECTED THAT ADMISSION TO LISTING AND TRADING WILL BECOME EFFECTIVE AND DEALINGS IN THE NEW

Edgar Filing: MARCONI PLC - Form 6-K

SHARES, THE NEW NOTES AND THE WARRANTS WILL COMMENCE AT 8.00 A.M. LONDON TIME ON 19 MAY 2003.

A DOCUMENT COMPRISING A PROSPECTUS RELATING TO MARCONI CORPORATION PLC HAS BEEN PREPARED IN ACCORDANCE WITH THE LISTING RULES MADE UNDER SECTION 74 OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 AND A COPY OF IT WILL BE DELIVERED FOR REGISTRATION TO THE REGISTRAR OF COMPANIES IN ENGLAND AND WALES PURSUANT TO SECTION 83 OF THAT ACT.

PROPOSALS IN RELATION TO
SCHEMES OF ARRANGEMENT
UNDER SECTION 425 OF THE COMPANIES ACT 1985
BETWEEN

MARCONI CORPORATION PLC

and its

SCHEME CREDITORS
(AS DEFINED IN THIS DOCUMENT)

and between

MARCONI PLC

and its

SCHEME CREDITORS
(AS DEFINED IN THIS DOCUMENT)

Meetings of Scheme Creditors to consider separately the Scheme relating to Corp and the Scheme relating to plc will be held on 25 April 2003 commencing at 10.00 a.m. The notices of the Scheme Meetings are set out in part VI of this document. Instructions about actions to be taken by Scheme Creditors preceding the Scheme Meetings are set out in Appendix 27 and summarised on pages 13 and 14. Whether or not Scheme Creditors intend to attend the meetings of Scheme Creditors, they are requested to complete, execute and return the appropriate Form(s) of Proxy and Claim Form(s) sent with this document in accordance with these instructions as soon as possible. Instructions about actions to be taken by persons with interests in Bonds are set out in Appendix 28 and summarised on pages 14 and 15.

31 March 2003

The statements contained in this document are made as at the date of this document, unless another time is specified in relation to them, and delivery of this document shall not give rise to any implication that there has been no change in the facts set forth in this document since that date.

Nothing contained in this document shall constitute a warranty or guarantee of any kind, express or implied, and nothing contained in this document shall constitute any admission of any fact or liability on the part of Corp or plc or any Affiliate of Corp or plc with respect to any asset to which it or they may be entitled or any claim against it or them. Without prejudice to the generality of the foregoing, nothing in the Schemes or the Explanatory Statement or the distribution thereof evidences to any person, or constitutes any admission by Corp, plc, the Prospective Supervisors or KPMG, that a liability is owed to any person in respect of any claim or that any person is or may be a Scheme Creditor of Corp or plc. The failure to distribute this document to any Scheme Creditor shall not constitute an admission by Corp, plc, the Prospective Supervisors or

Edgar Filing: MARCONI PLC - Form 6-K

KPMG that such person is not a Scheme Creditor or that any liability owed to such person is an Excluded Claim.

No person has been authorised by Corp or plc to make any representations concerning the Schemes which are inconsistent with the statements contained in this document and, if made, such representations may not be relied upon as having been so authorised. This document is issued solely in connection with the Schemes.

If both the Corp Scheme and the plc Scheme are, or just the Corp Scheme is, approved by the relevant Scheme Creditors, a fairness hearing before the Court is necessary in order to sanction the approved Scheme or Schemes. All Scheme Creditors are entitled to attend the Court hearing in person or through counsel to support or oppose the sanctioning of the relevant Scheme or Schemes. It is expected that the Court hearing will be held on 12 to 13 May 2003 at the Royal Courts of Justice, Strand, London WC2A 2LL. Notice of the fairness hearing will be published, following approval of the Corp Scheme or both Schemes by relevant Scheme Creditors, in The Times and the international editions of the Wall Street Journal, the Financial Times and the International Herald Tribune.

Lazard and Morgan Stanley are advising Corp and plc and no one else in connection with aspects of the Restructuring and will not be responsible to anyone other than Corp or plc for providing the protections afforded to their clients or for providing advice in connection with the Restructuring.

Application has been made to the UKLA for the New Shares, the New Notes and the Warrants to be admitted to the Official List of the UKLA, and to the London Stock Exchange for the New Shares, the New Notes and the Warrants to be admitted to trading on the London Stock Exchange's market for listed securities. It is expected that admission to listing and trading will become effective and dealings in the New Shares, the New Notes and the Warrants will commence at 8.00 a.m. London time on 19 May 2003. However, see part I, Section 2, Part F.2: Risk Factors.

The New Shares, the New Notes and the Warrants to be issued pursuant to the Schemes will be issued pursuant to exemptions from, or in transactions not subject to, the registration requirements of the Securities Act, including the exemption provided by Section 3(a)(10) thereof, and have not been and will not be registered under the Securities Act or the securities laws of any state of the United States. The issue of New Shares and New Notes to persons resident in the states of Arizona, California, Colorado, Connecticut, Illinois, Ohio and Vermont will be subject to the limitations described in part I, Section 2, Parts C.9 and D.16.

This document does not constitute an offer to sell or the solicitation of an offer to buy nor will there be any sale or distribution of the New Shares, the New Notes and the Warrants to be issued pursuant to the Schemes in any jurisdiction in which such offer or sale is not permitted.

Further important information is set out under "Important Notice" on pages 1 to 4.

HELPLINES

If you are (or think you may be) a Scheme Creditor and you have any questions relating to this document or the completion of the Form(s) of Proxy and Claim Form(s), please contact KPMG on telephone number +44 (0)20 7694 3007. You will be able to leave a message outside normal working hours or if the relevant staff are all occupied. Alternatively, please email your question to marconischeme@kpmg.co.uk

Edgar Filing: MARCONI PLC - Form 6-K

If you are a person with an interest in Bonds and you have any questions relating to this document or the completion of an Account Holder Letter, please contact Donna Martini of Bondholder Communications in London on +44 (0)20 7236 0788 or in New York on +1 212 809 2663. Alternatively, please email your question to dmartini@bondcom.com. Bondholder Communications has been appointed by plc and Corp to facilitate communications with persons with interests in Bonds.

ARE YOU A SCHEME CREDITOR OR A PERSON WITH AN INTEREST IN BONDS?

Please see Appendix 27 for a detailed description of the action to be taken by Scheme Creditors and Appendix 28 for a detailed description of the action to be taken by persons with an interest in Bonds.

THE FOLLOWING PERSONS ARE SCHEME CREDITORS FOR THE PURPOSE OF FILING A CLAIM FORM:

CORP SCHEME

1. Each of the Known Creditors listed in Schedule 3 to the Corp Scheme set out in part II of this document (this includes The Bank of New York and The Law Debenture Trust Corporation p.l.c. in respect of the Bonds but does not include any other person with an interest in Bonds); and
2. Each other person who had a Scheme Claim in the Corp Scheme at the Record Date.

PLC SCHEME

1. Each of the Known Creditors listed in Schedule 3 to the plc Scheme set out in part III of this document (this includes The Bank of New York and The Law Debenture Trust Corporation p.l.c. in respect of the Bonds but does not include any other person with an interest in Bonds); and
2. Each other person who had a Scheme Claim in the plc Scheme at the Record Date.

THE FOLLOWING PERSONS MAY BE SCHEME CREDITORS FOR THE PURPOSE OF VOTING AT SCHEME MEETINGS:

CORP SCHEME

1. Each of the Known Creditors listed in Schedule 3 to the Corp Scheme set out in part II of this document except that, in relation to the Bonds, The Bank of New York and The Law Debenture Trust Corporation p.l.c. are not Scheme Creditors for this purpose and instead each Definitive Holder (see below) will be a Scheme Creditor; and
2. Each other person who had a Scheme Claim in the Corp Scheme at the Record Date.

PLC SCHEME

1. Each of the Known Creditors listed in Schedule 3 to the plc Scheme set out in part III of this document except that, in relation to the Bonds, The Bank of New York and The Law Debenture Trust Corporation p.l.c. are not Scheme Creditors for this purpose and instead each Definitive Holder (see below) will be a Scheme Creditor; and
2. Each other person who had a Scheme Claim in the plc Scheme at the Record Date.

Edgar Filing: MARCONI PLC - Form 6-K

THE FOLLOWING PERSONS HAVE AN INTEREST IN BONDS:

1. Account Holders;
2. Intermediaries;
3. Bondholders;
4. Definitive Holders;
5. Designated Recipients; and
6. Certain other persons including the Trustees, the Book-Entry Depository, DTC, Euroclear and Clearstream, Luxembourg and any depository for them.

The following diagram illustrates the relationship between certain persons with interests in Bonds:

(FLOWCHART)

CONTENTS

	Page

I. EXPLANATORY STATEMENT	1
Important Notice	1
Expected timetable of principal events	5
Scheme Creditors and persons with interests in Bonds	8
Definitions and interpretation	12
Summary of action to be taken	13
Section 1 Letter from the Chairman of plc and of Corp	16
Section 2 Further explanation of the Restructuring	33
A. Business Overview	33
A.1 Background	33
A.2 History of the Marconi Group and the Restructuring	33
A.3 Market environment and business strategy	38
A.4 Group's principal activities	39
A.5 Intellectual property	51
A.6 Dividend policy	53
A.7 Financial objectives	53
A.8 Current application of critical accounting policies	57
A.9 Current trading and prospects	59
A.10 Directors, senior management and employees	60
A.11 Financial information and Corp's discussion and analysis of its financial condition and results of operations	65
B. Background to and reasons for the Restructuring	66
C. Proposed Restructuring	69
C.1 Overview	69
C.2 Terms of the Restructuring	69
C.3 Terms of the New Senior Notes and the New Junior Notes	71
C.4 Summary of key actual and contingent claims	76

Edgar Filing: MARCONI PLC - Form 6-K

C.5	Completion of the Restructuring	77
C.6	Mechanics of the Restructuring	79
C.7	Scheme Claims and distribution mechanics	82
C.8	Meetings, final termination, release and governing law	94
C.9	Effect of securities law restrictions under the Schemes	95
C.10	Insolvency analysis	99
D.	General matters relating to the Restructuring	101
D.1	Lockbox Account and interim security arrangements	101
D.2	Arrangements with ESOP Derivative Banks	103
D.3	Arrangements to preserve rights at plc level	106
D.4	Working capital	107
D.5	Scheme Implementation Deed	111
D.6	Statement and waiver of inter-company balances	112
D.7	Recapitalisation of Guarantors	113
D.8	Waiver of plc Shareholder vote	113
D.9	Capital Reduction	113
D.10	Share incentive plans	114
D.11	Pensions	129
D.12	Listing and dealing	133
D.13	Reporting requirements and entitlement to information	133
D.14	Memorandum and Articles	134
D.15	American Depositary Receipts	134
D.16	US securities law considerations	135
D.17	Securities law restrictions in France, Italy and Malaysia	139
D.18	Certain securities law disclosures	141
D.19	Material contracts	142
D.20	Litigation	142
D.21	Corp working capital statement	142
D.22	Costs of the Restructuring	142
D.23	Principal Subsidiary and associated undertakings	143
D.24	Principal establishments	144
D.25	Corp Group indebtedness statement	150

CONTENTS

		Page
D.26	No significant change	151
D.27	Corp incorporation and registered office	151
D.28	Corp share capital	151
D.29	Material shareholdings in Corp	151
D.30	Tax	152
D.31	Insurance	152
D.32	Environmental and other regulations	152
D.33	No waiver of dividends	153
D.34	Documents available for inspection	154
E.	Material interests of Directors and Trustees	155
E.1	Directors	155
E.2	Trustees of the Bonds	169

Edgar Filing: MARCONI PLC - Form 6-K

F.	Risk Factors	170
F.1	Risks related to a failure to implement or a delay in implementing the Restructuring	170
F.2	Risks arising from implementation of the Restructuring	174
F.3	Operating risks	176
F.4	Risks related to ownership of the New Shares, the New Notes and the Warrants	181
II.	THE CORP SCHEME	186
Part I	Preliminary	187
Part II	The Scheme	202
Part III	Determination of Scheme Claims and procedure for Distributions	204
Part IV	Further provisions regarding the issue of New Shares and Warrants	218
Part V	Escrow and distribution arrangements	220
Part VI	Independent adjudication	221
Part VII	The Supervisors	222
Part VIII	Creditors' Committee	226
Part IX	Meetings of Scheme Creditors	233
Part X	Termination	236
Part XI	General Scheme provisions	237
Schedule 1	Determination of claims and payment of dividends	241
Schedule 2	Extract from the plc Scheme	242
Schedule 3	Known Claims	245
Schedule 4	Persons eligible to receive securities pursuant to applicable exemptions under US state securities laws	250
III.	THE PLC SCHEME	253
Part I	Preliminary	254
Part II	The Scheme	268
Part III	Determination of Scheme Claims and procedure for Distributions	271
Part IV	Escrow and distribution arrangements	285
Part V	Independent adjudication	286
Part VI	The Supervisors	287
Part VII	Creditors' Committee	291
Part VIII	Meetings of Scheme Creditors	298
Part IX	Termination	301
Part X	General Scheme provisions	302
Schedule 1	Determination of claims and payment of dividends	305
Schedule 2	Extract from the Corp Scheme	306
Schedule 3	Known Claims	310
Schedule 4	Persons eligible to receive securities pursuant to applicable exemptions under US state securities laws	315
IV.	APPENDICES TO THE EXPLANATORY STATEMENT	318
1.	Corp historical information to 30 September 2002	318
2.	Corp unaudited pro forma consolidated balance sheet	408
3.	plc financial information to 30 September 2002	413
4.	plc quarterly report to 31 December 2002 and updated financial information	529
5.	Corp's discussion and analysis of its financial condition and results of operations	585
6.	Insolvency analysis	622

CONTENTS

	Page

7. Escrow and Distribution Agreement	633
8. Summary of the terms of the New Senior Notes and the New Junior Notes	672
9. Excluded Claims	761
10. Security and Intercreditor Arrangements	797
11. ESOP facilities	818
12. Conditions of the Warrants	819
13. Corp share capital	831
14. Summary of certain provisions of the Memorandum and Articles of Corp	835
15. Rights and restrictions attaching to the Non-Voting Deferred Shares	842
16. Description of American Depositary Receipts	843
17. Tax	851
18. Particulars of the Scheme Implementation Deed	872
19. Material contracts	877
20. Litigation	910
21. Summary of the proposed permanent injunction orders under Section 304 of the United States Bankruptcy Code	916
22. Co-ordination Committee and Informal Committee of Bondholders	919
23. Contact details, material interests and curricula vitae of the Supervisors	920
24. Summary of terms of appointment and scope of engagement of the Prospective Supervisors and the Supervisors	922
25. Form of Confirmation Resolution and form of Scheme Company Confirmation	927
26. Form of letter of confirmation to be given by the Prospective Supervisors	930
27. Instructions to Scheme Creditors	931
28. Instructions to persons with interests in Bonds	935
29. Form of Proxy for Scheme Creditors	974
30. Form of Claim Form for Scheme Creditors	980
V. DEFINITIONS AND GLOSSARY	995
VI. NOTICES	1016
A. Notice of Corp Scheme Meeting	1016
B. Notice of plc Scheme Meeting	1017

I. EXPLANATORY STATEMENT
(IN COMPLIANCE WITH SECTION 426 OF THE COMPANIES ACT 1985)

IMPORTANT NOTICE

A. INFORMATION

An explanation to assist you in determining if you are a Scheme Creditor, a Bondholder or another person with an interest in Bonds is set out in the section headed "Scheme Creditors and persons with interests in Bonds" on pages 8 to 11 of this document.

Edgar Filing: MARCONI PLC - Form 6-K

Nothing in this document or any other document issued with or appended to it should be relied on for any purpose other than to make a decision on the Schemes. In particular and without limitation, nothing in this document or any other document issued with or appended to it should be relied on in connection with the purchase of any shares, warrants, bonds, notes or assets of Corp or plc. This document has been prepared in connection with proposals in relation to schemes of arrangement pursuant to section 425 of the Act between Corp and the Corp Scheme Creditors and plc and the plc Scheme Creditors.

The information contained in this document concerning:

- (a) Corp only has been prepared by Corp;
- (b) plc only has been prepared by plc; and
- (c) both Corp and plc has been prepared by Corp and plc;

and, in each case, that information has been prepared based upon information available to the relevant company. To the best of Corp's and plc's knowledge, information and belief, the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information. The financial statements have been prepared in accordance with UK GAAP. There may be differences between the way in which they are presented and the presentation of financial statements in public filings in other jurisdictions. Corp and plc have taken all reasonable steps to ensure that this document contains the information reasonably necessary to enable Scheme Creditors to make an informed decision about the effect of the relevant Schemes on them.

The members of the Informal Committee of Bondholders and the Co-ordination Committee agreed, at an early stage of the Restructuring discussions, to enter into confidentiality agreements which, inter alia, acknowledged that Corp and plc would supply the Informal Committee of Bondholders and the Co-ordination Committee with certain material non-public information which could potentially make them "insiders" within the meaning of section 52 of the Criminal Justice Act 1993 and for the purposes of laws governing the trading of securities in England and Wales and other jurisdictions. Corp and plc have been required by the members of the Informal Committee of Bondholders pursuant to their confidentiality agreements to make public in this document all insider information, material non-public information or information that is price sensitive which has been supplied to the members of the Informal Committee of Bondholders by Corp or plc. Corp and plc believe that they have performed this obligation and that the members of the Informal Committee of Bondholders have no insider information, material non-public information or information that is price sensitive which has been supplied to them by Corp or plc.

Certain information supplied to the Informal Committee of Bondholders and the Co-ordination Committee is not included in this document either because such information is of a commercially sensitive nature and public disclosure may affect Corp's, plc's or the Group's business or because such information was provided for illustrative purposes only, and in each case Corp and plc do not believe that the information is reasonably necessary to enable Scheme Creditors to make an informed decision on the Schemes nor, in the case of information supplied to the Informal Committee of Bondholders, do they believe such information is price sensitive.

None of Corp's and plc's financial and legal advisers, the Prospective Supervisors, the members of the Informal Committee of Bondholders and the Co-ordination Committee and their respective financial and legal advisers, the Eurobond Trustee and the Yankee Bond Trustee and their respective advisers, who engaged in discussions or consulted with Corp and plc and their advisers

Edgar Filing: MARCONI PLC - Form 6-K

concerning the Restructuring and/or who assisted with the distribution of documentation relating to the Schemes, the submission of claims and/or the voting procedures in respect of the Schemes, has verified that the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information and each of these persons expressly disclaims responsibility for such information.

1

I. EXPLANATORY STATEMENT (IN COMPLIANCE WITH SECTION 426 OF THE COMPANIES ACT 1985)

IMPORTANT NOTICE

In accordance with normal practice, none of the Prospective Supervisors, the members of the Informal Committee of Bondholders and the Co-ordination Committee, the Eurobond Trustee and the Yankee Bond Trustee expresses any opinion as to the merits of the Schemes. Although the Prospective Supervisors have been involved in certain of the arrangements for formulating the Schemes, they make no recommendation as to how to vote in relation to the Schemes. The Prospective Supervisors, the members of the Informal Committee of Bondholders and the Co-ordination Committee, the Eurobond Trustee and the Yankee Bond Trustee recommend that Scheme Creditors who are in any doubt as to the impact on them of the Schemes (or either of them) seek their own financial, taxation and legal advice. The Prospective Supervisors, the members of the Informal Committee of Bondholders and the Co-ordination Committee, the Eurobond Trustee and the Yankee Bond Trustee express no opinion with respect to the effect of the Schemes on the rights or remedies afforded to Scheme Creditors under the US Trust Indenture Act of 1939 or otherwise.

Nothing contained in this document shall be deemed to be a forecast, projection or estimate of plc's, Corp's or the Group's future financial performance except where otherwise specifically stated.

This document contains certain statements, statistics and projections that are or may be forward-looking. The accuracy and completeness of all such statements, including, without limitation, statements regarding the Group's (or any Affiliate's, including Corp's or plc's) future financial position, strategy, projected costs, plans and objectives for the management of future operations, is not warranted or guaranteed. These statements typically contain words such as "intends", "expects", "anticipates", "estimates" and words of similar import. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. Although Corp and plc believe that the expectations reflected in such statements are reasonable, no assurance can be given that such expectations will prove to be correct. There are a number of factors which could cause actual results and developments to differ materially from those expressed or implied by such forward-looking statements. These factors include, but are not limited to, factors identified in part I, Section 2, Part F, Risk Factors or elsewhere in this document as well as: future revenues being lower than expected; increasing competitive pressures in the industry; general economic conditions or conditions affecting the relevant industries, both domestically and internationally, being less favourable than expected; and/or conditions in the securities markets being less favourable than expected.

In announcing the conclusion of the Heads of Terms in respect of the Restructuring on 29 August 2002, and an addendum to the Heads of Terms on 16 December 2002, the Group published certain financial projections with respect to the years ending 31 March 2004 to 31 March 2007. In announcing further information about the Restructuring on 18 March 2003, the Group published an

Edgar Filing: MARCONI PLC - Form 6-K

illustrative financial analysis with respect to the year ending 31 March 2005. In the announcements the Group explained that the projections and analysis were prepared for internal purposes only and not with a view to public disclosure. In order to facilitate the Restructuring discussions, however, the Group furnished these projections and this analysis to representatives of the Syndicate Banks and members of the Informal Committee of Bondholders involved in the discussions. The projections and analysis were made public pursuant to the express terms of Corp's and plc's confidentiality agreements with the members of the Informal Committee of Bondholders. As indicated at the time of their publication, no reliance should be placed on these projections or this analysis and neither Corp nor plc will be publishing any updates in relation to them. No opinion is expressed as to the reasonableness of the assumptions on which the projections or analysis were prepared nor is any assurance given as to the occurrence, timing or extent of any market recovery. Accordingly, Corp and plc do not accept any responsibility for these projections or this analysis.

In this document, references to "sterling", "L", "pence" or "p" are to the lawful currency of the United Kingdom, references to "dollars", "US dollars", "cents", "US\$" or "\$" are to the lawful currency of the United States and references to "euro", "Euro" or "E" are to the currency introduced at the start of the third stage of the European economic and monetary union pursuant to the Treaty of Rome establishing the European Union, as amended.

The summary of the principal provisions of the Schemes contained in this document is qualified in its entirety by reference to the Schemes themselves, the full texts of which are set out at parts II and III of this document. Each Scheme Creditor and each person with an interest in Bonds, is advised to read and consider carefully the texts of

2

I. EXPLANATORY STATEMENT (IN COMPLIANCE WITH SECTION 426 OF THE COMPANIES ACT 1985)

IMPORTANT NOTICE

the Schemes themselves. This is because this document and, in particular, the Explanatory Statement have been prepared solely to assist Scheme Creditors in respect of voting on the Schemes.

Scheme Creditors and persons with interests in Bonds should not construe the contents of this document as legal, tax, financial or other advice, and should consult with their own professional advisers as to the matters described in this document.

B. SECURITIES LAW CONSIDERATIONS

If the Corp Scheme becomes effective, New Shares and New Notes will be issued by Corp to the Escrow Trustee for distribution to Scheme Creditors, Designated Recipients and plc Shareholders, and Warrants will be issued by Corp to the Registrars for distribution to plc Shareholders, all in accordance with the Corp Scheme. If the plc Scheme also becomes effective, New Shares and New Notes which plc is entitled to receive by virtue of any of its Subsidiaries being a Scheme Creditor in the Corp Scheme are expected to form part of the plc Scheme Consideration which will be distributed to plc Scheme Creditors and Designated Recipients in accordance with the plc Scheme.

The distribution of this document, New Shares, New Notes or Warrants may be restricted by law in certain jurisdictions. No action has been taken by Corp or plc that would permit an offer or distribution of New Shares, New Notes or

Edgar Filing: MARCONI PLC - Form 6-K

Warrants or possession or distribution of this document or any offer or publicity material in any jurisdiction where action for that purpose is required, other than in the United Kingdom and in certain other jurisdictions referred to in part I, Section 2, Part D.18. Scheme Creditors, persons with interests in Bonds, Designated Recipients and plc Shareholders are strongly advised to consult their professional advisers as to whether any laws or regulations which may be applicable to them may give rise to any liability or penalty, or require them to obtain any government or other consents or to pay any taxes or duties, as a result of the implementation of the Schemes. None of Corp, plc, the Escrow Trustee, the Distribution Agent, the Supervisors, Bondholder Communications, the Registrars, the Informal Committee of Bondholders, the Co-ordination Committee, their respective directors or any other parties involved in the Restructuring accept any responsibility for any liabilities (including but not limited to consequential liabilities) incurred by Scheme Creditors, Definitive Holders, Designated Recipients and other persons with interests in Bonds or plc Shareholders as a result of the implementation of the Schemes in respect of laws or regulations applicable to them (except that UK stamp duty or SDRT payable in connection with the issuance of ADRs will be met by Corp to the extent described herein).

Securities will not be distributed pursuant to the Schemes to or to the order, or for the account or benefit, of any person where such distribution would be prohibited by any applicable law or regulation, or so prohibited except after compliance with conditions or requirements that are unduly onerous. To the extent that such a prohibition applies, securities that would otherwise have been distributed to any relevant person pursuant to the Schemes will be sold and the net cash proceeds of such sale (after deduction of all applicable expenses and currency conversion costs) paid to that person in sterling in full satisfaction of his rights in respect of such securities under the relevant Scheme (provided that if the securities are not listed on a securities exchange Scheme Creditors and Bondholders will be entitled to receive a sum in cash in sterling that is substantially equivalent in value to such securities). For further information, please see part I, Section 2, Part C.9.

Corp and plc have determined that no such legal or regulatory prohibitions currently apply in connection with the Schemes with respect to the laws of the United Kingdom and certain other jurisdictions identified in part I, Section 2, Part C.9, but that such prohibitions do apply with respect to the laws of certain "Restricted Jurisdictions" (namely France, Italy, Malaysia and the US states of Arizona, California, Colorado, Connecticut, Illinois, Ohio and Vermont). In connection with these restrictions and in order to permit securities to be distributed to persons located in Restricted Jurisdictions, the Claim Form will require each person completing it (other than the Trustees), and the Account Holder Letter will require each relevant Account Holder, to confirm certain facts. Except as otherwise described herein, if the required confirmations are not given in the form requested in a Claim Form or Account Holder Letter, then New Shares and New Notes will not be distributed in respect of such Claim Form or Account Holder Letter, in which case the relevant person or persons will receive cash instead as described above.

Scheme Creditors, Definitive Holders, Designated Recipients and other persons with interests in Bonds -- in particular, those located in the Restricted Jurisdictions named above -- should carefully consider the provisions

3

I. EXPLANATORY STATEMENT (IN COMPLIANCE WITH SECTION 426 OF THE COMPANIES ACT 1985)

IMPORTANT NOTICE

Edgar Filing: MARCONI PLC - Form 6-K

of the Schemes with respect to legal and regulatory restrictions generally and the contents of the confirmations to be included in the Claim Form and Account Holder Letter as described in part I, Section 2, Part C.9. Information with respect to the categories of persons in certain Restricted Jurisdictions who may be eligible to receive securities pursuant to the Schemes in reliance on exemptions under applicable law is set out (with respect to persons located in France and Italy) in part I, Section 2, Part D.17 and (with respect to persons located in Arizona, California, Colorado, Connecticut, Illinois, Ohio and Vermont) in part I, Section 2, Part D.16. Any persons who are in doubt as to how legal or regulatory restrictions may affect them in relation to the Schemes are strongly advised to consult their professional advisers.

NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENCE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER, OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

4

I. EXPLANATORY STATEMENT
(IN COMPLIANCE WITH SECTION 426 OF THE COMPANIES ACT 1985)

EXPECTED TIMETABLE OF PRINCIPAL EVENTS(1) (2)

PERSONS WITH INTERESTS IN BONDS SHOULD OBSERVE ANY DEADLINES SET BY ANY INSTITUTION OR SETTLEMENT SYSTEM THROUGH WHICH THEY HOLD ANY BONDS TO ENSURE ANY VOTING INSTRUCTIONS GIVEN BY THEM ARE ACTED UPON AT THE RELEVANT SCHEME MEETING

ITEM ----	DEADLINE -----
Record Date(3)	5.00 p.m. on 27 March 2003
Date of publication of the Prospectus	31 March 2003
Latest time and date for delivery of Claim Forms to KPMG in order for Scheme Creditors to participate in the First Initial Distribution of Scheme Consideration(4)	5.00 p.m. on 17 April 2003
Latest time and date for delivery of Account Holder Letters to Bondholder Communications in order for Designated Recipients to participate in the First Initial Distribution of Scheme Consideration and latest recommended time and date for such delivery in order for Definitive Holders to vote at the Scheme Meetings(5) (6)	5.00 p.m. (New York City time) on 17 April 2003
Latest recommended time and date by which KPMG should receive Forms of Proxy for voting at the Scheme Meetings(7)	5.00 p.m. on 17 April 2003

Edgar Filing: MARCONI PLC - Form 6-K

Last time and date by which KPMG should receive Forms of Proxy for voting at the Scheme Meetings(7)	12 noon on 24 April 2003
Date of exchange of global Eurobonds for individual global Eurobonds(8)	on or before 24 April 2003
Date of exchange of global Yankee Bonds for definitive registered Yankee Bonds(8)	on or before 24 April 2003
Release Date(9)	24 April 2003
Meeting of Corp Scheme Creditors(10)	10.00 a.m. on 25 April 2003
Meeting of plc Scheme Creditors(10)	10.15 a.m. on 25 April 2003
Latest time and date for approval by the Prospective Supervisors of Scheme Claims in order for Scheme Creditors or Designated Recipients in respect of those Scheme Claims to participate in the First Initial Distribution of Scheme Consideration(15) (16)	8.00 a.m. on 12 May 2003
Court hearing to sanction the Schemes(11)	12 to 13 May 2003
US Bankruptcy Court hearing for Section 304 US Bankruptcy Code permanent injunction orders(12)	14 May 2003
Last day of dealing in shares in plc	16 May 2003
Latest time and date for Scheme Creditors to propose themselves to act as members of the Creditors' Committee(13)	5.00 p.m. on 16 May 2003
Effective Date of the Schemes	19 May 2003
Listing of New Shares, New Notes and Warrants(14)	8.00 a.m. on 19 May 2003
First Initial Distribution of Corp Scheme Consideration(15)	19 May 2003
First Initial Distribution of plc Scheme Consideration(16)	19 May 2003
Court hearing to sanction the Capital Reduction(17)	21 May 2003
Date on which the Capital Reduction becomes effective(17)	22 May 2003

Notes:

- (1) All references to time in this timetable are to London time unless otherwise stated.
- (2) The dates in this timetable and mentioned throughout this document assume that neither of the Scheme Meetings is adjourned. It is therefore not possible to be specific about these dates. It is also possible that the drawing up of the order

5

I. EXPLANATORY STATEMENT (IN COMPLIANCE WITH SECTION 426 OF THE COMPANIES ACT 1985)

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

or orders of the Court sanctioning one or both of the Schemes may be delayed if any person appeals the relevant order or orders.

- (3) All Scheme Claims are determined as at the Record Date. The Supervisors will be entitled to exercise discretion as to whether they recognise any assignment or transfer of Scheme Claims after the Record Date. Bonds may continue to be traded after the Record Date until the date on which they are blocked in the clearing systems.
- (4) A brief description of the claim against the relevant Scheme Company and other information must be provided in the Claim Form in respect of each Scheme Claim. Claim Forms are to be submitted to KPMG (Philip Wallace and Richard Heis, both partners in KPMG, are the Prospective Supervisors of

Edgar Filing: MARCONI PLC - Form 6-K

both Schemes). Scheme Consideration will be distributed to Admitted Scheme Creditors by the Distribution Agent acting upon instructions received from the Escrow Trustee and the Supervisors. Scheme Creditors are urged to return their Claim Forms as soon as possible to allow as long as possible for them to be processed and checked by KPMG, thereby increasing the likelihood of Scheme Claims being Admitted (if appropriate) in time for Scheme Creditors to participate in the First Initial Distribution. KPMG will acknowledge receipt of each Claim Form received. Scheme Creditors requiring any assistance in completing Claim Forms should contact the HELPLINE on +44(0) 20 7694 3007.

- (5) No Scheme Consideration will be distributed by the Distribution Agent in relation to the Bonds except to Designated Recipients in respect of the relevant Scheme Claim identified in duly completed Account Holder Letters. Provided that the relevant Trustee has submitted a Claim Form which has been Admitted in time for the First Initial Distribution of Scheme Consideration to be made to Designated Recipients, for a Designated Recipient to receive the First Initial Distribution a copy of a duly completed Account Holder Letter relating to that Designated Recipient must be delivered in accordance with the instructions set out in Appendix 28 and must be received by Bondholder Communications by 5.00 p.m. (New York City time) on 17 April 2003. Holders of Eurobonds will receive the cash forming part of the First Initial Distribution whether or not an Account Holder Letter has been delivered by this date.
- (6) Each Definitive Holder identified in a duly completed Account Holder Letter is entitled to vote at the Scheme Meetings. The procedures in this respect are described in detail in Appendix 28.
- (7) KPMG will acknowledge receipt of each Form of Proxy received. Scheme Creditors (other than Definitive Holders, to whom this note is not applicable) requiring any assistance completing Forms of Proxy should contact the HELPLINE on +44(0) 20 7694 3007. Forms of Proxy may be handed in at the registration desk for the Scheme Meetings no later than one hour before the scheduled time of the relevant Scheme Meeting. Thereafter, Forms of Proxy may be handed to the chairman of the relevant Scheme Meeting at that meeting. All Scheme Creditors are recommended to return the relevant Form of Proxy on or before 5.00 p.m. on 17 April 2003 to minimise administrative delays. The latest time and date by which KPMG should receive Forms of Proxy is 12 noon on 24 April 2003. Faxed Forms of Proxy are acceptable if faxed to +44 (0)20 7694 3011. Faxes should be marked for the attention of Philip Wallace and Richard Heis. Scheme Creditors whose claims have been admitted and valued as described in note (10) below are entitled to attend and vote at the Scheme Meetings in person even if they have previously submitted a Form of Proxy.
- (8) The exchanges of Bonds are expected to be made shortly before the release of the interim security.
- (9) This is the date on which it is expected that the interim security (described in part I, Section 2, Part D.1) will be released.
- (10) The Corp Scheme Meeting will commence at the time stated and the plc Scheme Meeting will commence at the later of the time stated and the conclusion or adjournment of the Corp Scheme Meeting. The chairman of the relevant Scheme Meeting will admit and value claims of Scheme Creditors (including Definitive Holders) only for the purpose of voting at that Scheme Meeting and not for the purposes of determining whether a Scheme Claim should be Admitted. More detail concerning valuation of claims for the purposes of voting, admission of claims for the purposes of Scheme Meetings, and disputes as to such valuation or admission, is set out in paragraphs 15 to 17 of Appendix 27 and paragraphs 52 and 54 of Appendix 28. Only those

Edgar Filing: MARCONI PLC - Form 6-K

Scheme Creditors whose claims have been so admitted and valued by the chairman of the relevant Scheme Meeting can vote at that Scheme Meeting. If, for this purpose only, a claim is rejected or reduced, the chairman will inform the relevant creditor of such rejection or reduction and report all such rejections or reductions of claims (with reasons therefor) to the Court at the hearing to sanction the relevant Scheme.

- (11) The Court will be requested to hear the petitions to sanction the Schemes together at a single hearing if both Schemes are approved by the relevant Scheme Creditors. The date for that hearing has not yet been settled, although it is expected to take place on or about 12 to 13 May 2003. If this date changes, the dates of all subsequent steps, including the Effective Date, will be affected. In this event, the date of the hearing will be published in The Times and the international editions of the Wall Street Journal, the Financial Times and the International Herald Tribune and also announced at each of the Scheme Meetings, to the extent then known.
- (12) The date of the US Bankruptcy Court hearing has not yet been determined.
- (13) If a Scheme Creditor (including a Definitive Holder) wishes to propose itself to act as a member of the Creditors' Committee, it should ensure that the appropriate box on its Claim Form or Account Holder Letter is ticked. On the Effective Date, the Supervisors will, to the extent possible, appoint up to seven members of the Creditors' Committee

6

I. EXPLANATORY STATEMENT (IN COMPLIANCE WITH SECTION 426 OF THE COMPANIES ACT 1985)

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

selected from those Scheme Creditors and Definitive Holders who have proposed themselves to act, representing a proper balance of the interests of Scheme Creditors as a whole. If fewer than three Scheme Creditors and Definitive Holders propose themselves to act as members of the Creditors' Committee, then on and from the Effective Date the Creditors' Committee will consist of as many members as have proposed themselves to act. In accordance with the terms of the Scheme those members, if any, will endeavour to fill the vacancy/vacancies to ensure that the Creditors' Committee has a minimum of three members within 28 days of the Effective Date. If those members do not succeed in appointing the necessary number of further members of the Creditors' Committee, resulting in a Creditors' Committee consisting of fewer than three members within 28 days of the Effective Date, the Supervisors will thereafter use reasonable endeavours to appoint the necessary number of further members within the following 14 days as interim committee members to serve on the Creditors' Committee until the necessary number of further permanent members are appointed.

- (14) Elections may be made in Claim Forms and Account Holder Letters to have all or any portion of the New Shares deliverable pursuant to the Schemes delivered in the form of ADRs. Corp will apply to list the ADRs on NASDAQ and will use its reasonable endeavours to effect this NASDAQ listing as soon as practicable following the Effective Date of the Corp Scheme. It is currently expected that the NASDAQ listing will become effective during the third calendar quarter of 2003. For further information, see part I, Section 2, Parts C.2 and D.15.
- (15) To receive Corp Scheme Consideration by way of the First Initial

Edgar Filing: MARCONI PLC - Form 6-K

Distribution, a Corp Scheme Creditor's Scheme Claim must be approved by the Prospective Supervisors on or prior to 8.00 a.m. on the first day of the Court sanction hearing and the Claim Form in respect of that Scheme Claim must have been duly submitted by 5.00 p.m. on 17 April 2003. Corp Scheme Creditors are encouraged to return their Claim Forms as soon as possible, to allow as many Claim Forms as possible to be processed by KPMG in advance of 8.00 a.m. on the first day of the Court sanction hearing. This will allow as many Scheme Claims as possible, where appropriate, to be Admitted on the Effective Date and listed in the First Initial Distribution Notice pursuant to the terms of the Corp Scheme. Account Holders are encouraged to obtain whatever information or instructions they may require from Bondholders in sufficient time to enable them to return Account Holder Letters to Bondholder Communications as soon as possible and in any event prior to 5.00 p.m. (New York City time) on 17 April 2003.

- (16) To receive plc Scheme Consideration by way of the First Initial Distribution, a plc Scheme Creditor's Scheme Claim must be approved by the Prospective Supervisors on or prior to 8.00 a.m. on the first day of the Court sanction hearing and the Claim Form in respect of that Scheme Claim must have been duly submitted by 5.00 p.m. on 17 April 2003. plc Scheme Creditors are encouraged to return their Claim Forms as soon as possible, to allow as many Claim Forms as possible to be processed by KPMG in advance of 8.00 a.m. on the first day of the Court sanction hearing. This will allow as many Scheme Claims as possible, where appropriate, to be Admitted on the Effective Date and listed in the First Initial Distribution Notice pursuant to the terms of the plc Scheme. Account Holders are encouraged to obtain whatever information or instructions they may require from Bondholders in sufficient time to enable them to return Account Holder Letters to Bondholder Communications as soon as possible and in any event prior to 5.00 p.m. (New York City time) on 17 April 2003.
- (17) The Corp Capital Reduction (as more fully described in part I, Section 2, Part D.9) requires the sanction of the Court and the Court order confirming the Capital Reduction to be filed with the Registrar of Companies and registered by him. It is anticipated that these steps will take place on the dates indicated.

7

I. EXPLANATORY STATEMENT (IN COMPLIANCE WITH SECTION 426 OF THE COMPANIES ACT 1985)

SCHEME CREDITORS AND PERSONS WITH INTERESTS IN BONDS

INTRODUCTION

1. For the purposes of this document, Scheme Creditors under the Corp and plc Schemes include bank creditors and certain other creditors of Corp and plc, respectively, at the Record Date (being 5.00 p.m. (London time) on 27 March 2003). Special provisions apply to the Yankee Bonds and Eurobonds as described below. A list of the Known Creditors of the Corp Scheme is set out in Schedule 3 to the Corp Scheme in part II of this document and a list of the Known Creditors of the plc Scheme is set out in Schedule 3 to the plc Scheme in part III of this document.

YANKEE BONDS

2. The following Bonds issued by Corp and guaranteed by plc are Yankee Bonds:

Edgar Filing: MARCONI PLC - Form 6-K

US\$900,000,000 7 3/4 per cent. Bonds due 2010; and

US\$900,000,000 8 3/8 per cent. Bonds due 2030.

The Yankee Bond Trustee and Book-Entry Depository for both Yankee Bond issues is The Bank of New York.

3. For so long as each series of the Yankee Bonds remains in global form, The Bank of New York, as the bearer of the respective global Yankee Bonds, will be the Corp Scheme Creditor in respect of such Bonds. The Bank of New York, as Yankee Bond Trustee, is also a Corp Scheme Creditor in accordance with the terms of the Indenture. In these circumstances, none of the Account Holders, Intermediaries or Bondholders will be Corp Scheme Creditors and thus none of them will be entitled to attend or vote at the Corp Scheme Meeting. The Indenture permits the exchange of the global Yankee Bonds for definitive registered Yankee Bonds at Corp's discretion. At the request of certain creditors, Corp has agreed to exchange the global Yankee Bonds for definitive Yankee Bonds with a view to ensuring that Definitive Holders (being, in the case of the Yankee Bonds, the persons in whose names the Yankee Bonds in definitive form will be registered) can attend and vote in respect of such Bonds at the Corp Scheme Meeting.
4. The Bank of New York, as Yankee Bond Trustee, is also a plc Scheme Creditor by virtue of the guarantee given in its favour in the Indenture. At the request of certain creditors of plc, plc has agreed to extend the benefit of its guarantee of the Yankee Bonds to the Definitive Holders of Yankee Bonds with a view to ensuring that they can attend and vote at the plc Scheme Meeting in respect of such Bonds.
5. Under the Indenture, The Bank of New York, as the Yankee Bond Trustee, is entitled to, and will, file a Claim Form under each Scheme in respect of all of the Yankee Bonds. As a result, holders of Yankee Bonds should not file Claim Forms (except in respect of any non-Bond debt which is owed to such Bondholders by Corp or plc), but Account Holders who hold Yankee Bonds will need to file Account Holder Letters as described in paragraph 16 below in order for the nominated Definitive Holders to vote at the Scheme Meetings and the nominated Designated Recipients to receive Scheme Consideration in respect of each Scheme.
6. The procedures for filing a Claim Form, delivering an Account Holder Letter and attending and/or giving voting instructions in relation to the Scheme Meetings in relation to the Yankee Bonds are described in more detail in paragraph 16 below and in Appendix 28.

EUROBONDS

7. The following Bonds issued by Corp and guaranteed by plc are Eurobonds:

€500,000,000 5.625 per cent. Bonds due 2005; and

€1,000,000,000 6.375 per cent. Bonds due 2010.

The Eurobond Trustee for both Eurobond issues is The Law Debenture Trust Corporation p.l.c.

8. The Eurobond Trustee is a Corp Scheme Creditor in accordance with the terms of the Trust Deeds. For so long as each series of the Eurobonds remains in permanent global form, the common depository for Euroclear and Clearstream, Luxembourg, as the bearer of the respective permanent global Eurobonds, will

I. EXPLANATORY STATEMENT
(IN COMPLIANCE WITH SECTION 426 OF THE COMPANIES ACT 1985)

SCHEME CREDITORS AND PERSONS WITH INTERESTS IN BONDS

also be a Corp Scheme Creditor in respect of such Bonds. In these circumstances, none of the Account Holders, Intermediaries or Bondholders will be Corp Scheme Creditors and thus none of them will be entitled to attend or vote at the Corp Scheme Meeting. The terms of the existing permanent global Eurobonds do not permit their exchange for Eurobonds in definitive bearer form unless and until an event of default under the conditions of the Eurobonds or certain other limited events have occurred. However, at the request of certain creditors, Corp has agreed to exchange the permanent global Eurobonds for individual global Eurobonds with a view to ensuring that Definitive Holders (being, in the case of the Eurobonds, those persons who are bearers by attornment of the individual global Eurobonds) can attend and vote at the Corp Scheme Meeting in respect of such Bonds. Further details of the attornment process and the individual global Eurobonds are set out in paragraph 22 of Appendix 28. Corp has requested the Eurobond Trustee to agree that the terms of the global Eurobonds should be amended to permit the issuance of individual global Eurobonds at the discretion of Corp and the Eurobond Trustee has agreed to this request. Corp and the Eurobond Trustee have agreed the necessary amendments to the terms of the Trust Deeds to allow for the issue of individual global Eurobonds.

9. The Eurobond Trustee is also a plc Scheme Creditor by virtue of the guarantee given in its favour in the Trust Deeds. At the request of certain creditors of plc, plc has agreed to extend the benefit of its guarantee of the Eurobonds to the Definitive Holders of Eurobonds with a view to ensuring that they can attend and vote at the plc Scheme Meeting in respect of such Bonds.
10. The Eurobond Trustee, in its capacities as a Corp Scheme Creditor and a plc Scheme Creditor, is entitled to, and will, file a Claim Form under each Scheme in respect of all of the Eurobonds. As a result, holders of Eurobonds should not file Claim Forms (except in respect of any non-Bond debt which is owed to such Bondholders by Corp or plc) but Account Holders who hold Eurobonds will need to file Account Holder Letters as described in paragraph 17 below in order for the nominated Definitive Holders to vote at the Scheme Meetings and the nominated Designated Recipients to receive Scheme Consideration in respect of each Scheme.
11. The procedures for filing a Claim Form, delivering an Account Holder Letter and attending and/or giving voting instructions in relation to the Scheme Meetings in relation to the Eurobonds are described in more detail in paragraph 17 below and in Appendix 28.

SCHEME CREDITORS

12. You are a Scheme Creditor if you have a Scheme Claim. For the purposes of this document, Corp Scheme Creditors include the Eurobond Trustee (in respect of the Eurobonds) and The Bank of New York (in respect of the Yankee Bonds), but do not include Bondholders (unless and until they become Definitive Holders), Account Holders or Intermediaries. In addition, plc Scheme Creditors include the Yankee Bond Trustee and the Eurobond Trustee but do not include Bondholders (unless and until they

Edgar Filing: MARCONI PLC - Form 6-K

become Definitive Holders), Account Holders or Intermediaries.

13. The term "SCHEME CREDITOR" is used in this document in a number of different contexts and, in each context, has a different meaning in so far as the Bonds are concerned. In relation to the Bonds:
- in the context of submitting Scheme Claims (and therefore completing Claim Forms) under both Schemes, the term "SCHEME CREDITOR" means only the Eurobond Trustee and the Yankee Bond Trustee; and
 - in the context of voting at Scheme Meetings and the right to attend Scheme Meetings and to be nominated to the Creditors' Committee under both Schemes, the term "SCHEME CREDITOR" means only the Definitive Holders.

In the context of entitlement to receive Scheme Consideration under both Schemes, the term "SCHEME CREDITOR" is only used to mean those persons who have submitted a Scheme Claim which has been Admitted. Each Trustee is expected to submit a Scheme Claim and each such Scheme Claim is expected to be Admitted. However, as each Trustee will, in the Escrow and Distribution Agreement, direct that any Scheme Consideration to which it becomes entitled shall be distributed to Designated Recipients, in this

9

I. EXPLANATORY STATEMENT (IN COMPLIANCE WITH SECTION 426 OF THE COMPANIES ACT 1985)

SCHEME CREDITORS AND PERSONS WITH INTERESTS IN BONDS

context reference is generally made to Scheme Consideration being distributed to Scheme Creditors (other than the Trustees) and to Designated Recipients.

PERSONS WITH INTERESTS IN BONDS

14. Persons with interests in Bonds include Account Holders, Intermediaries, Bondholders, Definitive Holders and Designated Recipients. The common depositary for Euroclear and Clearstream, Luxembourg has an interest in the Eurobonds by virtue of being the bearer of the global Eurobonds and The Bank of New York, in its capacity as Book-Entry Depositary, has an interest in the Yankee Bonds by virtue of being the holder of the global Yankee Bonds, in each case for so long as the Eurobonds or the Yankee Bonds, as the case may be, are represented by one or more global Eurobonds or global Yankee Bonds, respectively. You are:
- an Account Holder if you are recorded directly in the books of Euroclear or Clearstream, Luxembourg as holding an interest in Eurobonds or Yankee Bonds or in the books of Euroclear, Clearstream, Luxembourg or DTC as holding an interest in Yankee Bonds, in each case in an account with the relevant clearing system;
 - an Intermediary if you hold an interest in Eurobonds or Yankee Bonds on behalf of another person or persons and you do not hold that interest as an Account Holder;
 - a Bondholder if you have the ultimate economic interest in the relevant Bonds;
 - a Definitive Holder if you are the registered holder of a Yankee

Edgar Filing: MARCONI PLC - Form 6-K

Bond in definitive form or the bearer by attornment of an individual global Eurobond; and

- a Designated Recipient if you are specified in an Account Holder Letter as being the recipient of cash and/or New Notes and/or New Shares in any distribution of Scheme Consideration in respect of a particular principal amount of Bonds. For the avoidance of doubt, a Bondholder may be the same person as the Designated Recipient and/or Definitive Holder of the Bonds relating to that Account Holder Letter.
15. IF YOU ARE A PERSON WITH AN INTEREST IN BONDS YOU SHOULD READ THIS DOCUMENT CAREFULLY AND TAKE THE APPROPRIATE ACTION DESCRIBED IN APPENDIX 28 IN ORDER FOR VOTING INSTRUCTIONS IN RELATION TO THE SCHEME MEETINGS TO BE GIVEN AND FOR DETAILS FOR THE PURPOSE OF RECEIVING SCHEME CONSIDERATION TO BE REGISTERED.
16. PERSONS WITH INTERESTS IN YANKEE BONDS SHOULD NOTE THAT:
- a. no Claim Form is required to be submitted by them as this will be done on their behalf by the Yankee Bond Trustee;
 - b. Account Holders with interests in Yankee Bonds are recommended to deliver to Bondholder Communications (preferably on-line through www.bondcom.com/marconi) duly completed Account Holder Letters (in the form set out as the Annex to Appendix 28) on or before 5.00 p.m. (New York City time) on 17 April 2003 and, in order for this to be achieved, blocking instructions must be given by no later than 5.00 p.m. (in the place of the relevant clearing system) on the day before the Account Holder Letter is delivered to Bondholder Communications;
 - c. delivery of a duly completed Account Holder Letter by the time and date specified in b. above will entitle Definitive Holders of Yankee Bonds to attend and/or vote at the Scheme Meetings and the Designated Recipients named in the applicable Account Holder Letter to receive the First Initial Distribution of Corp and plc Scheme Consideration and further distributions of Corp and plc Scheme Consideration (if any);
 - d. failure to deliver an Account Holder Letter to Bondholder Communications by the time and date specified in b. above will not preclude the relevant Definitive Holder from voting at the Scheme Meetings provided that the Definitive Holder or his proxy can establish his entitlement

10

I. EXPLANATORY STATEMENT (IN COMPLIANCE WITH SECTION 426 OF THE COMPANIES ACT 1985)

SCHEME CREDITORS AND PERSONS WITH INTERESTS IN BONDS

by producing a copy of the duly completed Account Holder Letter or form of proxy, as the case may be;

- e. Definitive Holders of Yankee Bonds who wish to attend and vote in person at the Scheme Meetings must ensure that this is specified in the applicable Account Holder Letter. Definitive Holders of Yankee Bonds who wish only to have their vote recorded at the

Edgar Filing: MARCONI PLC - Form 6-K

Scheme Meetings must ensure that authority is given to Bondholder Communications in the Account Holder Letter for the appointment of a proxy to vote on their behalf at the Scheme Meetings; and

- f. Account Holders who hold Yankee Bonds with ISIN US566306AA41 or ISIN US566306AB24 have received on 17 March 2003 an amount for distribution to Bondholders in respect of such Yankee Bonds representing interest accrued from and including 15 September 2002 to but excluding 15 October 2002 from the Yankee Bond Trustee which has been holding such amount on trust for the Bondholders of such Yankee Bonds. Amounts representing interest accrued to 15 October 2002 were paid to all other financial creditors of Corp on or about that date.

17. PERSONS WITH INTERESTS IN EUROBONDS SHOULD NOTE THAT:

- a. no Claim Form is required to be submitted by them as this will be done on their behalf by the Eurobond Trustee;
- b. Account Holders with interests in Eurobonds are recommended to deliver to Bondholder Communications duly completed Account Holder Letters (in the form set out in the Annex to Appendix 28) on or before 5.00 p.m. (New York City time) on 17 April 2003 and, in order for this to be achieved, blocking instructions must be given by no later than 5.00 p.m. (in the place of the relevant clearing system) on the day before the Account Holder Letter is delivered to Bondholder Communications;
- c. delivery of a duly completed Account Holder Letter by the time and date specified in b. above will entitle Definitive Holders of Eurobonds to attend and/or vote at the Scheme Meetings and the Designated Recipients named in the applicable Account Holder Letter to receive the First Initial Distribution of Corp and plc Scheme Consideration and further distributions of Corp and plc Scheme Consideration (if any). Account Holders will receive the cash forming part of the First Initial Distribution whether or not an Account Holder Letter is delivered;
- d. failure to deliver an Account Holder Letter to Bondholder Communications by the time and date specified in b. above will not preclude the relevant Definitive Holder from voting at the Scheme Meetings provided that the Definitive Holder or his proxy can establish his entitlement by producing a copy of the duly completed Account Holder Letter or form of proxy, as the case may be; and
- e. Definitive Holders of Eurobonds who wish to attend and vote in person at the Scheme Meetings must ensure that this is specified in the applicable Account Holder Letter. Definitive Holders of Eurobonds who wish only to have their vote recorded at the Scheme Meetings must ensure that authority is given to Bondholder Communications in the Account Holder Letter for the appointment of a proxy to vote on their behalf at the Scheme Meetings.

GENERAL

- 18. IF YOU ARE A SCHEME CREDITOR, PLEASE READ THIS DOCUMENT CAREFULLY AND TAKE THE APPROPRIATE ACTION DESCRIBED IN APPENDIX 27. IF YOU ARE A PERSON WITH AN INTEREST IN BONDS, YOU SHOULD ALSO READ THIS DOCUMENT CAREFULLY AND BONDHOLDERS SHOULD CONTACT THEIR ACCOUNT HOLDERS (THROUGH ANY INTERMEDIARIES, IF APPROPRIATE) TO ENSURE THEY TAKE THE APPROPRIATE ACTION AS DESCRIBED IN APPENDIX 28.

I. EXPLANATORY STATEMENT
(IN COMPLIANCE WITH SECTION 426 OF THE COMPANIES ACT 1985)

DEFINITIONS AND INTERPRETATION

In this document, each Claim Form, each Account Holder Letter and each Form of Proxy, unless the context otherwise requires or otherwise expressly provides:

- a. words and expressions defined in part V on pages 995 to 1009 shall have the same meaning when used elsewhere in this document (other than in the Schemes set out in parts II and III of this document and the Schedules to them, the Escrow and Distribution Agreement set out in Appendix 7, the summary of the terms of the New Senior Notes and the New Junior Notes set out in Appendix 8, the security and intercreditor arrangements set out in Appendix 10 and the conditions of the Warrants set out in Appendix 12) and derivative terms shall be construed accordingly;
- b. references to Sections and Parts are references to the Sections and Parts of the Explanatory Statement as set out in part I of this document and references to Appendices are to the Appendices to the Explanatory Statement as set out in part IV of this document;
- c. references to a "person" include references to an individual, firm, partnership, company, corporation, unincorporated body of persons or any state or state agency;
- d. references to a statute or a statutory provision include the same as subsequently modified, amended or re-enacted from time to time;
- e. the singular includes the plural and vice versa and words importing one gender shall include all genders; and
- f. headings to parts, Sections, Parts and Appendices are for ease of reference only and shall not affect the interpretation of this document.

The term "SCHEME CREDITOR" is used in this document in a number of different contexts and, in each context, has a different meaning in so far as the Bonds are concerned. In relation to the Bonds:

- a. in the context of submitting Scheme Claims under both Schemes, the term "SCHEME CREDITOR" means the Eurobond Trustee and the Yankee Bond Trustee; and
- b. in the context of voting at Scheme Meetings and the right to attend Creditors' Meetings and to be nominated to the Creditors' Committee under both Schemes, the term "SCHEME CREDITOR" means the Definitive Holders.

In the context of entitlement to receive Scheme Consideration under both Schemes, the term "SCHEME CREDITOR" is only used to mean those persons who have submitted a Scheme Claim which has been Admitted. Each Trustee is expected to submit a Scheme Claim and each such Scheme Claim is expected to be Admitted. However, as each Trustee will, in the Escrow and Distribution Agreement, direct that any Scheme Consideration to which it becomes entitled shall be distributed

Edgar Filing: MARCONI PLC - Form 6-K

to Designated Recipients, in this context reference is generally made to Scheme Consideration being distributed to Scheme Creditors (other than the Trustees) and to Designated Recipients.

12

I. EXPLANATORY STATEMENT (IN COMPLIANCE WITH SECTION 426 OF THE COMPANIES ACT 1985)

SUMMARY OF ACTION TO BE TAKEN

Scheme Creditors to whom Corp and/or plc owes a Liability at the Record Date (other than those Liabilities defined in the relevant Schemes as Excluded Claims) are referred to Appendix 27 for more detailed instructions as to the action to be taken by them. Persons with interests in Bonds are referred to Appendix 28 for more detailed instructions as to the action to be taken by them.

SCHEME CREDITORS

Persons who are Scheme Creditors solely by virtue of having an interest in Bonds need not read paragraphs 1 to 3 below and should instead refer to paragraphs 4 to 7 below.

1. SCHEME MEETINGS

Before the Schemes can become effective and binding on the Scheme Companies and their respective Scheme Creditors, resolutions to approve them must be passed by the statutory majority required by section 425 of the Act. This statutory majority is a majority in number representing three-fourths in value of the Scheme Claims of Scheme Creditors of Corp or, as the case may be, plc who, being so entitled, are present in person (or, if a corporation, by a duly authorised representative) or by proxy and vote at the relevant Scheme Meeting. THE SCHEME MEETINGS HAVE BEEN ORDERED TO BE SUMMONED BY THE COURT TO TAKE PLACE ON 25 APRIL 2003 WITH THE FIRST MEETING COMMENCING AT 10.00 A.M. AT THE INSTITUTE OF CIVIL ENGINEERS, 1 GREAT GEORGE STREET, LONDON SW1. Formal notices of the Scheme Meetings are enclosed with this document. Each Scheme Creditor or his proxy who wishes to attend the relevant Scheme Meeting in person will be required to register his attendance by presenting himself, together with the duplicate copy of his Form of Proxy, where possible, at the registration desk prior to the commencement of the relevant Scheme Meeting. Forms of Proxy should be received by the Prospective Supervisors by 12 noon (London time) on 24 April 2003. However, a Scheme Creditor who wishes to attend the relevant Scheme Meeting in person is encouraged to complete section B(ii) in the relevant Form of Proxy and either return it to the Prospective Supervisors prior to 5.00 p.m. (London time) on 17 April 2003. Forms of Proxy can also be brought along in person to the relevant Scheme Meeting and handed in at the registration desk no later than one hour before the scheduled time for the relevant Scheme Meeting. Thereafter a Scheme Creditor may lodge completed Forms of Proxy with the chairman of the relevant Scheme Meeting at that Scheme Meeting. A Scheme Creditor who attends a Scheme Meeting in person (but has not provided a Form of Proxy) will also need to provide evidence of his personal identity (for example, passport or other picture identification) and an individual attending on behalf of a body corporate should provide evidence of his authorisation to represent that body corporate (for example a valid power of attorney and/or board minutes). Admittance of a Scheme Creditor (or his proxy) to the relevant Scheme Meeting will be permitted on production by the Scheme Creditor (or his proxy) of the duplicate copy of his Form of Proxy. Where the duplicate copy of the relevant Form of Proxy is not produced, admittance to the relevant Scheme Meeting will be permitted to a Scheme Creditor or his proxy on the production of proof of

Edgar Filing: MARCONI PLC - Form 6-K

personal identity (for example, passport or other picture identification). Please see Appendix 27 for more information in this regard.

2. COMPLETION OF FORMS OF PROXY AND CLAIM FORMS

Enclosed with this document are Form(s) of Proxy and Claim Form(s). The Forms of Proxy and Claim Forms are printed on the colours of paper indicated below:

Form of Proxy for Corp Scheme Creditors..... yellow;
Form of Proxy for plc Scheme Creditors..... green;
Claim Form for Corp Scheme Creditors..... blue; and
Claim Form for plc Scheme Creditors..... pink.

Each Scheme Creditor or its duly authorised representative (as the case may be) should complete the relevant Form(s) of Proxy and Claim Form(s) in accordance with the instructions printed on them. The forms of the Forms of Proxy and Claim Forms (together with guidance as to their completion) are set out in Appendices 29 and 30 respectively. Scheme Creditors are encouraged to complete and return a Form of Proxy whether or not they intend to be present at the relevant Scheme Meeting in case, for any reason, that Scheme Creditor is unable to attend that meeting.

13

I. EXPLANATORY STATEMENT (IN COMPLIANCE WITH SECTION 426 OF THE COMPANIES ACT 1985)

SUMMARY OF ACTION TO BE TAKEN

3. RETURN OF FORMS OF PROXY AND CLAIM FORMS

DULY COMPLETED CLAIM FORMS SHOULD BE RETURNED BY SCHEME CREDITORS TO KPMG LLP, 8 SALISBURY SQUARE, LONDON EC4Y 8BB, ENGLAND, FOR THE ATTENTION OF PHILIP WALLACE, AS SOON AS POSSIBLE. COMPLETED CLAIM FORMS MUST BE RETURNED BY 5.00 P.M. (LONDON TIME) ON 17 APRIL 2003 AND SCHEME CLAIMS WILL NEED TO BE APPROVED BY THE PROSPECTIVE SUPERVISORS BY 8.00 A.M. (LONDON TIME) ON THE FIRST DAY OF THE COURT SANCTION HEARING (WHICH IS ANTICIPATED TO BE 12 MAY 2003) IN ORDER FOR SCHEME CREDITORS TO PARTICIPATE IN THE FIRST INITIAL DISTRIBUTION IN ACCORDANCE WITH THE TERMS OF THE RELEVANT SCHEME. IT IS ANTICIPATED THAT THE FIRST INITIAL DISTRIBUTION, IN THE CASE OF THE CORP SCHEME AND THE PLC SCHEME, WILL OCCUR ON THE EFFECTIVE DATE.

Duly completed Forms of Proxy should be returned by Scheme Creditors to KPMG LLP, 8 Salisbury Square, London EC4Y 8BB, England, for the attention of Philip Wallace, as soon as possible. The last time and date for this is 12 noon (London time) on 24 April 2003 (although it is recommended that they be received by 5.00 p.m. (London time) on 17 April 2003). After this time and date completed Forms of Proxy may be presented to the registration desk at the relevant Scheme Meeting up to one hour before the scheduled time of the relevant Scheme Meeting. Thereafter Scheme Creditors may lodge completed Forms of Proxy with the chairman of the relevant Scheme Meeting at that Scheme Meeting.

PERSONS WITH INTERESTS IN BONDS

Scheme Creditors who are not also persons with interests in Bonds need not read paragraphs 4 to 7 below and should instead refer only to paragraphs 1 to 3 above.

Edgar Filing: MARCONI PLC - Form 6-K

4. BONDHOLDERS

Bondholders should immediately contact their Account Holders (through any Intermediaries, if appropriate) to ensure that an Account Holder Letter is submitted in respect of the Bonds to which they are entitled. It is important that Account Holder Letters are submitted before 5.00 p.m. (New York City time) on 17 April 2003 and accordingly Bondholders should ensure that their Account Holders have all necessary information to enable them to meet this recommended deadline well before it occurs. Each Bondholder will need to identify a person as the Definitive Holder and one or more persons as Designated Recipient(s) in respect of the Bonds to which it is entitled. It is expected that in most cases the Bondholder will also be the Definitive Holder and Designated Recipient. Each Bondholder will also need to give his Account Holder instructions as to voting and the delivery of Scheme Consideration and will need to confirm certain matters in relation to applicable securities law, all as described in detail in Appendix 28.

5. ACCOUNT HOLDERS

Duly completed Account Holder Letters should be delivered by each Account Holder to Bondholder Communications on line through www.bondcom.com/marconi, by post or personal delivery to Bondholder Communications at 30 Broad Street, 46th Floor, New York, N.Y. 10004, USA, attention Donna Martini, or to Bondholder Communications at 64 Queen Street, 3rd Floor, London EC4R 1AD, attention Donna Martini or by facsimile (Fax No: +1 212 422 0790 or + 44 207 236 0779, attention Donna Martini), as soon as possible. Duly completed Account Holder Letters must be delivered at or before 5.00 p.m. (New York City time) on 17 April 2003 in order for the Designated Recipients named in them to receive the First Initial Distribution of Scheme Consideration in the Corp and plc Schemes. Notwithstanding the foregoing, any cash forming part of the First Initial Distribution will be paid to Bondholders in respect of Eurobonds through Euroclear and Clearstream, Luxembourg regardless of whether an Account Holder Letter has been delivered or not. Duly completed Account Holder Letters delivered after 5.00 p.m. (New York City time) on 17 April 2003 will entitle the Designated Recipients to receipt of the Scheme Consideration in the Initial Distribution (excluding any cash already paid to them through Euroclear or Clearstream, Luxembourg) on the later of (1) as soon as is reasonably practicable following the date that the Account Holder Letter is delivered to Bondholder Communications and (2) the date of the First Initial Distribution. Please see Appendix 28 for more information in this regard.

14

I. EXPLANATORY STATEMENT (IN COMPLIANCE WITH SECTION 426 OF THE COMPANIES ACT 1985)

SUMMARY OF ACTION TO BE TAKEN

6. SCHEME MEETINGS

Definitive Holders are Scheme Creditors and therefore are entitled to vote at the Scheme Meetings. Definitive Holders who wish to attend and/or vote at the Scheme Meetings in person or by proxy must ensure that this is specified in the Account Holder Letter delivered by their Account Holder. Account Holders are recommended to deliver their Account Holder Letters to Bondholder Communications by 5.00 p.m. (New York City time) on 17 April 2003 in order to ensure that the Definitive Holder or his proxy can attend and vote at the Scheme Meetings. Delivery of Account Holder Letters after this time and date will not preclude the relevant Definitive Holder from voting at the Scheme Meetings provided that

Edgar Filing: MARCONI PLC - Form 6-K

the Definitive Holder or his proxy can establish his entitlement in the manner described below and in Appendix 28. Each Definitive Holder who wishes to attend a Scheme Meeting in person will be required to register his attendance by presenting himself, together with a copy of the relevant Account Holder Letter, where possible, at the registration desk prior to the commencement of the relevant Scheme Meeting and, where an individual is attending on behalf of a body corporate and is not the authorised employee named in the Account Holder Letter, evidence of authorisation to represent that body corporate (for example a valid power of attorney and/or board minutes). A proxy (other than the chairman of the relevant meeting) for a Definitive Holder who attends a Scheme Meeting will need to provide a copy of his form of proxy and evidence of his personal identity (for example passport or other picture identification). Please see Appendix 28 for more information in this regard.

7. FORMS OF PROXY, CLAIM FORMS, ACCOUNT HOLDER LETTERS

Persons with interests in Bonds should not complete a Claim Form or a Form of Proxy in the forms circulated with this document. Account Holders should deliver Account Holder Letters as described in paragraph 4 above.

Account Holders with Bonds credited to their accounts at any of DTC, Euroclear or Clearstream, Luxembourg must obtain whatever information or instructions they may require to enable them to deliver an Account Holder Letter on behalf of the Bondholder in respect of those Bonds and Bondholders (through any Intermediaries, if appropriate) should ensure that they assist their Account Holder by providing him with all necessary information to enable him to do so.

Definitive Holders who wish to attend and vote at the Scheme Meetings in person should receive a copy of the Account Holder Letter in which they are named as the Definitive Holder from the Account Holder with which they hold their Bonds. Definitive Holders who wish to attend and vote at the Scheme Meetings by proxy should request (and ensure that they receive) a copy of the relevant form of proxy from Bondholder Communications. It is the responsibility of each Bondholder and Definitive Holder to ensure that all necessary instructions are given to Bondholder Communications and the relevant Account Holder to facilitate receipt of these documents in time for the Definitive Holder or his proxy to attend and vote at the Scheme Meetings.

15

I. EXPLANATORY STATEMENT (IN COMPLIANCE WITH SECTION 426 OF THE COMPANIES ACT 1985)

SECTION 1 LETTER FROM THE CHAIRMAN OF PLC AND OF CORP

(MARCONI LOGO)

MARCONI PLC
New Century Park
P.O. Box 53
Coventry
Warwickshire
CV3 1HJ
(Registered in England with
registered number 3846429)

MARCONI CORP
New Century
P.O. Box 53
Coventry
Warwickshire
CV3 1HJ
(Registered
registered

31 March 2003

Dear Scheme Creditor or Bondholder,

PROPOSED RESTRUCTURING OF CORP AND PLC (THE "RESTRUCTURING")

On 29 August 2002 we announced that Corp and plc had concluded non-binding indicative Heads of Terms with the Co-ordination Committee and the Informal Committee of Bondholders, which set out the principles for the proposed Restructuring of Corp and plc. On 16 December 2002 we announced that we had concluded modifications to the non-binding indicative Heads of Terms by way of an addendum. On 7 February 2003 we announced that Corp and plc had reached agreement in principle with the Group's ESOP Derivative Banks for a settlement of their ESOP derivative related claims against the Group. On 18 March 2003 we announced that documentation in relation to the proposed Restructuring had been filed with the Court and provided an update on certain aspects of the Restructuring. Following our receipt on 26 March 2003 and 24 March 2003 respectively of the required consents to certain pre-completion steps for the Restructuring from the requisite majorities of the Syndicate Banks and the members of the Informal Committee of Bondholders, we are now writing to set out the terms of the Restructuring.

This letter is part of an Explanatory Statement distributed to you for the reasons set out below and is qualified in its entirety by the more detailed information contained in the remainder of the Explanatory Statement.

PURPOSE OF THE EXPLANATORY STATEMENT

The Explanatory Statement, which is provided pursuant to section 426 of the Act, is distributed for the purpose of providing you with sufficient information to make an informed decision on whether or not to approve the Schemes. An explanation of the nature of the proposed Schemes is included below, as part of this letter.

The main body of the Explanatory Statement (which follows this letter) is in six parts, containing information on the following matters:

- a. Business Overview;
- b. Background to and reasons for the Restructuring;
- c. Proposed Restructuring;
- d. General matters relating to the Restructuring;
- e. Material interests of Directors and Trustees; and
- f. Risk Factors.

The Schemes will apply to all Corp Scheme Creditors and all plc Scheme Creditors, being those creditors of Corp and plc respectively whose claims the Corp Scheme and the plc Scheme will, if they become effective, compromise in accordance with their terms. The Corp Scheme is not conditional on the plc Scheme becoming effective. The plc Scheme will not become effective unless the Corp Scheme becomes effective.

Edgar Filing: MARCONI PLC - Form 6-K

SECTION 1: LETTER FROM THE CHAIRMAN OF PLC AND OF CORP

The claims of Corp Scheme Creditors will be compromised in consideration for a distribution (pro rata to their Admitted Scheme Claims) of a package of cash, new equity and new debt securities of Corp. The liability of Corp in respect of those claims will be extinguished. The claims of plc Scheme Creditors will be compromised in consideration for a distribution in specie (pro rata to their Admitted Scheme Claims) of all of plc's assets net of a reserve in respect of plc's Ongoing Costs. plc's assets will principally comprise the package of cash, new equity and new debt securities of Corp which plc will receive as a result of the Corp Scheme from Bonds held by its subsidiary, Ancrane, and monies owed by Corp to Ancrane (as described further below). The liability of plc in respect of the claims of plc Scheme Creditors will be extinguished.

You are being sent this document, including the Schemes, because the Scheme Companies believe that you may be either a Scheme Creditor under one or both of the Schemes or a person with an interest in Bonds. Pages 8 to 11 of this document will help you identify whether you are a Scheme Creditor or a person with an interest in Bonds. Scheme Creditors should direct any enquiries to the Prospective Supervisors, whose details are set out in Appendix 23. To facilitate communications with persons with an interest in Bonds, Corp and plc have appointed Bondholder Communications Group ("BONDHOLDER COMMUNICATIONS") to ensure Bondholders receive a copy of this document. Bondholder Communications will also be able to facilitate the completion of Account Holder Letters which need to be completed to enable most elements of Scheme Consideration to be distributed to Bondholders (see Appendix 28). Bondholder Communications's details are set out in Appendix 28. Each of the Scheme Companies strongly recommends that Scheme Creditors and persons with an interest in Bonds consider the Restructuring proposal carefully.

This document contains details of the proposed Restructuring, including the Corp Scheme and the plc Scheme, which are to be voted on at meetings of Corp Scheme Creditors and plc Scheme Creditors, respectively, to take place on 25 April 2003 at 10.00 a.m. (London time) for Corp Scheme Creditors, and 10.15 a.m. (London time) for plc Scheme Creditors (or as soon as possible thereafter following the conclusion or adjournment of the first meeting). This document also explains why Corp and plc consider the proposed Restructuring to be in the best commercial interests of the Corp Scheme Creditors and the plc Scheme Creditors respectively, as well as in the wider interests of the Group, its employees and customers and plc Shareholders.

FOR THE REASONS GIVEN IN THIS DOCUMENT, EACH OF CORP AND PLC RECOMMENDS THAT THE RELEVANT SCHEME CREDITORS VOTE IN FAVOUR OF ITS SCHEME AT THE RELEVANT SCHEME MEETING.

AGREEMENT OF ANCRANE AND CORP NOT TO VOTE

Ancrane, a wholly-owned subsidiary of plc, is a Bondholder in respect of E324,603,000 in principal amount of Eurobonds and US\$261,101,000 in principal amount of Yankee Bonds, both of which are guaranteed by plc. Ancrane is also owed by Corp the sums of L363,308,102 under an intra-group loan and L14,635,059 under a reimbursement obligation in respect of Restructuring fees paid by Ancrane on behalf of Corp. Ancrane has undertaken not to attend or vote at the Scheme Meetings, not to take any steps to enable a vote to be cast on its behalf at the Scheme Meetings and to support the Restructuring by agreeing not to take any action to hinder or oppose the Schemes.

Corp has a claim of L146,587,439 against plc. Corp has undertaken not to attend or vote at the plc Scheme Meeting and not to take any steps to enable a vote to

Edgar Filing: MARCONI PLC - Form 6-K

be cast on its behalf at the plc Scheme Meeting.

Neither Corp nor Ancrane nor any other member of the Group will vote at either of the Scheme Meetings. This is because Corp and plc believe that should the Scheme Meetings approve either of the Schemes by a small margin, including votes cast in respect of claims of members of the Group, the result could be unfair to any dissenting Scheme Creditors entitled to vote at the Scheme Meetings.

BACKGROUND TO AND REASONS FOR THE PROPOSED RESTRUCTURING

The Group has faced difficult trading conditions for some time. The impact of a period of rapid and unprecedented deterioration in the global telecommunications market has been compounded for the Group by the cost of a number of acquisitions made since 1998. These acquisitions, which were primarily for cash consideration, resulted in a substantial part of the debt burden being carried by the Group and, in the light of

17

I. EXPLANATORY STATEMENT (IN COMPLIANCE WITH SECTION 426 OF THE COMPANIES ACT 1985)

SECTION 1: LETTER FROM THE CHAIRMAN OF PLC AND OF CORP

reduced market demand for the Group's products and services, the trading and cash flow performances of these acquired businesses have been running at levels well below those that were anticipated at the time of acquisition.

The Board of plc announced its intention, at its Annual General Meeting in July 2001, to initiate an operational review of the Group's business. The results of this review were announced in September 2001, along with the appointments of Michael Parton as Chief Executive Officer of plc, Derek Bonham as Interim Chairman of plc and Michael Donovan as Chief Operating Officer of plc as well as the management appointments of Neil Sutcliffe as chief executive officer of Marconi Capital and Geoffrey Doy as chief executive officer of sales and marketing of plc.

Against a background of further market deterioration early in 2002, plc announced on 22 March 2002 that Corp and plc had decided not to enter into new banking facilities to refinance Corp's then existing syndicated bank facilities. Following this decision, Corp and plc agreed to cancel the undrawn commitments under the existing facilities and agreed that the drawn portion under the Bank Facility (which was due for repayment on 25 March 2003) would be repayable on demand.

Following the decision not to refinance the then existing syndicated bank facilities the Business Plan was developed. This Business Plan was presented to the Co-ordination Committee and the Informal Committee of Bondholders and was used by Corp and plc as a basis for formulating the Heads of Terms for the Restructuring. The Business Plan assumed that recovery in the Group's market would not commence until the end of the calendar year 2003. A set of sensitivities were applied to reflect the scenario of more difficult market conditions, and in particular a delay in market recovery beyond the end of 2003. Given continuing uncertainty in market conditions, further revisions have been made to the Business Plan. In proposing the Restructuring, Corp and plc have assessed the proposed capital structure of Corp against the scenario of a delay in market recovery and are confident that the proposed capital structure of Corp is appropriate in circumstances where such a delay occurs. However, the Group cannot predict with any level of certainty the occurrence, timing or extent of any market recovery.

Edgar Filing: MARCONI PLC - Form 6-K

WHY THE PROPOSED RESTRUCTURING NOW?

The Group has for some time been in severe financial difficulty. In particular, Corp is the principal obligor under the Bank Facility, which was due for repayment on 25 March 2003, and is the issuer of the Bonds. Interest on the Yankee Bonds fell due on 17 March 2003 and interest on the Eurobonds will fall due on 31 March 2003. For both the Yankee Bonds and the Eurobonds acceleration of the principal amount is permitted following non-payment of interest 14 days after the respective interest due dates. plc is a guarantor of the Bank Facility and the Bonds. Corp and plc believe they must effect a restructuring of their financial obligations, including their obligations under the Bank Facility and the Bonds, to avoid a demand being made for repayment of sums owing under the Bank Facility or an acceleration of sums owing under the Bonds, which would inevitably lead to Corp and plc being placed into insolvency proceedings.

The Corp Group's ability to continue to operate as a going concern following the Restructuring is subject to certain operating and other risks. You should carefully consider, together with the other information contained in this document, certain risks related to a failure or delay in implementing the Restructuring, risks arising from implementation of the Restructuring, operating risks and risks related to ownership of the New Shares, the New Notes and the Warrants, set out in Section 2, Part F: Risk Factors. All statements in this document (other than parts II and III) are to be read subject to, and are qualified in their entirety by, the matters referred to in Section 2, Part F: Risk Factors.

THE SCHEMES

CORP SCHEME

Corp proposes to enter into a scheme of arrangement with the Corp Scheme Creditors pursuant to section 425 of the Act. The Corp Scheme takes effect as a compromise or arrangement between Corp and the Corp Scheme Creditors and will not directly affect any other creditors of Corp (described below in the section headed "Corp stakeholders"). Alongside the Corp Scheme, it is proposed to make changes to Corp's capital structure by way of the Capital Reduction, involving the cancellation of its current called up share capital and its share premium

18

I. EXPLANATORY STATEMENT

(IN COMPLIANCE WITH SECTION 426 OF THE COMPANIES ACT 1985)

SECTION 1: LETTER FROM THE CHAIRMAN OF PLC AND OF CORP

account. It is expected that the reserve arising on the Capital Reduction will eliminate the deficit on the profit and loss account that would otherwise be shown on Corp's balance sheet as at 31 March 2003. Further details of the Capital Reduction are set out in Section 2, Part D.9. The Corp Scheme is set out in part II of this document.

The Corp Scheme will become effective and legally binding on Corp and all Corp Scheme Creditors in accordance with its terms if: (i) at the meeting of the Corp Scheme Creditors a majority in number representing three-fourths in value of Corp Scheme Creditors present and voting either in person or by proxy approves the Corp Scheme (for the purposes of voting at the meeting of Corp Scheme Creditors, a Form of Proxy is enclosed with this document); (ii) the Court subsequently makes an order sanctioning the Corp Scheme; and (iii) the Court's order sanctioning the Corp Scheme is sealed and a copy of it is delivered for

Edgar Filing: MARCONI PLC - Form 6-K

registration to the Registrar of Companies in England and Wales.

Corp will not take the necessary steps to make the Scheme effective unless and until: (a) Corp has, following the passing of a unanimous Board resolution to approve the same, provided confirmation in writing to the Prospective Supervisors (for the sole benefit of the Prospective Supervisors) prior to each of (i) the release of the interim security granted by Corp through its special purpose subsidiary Highrose Limited, (ii) the Corp Scheme Meeting, (iii) the hearing to sanction the Corp Scheme and (iv) the Effective Date, to the effect that Corp remains satisfied that the reserves built into the Corp Scheme are sufficient to meet distributions due to be made to all Corp Scheme Creditors and that Corp remains of the opinion that its statement as to the Corp Group's working capital contained in Section 2, Part D.21 remains valid; (b) the Prospective Supervisors of the Corp Scheme have provided confirmation in writing to Corp (for Corp's sole benefit) on the day of, but prior to, each of events (i) to (iv) above to the effect that they have no reason to disagree with Corp's view that the reserves built into the Corp Scheme are sufficient to meet distributions due to be made to all Corp Scheme Creditors; (c) a permanent injunction order of the US Bankruptcy Court under Section 304 of Title 11 of the United States Code is granted in respect of the Corp Scheme; and (d) all conditions precedent (other than those relating to the Corp Scheme becoming effective) set out in the Working Capital Facility and the Performance Bonding Facility are satisfied or waived by the facility agents.

If the English Court makes an order sanctioning the Corp Scheme, Corp anticipates that the order of the US Bankruptcy Court will be granted. Corp will not pursue a permanent injunction order of the US Bankruptcy Court unless the English Court makes an order sanctioning the Corp Scheme. If all of the above conditions are not satisfied by 19 June 2003 the Corp Scheme will be withdrawn. Corp will undertake to the Court to file the Court order approving the Corp Scheme with the Registrar of Companies as soon as the conditions set out above are satisfied provided such conditions are satisfied on or before 19 June 2003.

The hearing to sanction the Corp Scheme will qualify as a fairness hearing of the kind contemplated by Section 3(a)(10) of the Securities Act. All Corp Scheme Creditors and Bondholders are entitled to attend the hearing in person or through counsel to support or oppose the sanctioning of the Corp Scheme.

The Corp Scheme is not conditional on Listing of the New Shares, the New Notes and/or the Warrants. However, it is expected that the New Shares, the New Notes and the Warrants will be listed on the Effective Date of the Corp Scheme. Corp will use its reasonable endeavours to effect the Listing of the New Shares, the New Notes and the Warrants as soon as possible on or after the Effective Date of the Corp Scheme.

PLC SCHEME

plc proposes to enter into a scheme of arrangement with the plc Scheme Creditors pursuant to section 425 of the Act. The plc Scheme takes effect as a compromise or arrangement between plc and the plc Scheme Creditors and will not directly affect any other creditors of plc (described below in the section headed "plc stakeholders").

The plc Scheme will become effective and legally binding on plc and all plc Scheme Creditors in accordance with its terms if: (i) at the meeting of the plc Scheme Creditors a majority in number representing three-fourths in value of plc Scheme Creditors present and voting either in person or by proxy approve the plc Scheme (for the purposes of voting at the meeting of plc Scheme Creditors, a Form of Proxy is enclosed with this document); (ii) the Court subsequently makes an order sanctioning the plc Scheme; and (iii) the Court's order sanctioning the plc Scheme is sealed and a copy of it is delivered for registration to the Registrar of Companies in England and Wales.

I. EXPLANATORY STATEMENT
(IN COMPLIANCE WITH SECTION 426 OF THE COMPANIES ACT 1985)

SECTION 1: LETTER FROM THE CHAIRMAN OF PLC AND OF CORP

plc will not take the necessary steps to make the Scheme effective unless and until: (a) plc has, following the passing of a unanimous Board resolution to approve the same, provided confirmation in writing to the Prospective Supervisors (for the sole benefit of the Prospective Supervisors) prior to each of (i) the release of the interim security granted by Corp through its special purpose subsidiary Highrose Limited, (ii) the plc Scheme Meeting, (iii) the hearing to sanction the plc Scheme and (iv) the Effective Date, to the effect that plc remains satisfied that the reserves built into the plc Scheme are sufficient to meet distributions due to be made to all plc Scheme Creditors; (b) the Prospective Supervisors of the plc Scheme have provided confirmation in writing to plc (for plc's sole benefit) on the day of, but prior to, each of events (i) to (iv) above to the effect that they have no reason to disagree with plc's view that the reserves built into the plc Scheme are sufficient to meet distributions due to be made to all plc Scheme Creditors; (c) a permanent injunction order of the US Bankruptcy Court under Section 304 of Title 11 of the United States Code is granted in respect of the plc Scheme; and (d) a copy of the Court's order sanctioning the Corp Scheme is delivered for registration to the Registrar of Companies in England and Wales.

If the English Court makes an order sanctioning the plc Scheme, plc anticipates that the order of the US Bankruptcy Court will be granted. plc will not pursue a permanent injunction order of the US Bankruptcy Court unless the English Court makes an orders sanctioning both the Corp Scheme and the plc Scheme. If all of the above conditions are not satisfied by 19 June 2003 the plc Scheme will be withdrawn. plc will undertake to the Court to file the Court order approving the plc Scheme with the Registrar of Companies as soon as the conditions set out above are satisfied provided such conditions are satisfied on or before 19 June 2003.

The hearing to sanction the plc Scheme will qualify as a fairness hearing of the kind contemplated by Section 3(a)(10) of the Securities Act. All plc Scheme Creditors and Bondholders are entitled to attend the hearing in person or through counsel to support or oppose the sanctioning of the plc Scheme.

WHO WILL BE AFFECTED BY THE SCHEMES?

CORP STAKEHOLDERS

The Corp Scheme will take effect as a compromise of all creditors' claims against Corp at the Record Date, other than certain Excluded Claims, in consideration (pro rata to each Corp Scheme Creditor's Admitted Scheme Claim) of a distribution of cash, new equity and new debt securities of Corp. Claims that are denominated in a currency other than sterling will be converted into sterling: (a) for the purpose of calculating voting entitlements at the Corp Scheme Meeting, at the Voting Rate; and (b) for all other purposes, at the Scheme Rate.

Details of the categories of Excluded Claims and the basis upon which they have been excluded are set out in Section 2, Part C.7 and in Appendix 9.

The claims of creditors of Corp excluded from the Corp Scheme will not be directly affected by either the Corp Scheme or the plc Scheme and are expected

Edgar Filing: MARCONI PLC - Form 6-K

to be satisfied in the ordinary course subject to the risk factors affecting the business of the Group detailed in Section 2, Part F: Risk Factors.

Corp's existing shareholders have agreed, conditionally on the allotment and issue of the New Shares pursuant to the Corp Scheme, to the conversion of all of the existing ordinary shares in the capital of Corp into Non-Voting Deferred Shares. Therefore, Corp's existing shareholders will have no ordinary shares in Corp following the implementation of the Restructuring. The Non-Voting Deferred Shares are expected to be cancelled as part of the Capital Reduction a few days after the Effective Date.

As a result of the Corp Scheme, plc Shareholders will receive (proportionate to their existing holdings in plc but subject to a minimum of one share per plc Shareholder), with no price payable, in aggregate 0.5 per cent. of Corp's issued ordinary share capital immediately following the Restructuring and up to 50 million Warrants exercisable at any time up to four years after the date of the Restructuring allowing for the subscription of additional ordinary shares equal to an aggregate of up to 5 per cent. of Corp's issued ordinary share capital immediately following the Restructuring. The Warrants, each of which will give the right to subscribe for one share (subject to adjustment to protect against dilution in the event of certain corporate actions), will have an exercise price per underlying ordinary share of 150p (again subject to adjustment to protect against dilution in the event of certain corporate actions). An ordinary share price of 150p implies a post Restructuring market capitalisation of Corp of L1.5 billion.

20

I. EXPLANATORY STATEMENT (IN COMPLIANCE WITH SECTION 426 OF THE COMPANIES ACT 1985)

SECTION 1: LETTER FROM THE CHAIRMAN OF PLC AND OF CORP

Further details of the changes to Corp's capital structure are set out below under the heading "Equity Dilution". Details of certain share incentive plans that will operate post Restructuring are set out in Section 2, Part D.10.

PLC STAKEHOLDERS

The plc Scheme will take effect as a compromise of all creditors' claims against plc at the Record Date, other than certain Excluded Claims, in consideration for a distribution (pro rata to each plc Scheme Creditor's Admitted Scheme Claim) of plc's assets available for distribution to Scheme Creditors (which, at the Effective Date of the plc Scheme, will comprise all of plc's assets less a reserve comprising cash of approximately L9,300,000 in respect of plc's Ongoing Costs). Claims that are denominated in a currency other than sterling will be converted into sterling: (a) for the purpose of calculating voting entitlements at the plc Scheme Meeting, at the Voting Rate; and (b) for all other purposes, at the Scheme Rate.

Details of the categories of Excluded Claims and the basis upon which they have been excluded are set out in Section 2, Part C.7 and in Appendix 9.

plc's Excluded Claims include, amongst other things, claims in respect of unclaimed dividends, the gross amount of which is no more than L278,451. In an insolvent liquidation of plc the claims of creditors in respect of unclaimed dividends ("dividend creditors") would be subordinated to the claims of all other creditors. They are therefore in a different class from the other creditors of plc. There are three ways in which they could be treated: they could be included in the plc Scheme and treated in the same manner as other

Edgar Filing: MARCONI PLC - Form 6-K

creditors; they could be excluded from the Scheme and left unpaid on the ground that with their subordinated status they have no real economic interest in plc's assets; or they could be excluded from the plc Scheme and paid if and when a valid claim is made.

The first way of treating such claims would involve a separate class meeting of dividend creditors. This has been rejected because it would be excessively expensive to identify them, to send this document to each of them and, in the event that the recipients of this document did make claims, to administer their claims and distribute plc Scheme Consideration to them. As a practical matter it would be necessary to provide that the plc Scheme could take effect even if, at the separate class meeting of creditors in this category, the statutory majority (or a sufficient representative turnout) was not obtained, and this would remove any incentive for the class to vote in favour of the plc Scheme. The second way would leave them with unpaid claims against plc in their capacity as creditors and could therefore result in an insolvent liquidation of plc. This approach has been rejected because if this were to occur in the early stages of the implementation of the Schemes, it may have implications for the reputation of the Marconi name and accordingly may impact upon the trust of third parties to deal with members of the Corp Group going forward. In addition, given the fact that almost all claims would in any event be excluded as de minimis, the decision was taken to exclude whatever other claims of this nature remain outstanding. It is therefore proposed that they will be excluded from the plc Scheme and paid if and when a valid claim is made. Accordingly, an amount of L278,451 will be set aside for the purposes of paying any claims in respect of previously unclaimed dividends on plc Shares. Upon termination of the plc Scheme, arrangements will be put in place to ensure that this amount is set aside to pay such claims as and when a claim is made.

Save as regards the treatment of the unclaimed dividends, which would otherwise be subordinated to the general body of unsecured creditors, the rights and ranking afforded to plc's creditors under the plc Scheme is intended to reflect the rights and ranking that those creditors would have had in a liquidation of plc.

The following obligations of plc have been novated to Corp (conditionally upon the Corp Scheme becoming effective) and will be excluded from the Corp Scheme:

- a. a guarantee provided to Finmeccanica SpA as the purchaser of certain Italian subsidiaries sold by the Group in 2002;
- b. certain agreements between plc and BAE in respect of the merger of the Group's former defence business with BAE; and
- c. a licence agreement dated 1 December 1999 between Lemelson Medical, Education and Research Foundation, Limited Partnership and plc.

21

I. EXPLANATORY STATEMENT (IN COMPLIANCE WITH SECTION 426 OF THE COMPANIES ACT 1985)

SECTION 1: LETTER FROM THE CHAIRMAN OF PLC AND OF CORP

In addition, the service contracts and letters relating to retirement benefits (including FURBS) of Michael Parton and Michael Donovan have been novated to Corp unconditionally.

The obligations listed above have (or will if the Corp Scheme becomes effective) become obligations of Corp and therefore will be unaffected by the plc Scheme.

Edgar Filing: MARCONI PLC - Form 6-K

These obligations will also be excluded from the compromise to be effected by the Corp Scheme and will therefore be unaffected by the Corp Scheme.

plc Scheme Creditors include creditors with contingent claims against plc, for example under guarantees. The Syndicate Banks, the Eurobond Trustee and the Yankee Bond Trustee are all plc Scheme Creditors because plc has guaranteed the Bank Facility, the Eurobonds and the Yankee Bonds. Each of the Trust Deeds and the Indenture contains a clause which provides that the guarantee given by plc in respect of the Bonds will terminate on certification by Corp to the Eurobond Trustee or the Yankee Bond Trustee, as the case may be, that plc has been unconditionally and irrevocably released from its obligations in respect of the Bank Facility (in the case of the Eurobonds) or that plc has been unconditionally and irrevocably released from its obligations in respect of the Bank Facility and the Eurobonds (in the case of the Yankee Bonds). This would not be the case if plc was wound up, but would be the case if these obligations were released under the plc Scheme.

Various concerns were raised by either or both of the Informal Committee of Bondholders and the Co-ordination Committee during the course of the Restructuring discussions concerning the maintenance of guarantee claims against plc, including the potential lapse of the plc guarantee in respect of the Bonds, and arrangements were put in place in order to deal with these concerns. In making its decision to approve these arrangements, plc took into consideration that it was correct in principle that the rights should be preserved, in order to put the creditors concerned in the same position as if both Scheme Companies had been wound up.

The arrangements are as follows:

- a. the Corp Scheme will provide that no Scheme Claim under the Corp Scheme will be reduced, or in any way affected, by the compromise of any claims of the relevant Scheme Creditor against plc pursuant to the terms of the plc Scheme, and vice versa;
- b. the execution by plc of a deed poll which provides that in the event that a Scheme Creditor who has the benefit of a guarantee in respect of a Corp Scheme Claim is required to give credit to plc in a liquidation for any recoveries made under the Corp Scheme, plc will pay to that creditor a further sum equal to the amount of the distribution that the creditor received in the Corp Scheme; and
- c. the entry by Corp and plc into a bondholder confirmation letter, to ensure that the guarantee in respect of the Bonds does not fall away before the relevant Trustees become entitled to claim under the plc Scheme on behalf of the Bondholders and that the plc guarantee is extended to Definitive Holders.

By the Termination Date (as defined in the plc Scheme) all the assets of plc will have been distributed, in accordance with the plc Scheme, to the plc Scheme Creditors. It is envisaged that at that date there will be no further claims against, or assets held by, plc. It is intended that, following that date, plc will be liquidated or dissolved.

plc has been granted a waiver by the UKLA from the requirement to obtain approval for the Restructuring from plc Shareholders.

EQUITY DILUTION

The entire issued ordinary share capital of Corp is currently owned by plc and its nominee. Immediately following completion of the Restructuring, Scheme Creditors and the Escrow Trustee (in its capacity as trustee of the Scheme Consideration for the benefit of the Scheme Creditors) or its nominee will

Edgar Filing: MARCONI PLC - Form 6-K

collectively own 99.5 per cent. of the entire issued ordinary share capital of Corp and plc Shareholders will collectively own the remaining 0.5 per cent. of the entire issued ordinary share capital of Corp. The existing ordinary shares of Corp will be redesignated and converted into Non-Voting Deferred Shares upon allotment of the New Shares under the Corp Scheme. It is intended that those Non-Voting Deferred Shares will be cancelled as part of the Capital Reduction within a few days after the Effective Date of the Corp Scheme. The rights and restrictions attaching to the

22

I. EXPLANATORY STATEMENT (IN COMPLIANCE WITH SECTION 426 OF THE COMPANIES ACT 1985)

SECTION 1: LETTER FROM THE CHAIRMAN OF PLC AND OF CORP

Non-Voting Deferred Shares are described in Appendix 15. The ordinary share capital of Corp following the Restructuring will, however, be subject to dilution resulting from the future exercise of the Warrants referred to above and of options granted under the share incentive plans (details of which are contained in Section 2, Part D.10).

Save as referred to above, no other entitlements have been granted for participation in the share capital of Corp as from implementation of the Restructuring.

SUMMARY OF THE PRINCIPAL TERMS OF THE SCHEMES

CORP SCHEME

If the Corp Scheme becomes effective, all Corp Scheme Creditors will be bound by its terms. Corp will be fully and completely released by the Corp Scheme Creditors from all obligations of Corp to the Corp Scheme Creditors in connection with their Scheme Claims against Corp with effect from the earlier of the date on which their Scheme Claim is Admitted and is the subject of a Distribution Notice, the Final Distribution Date under the Corp Scheme, and the issue of a Termination Notice under the Corp Scheme. In consideration for such cancellation and release, Corp Scheme Creditors will receive a distribution, pro rata to their Admitted Scheme Claims, of:

- a. L340 million cash;
- b. the euro equivalent (calculated at the Currency Rate) of L450 million in aggregate principal amount of new guaranteed senior secured notes due April 2008 to be issued by Corp denominated in euro and/or US dollars, subject to elections made in Claim Forms and Account Holder Letters, with interest payable quarterly in cash at a rate of 8 per cent. per annum;
- c. the sum of US\$300 million plus the US dollar equivalent (calculated at the Currency Rate) of L117.27 million in aggregate principal amount of new guaranteed junior secured notes due October 2008 to be issued by Corp denominated in US dollars with interest payable quarterly in cash at a rate of 10 per cent. per annum or, at Corp's option, in kind (by issuing additional new junior secured notes) at a rate of 12 per cent. per annum; and
- d. 995,000,000 ordinary shares, representing 99.5 per cent. of the issued ordinary share capital of Corp immediately following the implementation of the Restructuring.

The cash element of the distribution will be increased by the net proceeds of any asset disposals, other than L82 million of excluded asset disposal proceeds, received on or after 1 December 2002 and before 1 May 2003, and the aggregate principal amount of the New Junior Notes will be decreased by 10/11ths of the sterling amount by which the cash element is increased (such calculation to reduce the L117.27 million figure referred to in c. above). Such net proceeds received on or after 1 May 2003 will be dealt with in accordance with the terms of the New Notes.

The cash, New Shares, New Senior Notes and New Junior Notes comprise the Corp Scheme Consideration. Further details of the terms of the New Senior Notes and New Junior Notes are contained in Section 2, Part C.3 and Appendix 8 of this document. Details of the guarantee and security arrangements in respect of the New Notes are contained in Appendix 10.

Corp will establish an ADR programme and, accordingly, elections may be made in Claim Forms and Account Holder Letters to receive all or a portion of the New Shares in the form of ADRs.

It is expected that the New Shares, New Notes and Warrants will be listed on the Official List and admitted to trading on the London Stock Exchange's market for listed securities on the Effective Date of the Corp Scheme. Corp has applied to list the New Shares, New Notes and Warrants and will use its reasonable endeavours to effect the Listing as soon as possible on or after the Effective Date of the Corp Scheme. The Corp Scheme is not, however, conditional on this Listing (see details of risks arising from implementation of the Restructuring in Section 2, Part F.2). Corp will apply to list its ADRs on NASDAQ and will use its reasonable endeavours to effect this NASDAQ listing as soon as practicable following the Effective Date of the Corp Scheme. It is currently expected that the NASDAQ listing will become effective during the third calendar quarter of 2003.

23

I. EXPLANATORY STATEMENT
(IN COMPLIANCE WITH SECTION 426 OF THE COMPANIES ACT 1985)

SECTION 1: LETTER FROM THE CHAIRMAN OF PLC AND OF CORP

If the Corp Scheme becomes effective, plc Shareholders will receive New Shares and Warrants as referred to above.

First Initial Distribution

The mechanism for calculating and distributing a Corp Scheme Creditor's entitlement to receive Corp Scheme Consideration is detailed in the Corp Scheme set out in part II and is also described in more detail in Section 2, Part C.7. Both these sections should be read carefully.

The Corp Scheme provides that a First Initial Distribution will take place on the Effective Date of the Corp Scheme. At the Court hearing to sanction the Corp Scheme, Corp will present to the Court a schedule of Scheme Claims compiled by the Prospective Supervisors which will set out the details of the Scheme Creditors with Known Claims which are proposed to be Admitted by the Supervisors on the Effective Date and that, in accordance with the terms of the Corp Scheme, will receive their Initial Distribution through the First Initial Distribution.

In summary, each Corp Scheme Creditor that participates in the First Initial Distribution will be entitled to receive (assuming no increase in the cash

Edgar Filing: MARCONI PLC - Form 6-K

element but that the plc Scheme becomes effective on the same day as the Corp Scheme), for each L1,000,000 of Admitted Scheme Claim, an Initial Distribution of cash, New Notes and New Shares of approximately:

L64,196 cash;

L85,022 equivalent in aggregate principal amount of New Senior Notes (which will be denominated in euro and/or US dollars, subject to elections made in Claim Forms and Account Holder Letters);

L58,177 equivalent in aggregate principal amount of New Junior Notes (which will be denominated in US dollars); and

187,993 New Shares.

If the plc Scheme does not become effective on the same day as the Corp Scheme (or at all) the Corp/plc distribution model described in Section 2, Part C.7 under the heading "Circulation of Scheme Consideration and payments on a modelled basis" will not have been applied, and accordingly each of the numbers set out above will be reduced by between approximately 0.41 per cent. and 0.47 per cent.

For the purposes of the above calculations, Known Claims that are denominated in a currency other than sterling and New Junior Notes that will be issued by reference to a US dollar amount have been converted at the Voting Rate. The final calculations as to Known Claims will be made at the Scheme Rate (which will be set five Business Days before the Effective Date). The final calculations as to the principal amounts of the New Senior Notes and the New Junior Notes to be received by a Scheme Creditor on the First Initial Distribution will be made at the Currency Rate (which will be set the Business Day before the Corp Scheme Meeting).

The Corp Scheme provides that a portion of the Corp Scheme Consideration will initially be used to meet Known Claims that have been identified prior to the Record Date. On such a Known Claim becoming Admitted in the Corp Scheme, the Corp Scheme Creditor with that Known Claim will be entitled to receive the portion of the Corp Scheme Consideration designated to meet that Known Claim.

Corp has undertaken extensive due diligence and advertised in newspapers in the UK, the US and elsewhere in order to identify its creditors and ensure that all Corp Scheme Creditors are included in the schedule of Known Claims. Corp has also written to its Known Creditors that will be affected by the Corp Scheme with the exception of certain financial creditors with Known Claims who have been represented in negotiations with Corp and plc regarding the development of the Restructuring proposals of Corp and plc, creditors for unclaimed interest and redemptions on loan notes issued by Corp whose potential claims are easily quantified and are provided for in full, and those whose addresses Corp has been unable to ascertain. With the exception of two claims (one apparently against Corp) which were clearly frivolous, the advertising process identified no claims which had not previously been identified by Corp's due diligence. In addition to the Known Claims that have been identified, the Corp Scheme includes a reserve of Scheme Consideration that would be able to meet the payment of an Initial Distribution in respect of Scheme Claims which are Admitted for up to L125 million, which Corp is satisfied will

24

I. EXPLANATORY STATEMENT (IN COMPLIANCE WITH SECTION 426 OF THE COMPANIES ACT 1985)

SECTION 1: LETTER FROM THE CHAIRMAN OF PLC AND OF CORP

be sufficient to cover any other Scheme Claims that had not been identified by the Record Date. The Prospective Supervisors have confirmed that they have no reason to disagree with Corp's view that the reserve is sufficient.

However, a mechanism has been put in place to ensure that Corp will not proceed with the Corp Scheme and will withdraw the Scheme if, prior to the Effective Date of the Corp Scheme, it becomes apparent that there may be Scheme Claims against Corp which are not Known Claims and Corp is not satisfied that the reserve will be sufficient to meet distributions due to be made out of it or if the Prospective Supervisors do not confirm that they have no reason to disagree with Corp's view that the reserve is sufficient. Details of this mechanism are set out in Section 2, Part C.7. If the Corp Scheme is withdrawn then the plc Scheme will also be withdrawn.

If at any time after the issue of the First Initial Distribution Notice, which will occur on the Effective Date, the Supervisors are not satisfied that the reserve will be sufficient to meet distributions due to be made out of it, then the remaining Scheme Consideration set aside to meet Known Claims and the remaining reserve will be aggregated and all Further Distributions under the Corp Scheme will be made out of the remaining Scheme Consideration, on a strictly *pari passu* basis.

PLC SCHEME

The plc Admitted Scheme Creditors will be entitled to receive a distribution *pro rata* to their Scheme Claims out of plc's assets which are available for distribution to plc Admitted Scheme Creditors.

Assuming the Corp Scheme becomes effective, plc's assets will principally comprise the cash, New Shares and New Notes that plc receives under the Corp Scheme from Bonds held by Ancrane and from monies owed by Corp to Ancrane (as described above). plc's entitlement to this Scheme Consideration will arise from a repayment of capital in specie by Ancrane to plc of all of its assets other than L100. The plc Scheme provides that plc will set aside the sum of L7,000,000 from the cash element of Corp Scheme Consideration it receives via Ancrane which, together with plc's cash of approximately L2,300,000, interest on the aggregate of these two cash amounts and L2,000,000 available to be drawn (at Corp's request) under a letter of credit to be provided in favour of the plc Scheme Supervisors from time to time by HSBC Bank plc pursuant to the Performance Bonding Facility described below, will be available to meet plc's Ongoing Costs.

plc's Ongoing Costs are estimated to be a maximum of L11,300,000 plus an amount which will be covered by the interest referred to above, and will include:

- a. the costs of plc, the Supervisors, the Escrow Trustee, the Distribution Agent and their respective advisers in implementing the Restructuring and administering the plc Scheme;
- b. any costs plc or the Supervisors incur in continuing to defend Allowed Proceedings (including any adverse costs orders);
- c. the payment of any claims which are to be excluded from the plc Scheme and which have not been novated to Corp which represent all claims as at the Record Date which would have been preferential in a liquidation and claims in respect of unpaid dividends which in a liquidation would have been subordinated; and
- d. any ongoing administrative costs of plc, including the preparation and filing of accounts, the holding of any annual general meetings

Edgar Filing: MARCONI PLC - Form 6-K

that are required to be held under the Act and the costs of plc's eventual dissolution or liquidation.

Any monies remaining following the payment of plc's Ongoing Costs will be distributed to all plc's Admitted Scheme Creditors in the Final Distribution under the plc Scheme.

Subject to any limitations under applicable securities laws, the assets plc receives from Ancrane will be distributed to the plc Scheme Creditors in specie (i.e. in the form in which they are held, and not realised for cash prior to distribution). Any other assets of plc are expected to be converted into cash before distribution.

25

I. EXPLANATORY STATEMENT (IN COMPLIANCE WITH SECTION 426 OF THE COMPANIES ACT 1985)

SECTION 1: LETTER FROM THE CHAIRMAN OF PLC AND OF CORP

First Initial Distribution

The mechanism for calculating and distributing a plc Scheme Creditor's entitlement to receive plc Scheme Consideration is detailed in the plc Scheme set out in part III and is also described in more detail in Section 2, Part C.7. Both these sections should be read carefully.

The plc Scheme provides that a First Initial Distribution will take place on the Effective Date of the plc Scheme, at the same time as the First Initial Distribution under the Corp Scheme. At the Court hearing to sanction the plc Scheme, plc will present to the Court a schedule of Scheme Claims compiled by the Prospective Supervisors which will set out details of the Scheme Creditors with Known Claims which are proposed to be Admitted by the Supervisors on the Effective Date and that, in accordance with the terms of the plc Scheme, will receive their Initial Distribution through the First Initial Distribution. The Initial Distribution available to all plc Scheme Creditors will comprise all the Scheme Consideration received by plc via Ancrane as a result of Ancrane's entitlement to an Initial Distribution in the Corp Scheme (net of the sum of L7,000,000 set aside on account of plc's Ongoing Costs). Scheme Claims that have been Admitted by the Effective Date will receive their Initial Distribution through the First Initial Distribution.

Corp has the benefit of a Scheme Claim of L146,587,439 against plc. If this Known Claim is Admitted in the plc Scheme in full (which Corp expects to be the case) Corp will become entitled to receive its pro rata entitlement in respect of its Admitted Scheme Claim in the First Initial Distribution under the plc Scheme. Both Corp and plc have agreed to distribute any Scheme Consideration they receive as a result of this claim to their respective Scheme Creditors by way of Additional Scheme Consideration. Further details of these payments are set out in Section 2, Part C.7 below under the heading "Circulation of Scheme Consideration and payments on a modelled basis".

In summary, each plc Scheme Creditor that participates in the First Initial Distribution in the plc Scheme will be entitled to receive (assuming no increase in the cash element of the Corp Scheme Consideration but that the plc Scheme becomes effective on the same day as the Corp Scheme), for each L1,000,000 of Admitted Scheme Claim an Initial Distribution of cash, New Notes and New Shares of approximately:

L9,446 cash;

Edgar Filing: MARCONI PLC - Form 6-K

L14,554 equivalent in aggregate principal amount of New Senior Notes (which will be denominated in euro and/or US dollars, subject to elections made in Claim Forms and Account Holder Letters);

L9,959 equivalent in aggregate principal amount of New Junior Notes (which will be denominated in US dollars); and

32,182 New Shares.

If the plc Scheme does not become effective on the same day as the Corp Scheme the Corp/plc distribution model described in Section 2, Part C.7 under the heading "Circulation of Scheme Consideration and payments on a modelled basis" will not have been applied, and accordingly each of the numbers set out above will be reduced by approximately 8.51 per cent.

For the purposes of the above calculations, Known Claims that are denominated in a currency other than sterling and New Junior Notes that will be issued by reference to a US dollar amount have been converted at the Voting Rate. The final calculations as to Known Claims will be made at the Scheme Rate (which will be set five Business Days before the Effective Date). The final calculations as to the principal amounts of the New Senior Notes and the New Junior Notes to be received by a Scheme Creditor on the First Initial Distribution will be made at the Currency Rate (which will be set the Business Day before the Corp Scheme Meeting).

The plc Scheme provides that a portion of plc's assets available for distribution will be used to meet Known Claims that have been identified prior to the Record Date. On such Known Claim becoming Admitted in the plc Scheme, the plc Scheme Creditor with that plc Scheme Claim will be entitled to receive the portion of the plc Scheme Consideration designated to meet that Known Claim.

plc has undertaken extensive due diligence and advertised in newspapers in the UK, the US and elsewhere in order to identify its creditors and ensure that all plc Scheme Creditors are included in the Schedule of Known

26

I. EXPLANATORY STATEMENT (IN COMPLIANCE WITH SECTION 426 OF THE COMPANIES ACT 1985)

SECTION 1: LETTER FROM THE CHAIRMAN OF PLC AND OF CORP

Claims. plc has also written to all of its Known Creditors that will be affected by the plc Scheme with the exception of certain financial creditors with Known Claims who have been represented in negotiations with Corp and plc regarding the development of the Restructuring proposals of Corp and plc, and those whose addresses plc has been unable to ascertain. With the exception of one claim (which is disputed by plc, but is provided for in full in the plc Scheme), the advertising process identified no claims which had not been previously identified by plc's due diligence. In addition to the claims that have been identified, the plc Scheme includes a reserve of Scheme Consideration that would be able to meet the payment of an Initial Distribution in respect of Scheme Claims which are Admitted for up to L250 million, which plc is satisfied will be sufficient to cover any other Scheme Claims that have not been identified by the Record Date. The Prospective Supervisors have confirmed that they have no reason to disagree with plc's view that the reserve is sufficient.

However, a mechanism has been put in place to ensure that plc will not proceed with the plc Scheme and will withdraw the Scheme if prior to the Effective Date

Edgar Filing: MARCONI PLC - Form 6-K

of the plc Scheme it becomes apparent that there may be Scheme Claims against plc which are not Known Claims and plc is not satisfied that the reserve will be sufficient to meet distributions due to be made out of it or if the Prospective Supervisors do not confirm that they have no reason to disagree with plc's view that the reserve is sufficient. Details of this mechanism are set out in Section 2, Part C.7. In any event, if the Corp Scheme is withdrawn then the plc Scheme will also be withdrawn, but the Corp Scheme will not be withdrawn only because the plc Scheme is withdrawn.

If at any time after the issue of the First Initial Distribution Notice, which will occur on the Effective Date, the Supervisors are not satisfied that the reserve will be sufficient to meet distributions due to be made out of it, then the remaining Scheme Consideration set aside to meet Known Claims and in the reserve will be aggregated and all Further Distributions under the plc Scheme will be made out of the remaining Scheme Consideration, on a strictly pari passu basis.

AGGREGATE FIRST INITIAL DISTRIBUTIONS FROM BOTH SCHEMES

If a Scheme Creditor has an Admitted Scheme Claim in the Corp Scheme, which is guaranteed by plc, and the claim under the guarantee is Admitted in the plc Scheme, or vice versa, and that Scheme Creditor participates in the First Initial Distributions in both the Corp and plc Schemes, then that Scheme Creditor will be entitled to receive (assuming no increase in the cash element of the Corp Scheme Consideration but that the two Schemes become effective on the same day) for each L1,000,000 of Admitted Scheme Claims an aggregate Initial Distribution of cash, New Notes and New Shares of approximately:

L73,642 cash;

L99,576 equivalent in aggregate principal amount of New Senior Notes (which will be denominated in euro and/or US dollars, subject to elections made in Claim Forms and Account Holder Letters);

L68,136 equivalent in aggregate principal amount of New Junior Notes (which will be denominated in US dollars); and

220,175 New Shares.

If the plc Scheme does not become effective on the same day as the Corp Scheme the Corp/plc distribution model described in Section 2, Part C.7 under the heading "Circulation of Scheme Consideration and payments on a modelled basis" will not have been applied, and accordingly each of the numbers set out above will be reduced by between approximately 1.45 per cent. and 1.65 per cent.

For the purposes of the above calculations, Known Claims that are denominated in a currency other than sterling and New Junior Notes that will be issued by reference to a US dollar amount have been converted at the Voting Rate. The final calculations as to Known Claims will be made at the Scheme Rate (which will be set five Business Days before the Effective Date). The final calculations as to the principal amounts of the New Senior Notes and the New Junior Notes to be received by a Scheme Creditor on the First Initial Distribution will be made at the Currency Rate (which will be set the Business Day before the Corp Scheme Meeting).

27

I. EXPLANATORY STATEMENT (IN COMPLIANCE WITH SECTION 426 OF THE COMPANIES ACT 1985)

SECTION 1: LETTER FROM THE CHAIRMAN OF PLC AND OF CORP

LEGAL RESTRICTIONS ON DISTRIBUTION OF SECURITIES

Securities will not be distributed pursuant to the Schemes where this would be prohibited by any applicable law or regulation, or so prohibited except after compliance with conditions or requirements that are unduly onerous. To the extent that such a prohibition applies, securities that would otherwise have been distributed to any relevant person pursuant to the Schemes will be sold and the net cash proceeds of such sale (after deduction of all applicable expenses and currency conversion costs) will be paid to that person in full satisfaction of his rights in respect of these securities under the relevant Scheme (provided that if the securities are not listed on a securities exchange Scheme Creditors and Bondholders will be entitled to receive a sum in cash that is substantially equivalent in value to such securities). In order to permit the distribution of securities pursuant to the Schemes, the Claim Form will require persons completing it (other than the Trustees), and the Account Holder Letter will require Account Holders, to confirm certain facts. For further information, see Section 2, Part C.9. Any persons who are in doubt as to how legal or regulatory restrictions may affect them in relation to the Schemes are strongly advised to consult their professional advisers.

POST RESTRUCTURING WORKING CAPITAL

In order to support the Group's working capital requirements following the Restructuring, Corp and Marconi Bonding Limited have entered into the Performance Bonding Facility (a L50 million committed performance bonding facility provided by HSBC Bank plc and JPMorgan Chase Bank) and Marconi Communications, Inc. has entered into the Working Capital Facility (a US\$22.5 million revolving facility provided by Liberty Funding, L.L.C.). The Performance Bonding Facility is conditional on the Corp Scheme becoming effective. Further details of each of these facilities are set out in Section 2, Part D.4. Information on the Corp Group's financial objectives is set out in Section 2, Part A.7.

INTERIM SECURITY AND SUPPORT FOR THE RESTRUCTURING

As part of the arrangements to effect the Restructuring, Corp agreed to provide interim security to its principal lenders, being the Syndicate Banks (in their capacities as Syndicate Banks, bilateral lenders to Corp and beneficiaries of guarantees from Corp (in such capacities, "BANK CREDITORS")), the holders of the Bonds from time to time (apart from plc's wholly owned subsidiary Ancrane) and the Trustees (together, the "SECURED BONDHOLDERS") and Barclays Bank PLC (as the only ESOP Derivative Bank which committed to support the Restructuring prior to 15 October 2002). The interim security was taken over cash held by Highrose Limited, a special purpose subsidiary of Corp and plc, in accounts held with third party banks (the "LOCKBOX ACCOUNTS"). These interim security arrangements took effect on 13 September 2002, on which date the balance held in the Lockbox Accounts was approximately L866,000,000. The interim security arrangements were amended on 13 December 2002 and were further amended on 28 March 2003. As at 27 March 2003, the balance held in the Lockbox Accounts was approximately L770,700,000.

Without this interim security, the Syndicate Banks (as comprised at the time) and the Informal Committee of Bondholders would not have been prepared to continue to support the Restructuring, and insolvency proceedings would have been the only practicable alternative.

On 26 March 2003 and 24 March 2003 respectively the requisite majorities of the Syndicate Banks and the members of the Informal Committee of Bondholders agreed an extension of time in which to complete the Restructuring and a waiver of enforcement events which may then have existed in relation to the interim

Edgar Filing: MARCONI PLC - Form 6-K

security. In addition, the requisite majorities of the Syndicate Banks and the members of the Informal Committee of Bondholders, in contemplation of the Restructuring: (a) consented, for the purposes of the undertakings given in favour of the Syndicate Banks and the Informal Committee of Bondholders, to the entry by Corp, plc and other Group companies into certain transactions (including those contemplated under the Scheme Implementation Deed) necessary to facilitate the Restructuring; and (b) agreed a number of additional carve-outs to those undertakings to permit Corp, plc and other Group Companies to enter into transactions contemplated in this document (provided that, subject to some exceptions, such transactions do not take effect until the Effective Date of the Corp Scheme).

28

I. EXPLANATORY STATEMENT (IN COMPLIANCE WITH SECTION 426 OF THE COMPANIES ACT 1985)

SECTION 1: LETTER FROM THE CHAIRMAN OF PLC AND OF CORP

In addition, in connection with the ESOP Settlement Agreement referred to below, UBS AG, Citibank, N.A. and Barclays Bank PLC have each provided a voting undertaking in relation to the Corp Scheme and the plc Scheme (further details of which are set out in part I, Section 2, Part D.2).

Provision has been made for the interim security to be released prior to the Corp Scheme Meeting in circumstances tied to the prospects of the Corp Scheme being successfully implemented (as described more fully in Section 2, Part D.1). If the interim security has not been released prior to the Corp Scheme Meeting neither Corp nor plc will proceed with their respective Schemes, and the interim security will remain in place in any subsequent insolvency proceedings, meaning that the Bank Creditors, Secured Bondholders and Barclays Bank PLC would rank ahead of all unsecured creditors of Corp with respect to the cash held in the Lockbox Accounts. If the interim security is released and the Corp Scheme Meeting proceeds, the choice facing all Corp Scheme Creditors will be the same; either the Corp Scheme will be approved and implemented, or the Corp Scheme will be rejected and in the inevitable insolvency proceeding which would follow such rejection the interim security would no longer be in place.

The Syndicate Banks and the Informal Committee of Bondholders have indicated that they will not be prepared to release the interim security prior to the Corp Scheme Meeting unless, immediately before such release, Corp has confirmed to the Prospective Supervisors that Corp remains satisfied that the reserves built into the Corp Scheme are sufficient to meet distributions to all Corp Scheme Creditors and that Corp remains of the opinion that its statement as to the Corp Group's working capital contained in Section 2, Part D.21 remains valid, and the Prospective Supervisors have confirmed to Corp that they have no reason to disagree with Corp's view that the reserves built into the Corp Scheme are sufficient to meet distributions due to be made to all Corp Scheme Creditors.

SETTLEMENT OF ESOP DERIVATIVE CLAIMS

On 26 March 2003, Corp and plc entered into a definitive agreement with the Group's ESOP Derivative Banks for a settlement of their ESOP derivative related claims against the Group. Under the terms of the settlement, which is conditional upon the Corp Scheme becoming effective, Corp will pay a total of L35 million to the ESOP Derivative Banks in full and final settlement of their ESOP related claims against the Group. This settlement amount will be paid from a fund of up to L170 million which was to have been set aside by Corp, as part of the Restructuring, pending resolution of potential liabilities of Group companies to Barclays Bank PLC, Salomon Brothers International Limited and UBS

Edgar Filing: MARCONI PLC - Form 6-K

AG in relation to the Group's ESOP derivative arrangements. The settlement has made available approximately L135 million in cash which forms part of the L340 million comprising the cash element of the Corp Scheme Consideration. Without the ESOP settlement, the L135 million sum would not have formed part of the Corp Scheme Consideration.

The Boards of Corp and plc believe that the ESOP settlement is in the best interests of Corp and plc and their respective stakeholders as a whole. In reaching this conclusion, the Boards of Corp and plc have taken appropriate legal advice from leading counsel and considered a number of relevant factors, including the merits of the claims of the ESOP Derivative Banks, the desire to reduce the cost and expense of continuing litigation, the potential saving in the interest burden from which the Group will benefit by settling the ESOP derivative dispute, the benefits for the Schemes and certainty as to the amount of the Corp Scheme cash distribution that such a settlement brings.

RISKS ASSOCIATED WITH THE TIMING OF THE RESTRUCTURING

When the Heads of Terms were announced in August 2002, plc indicated that the Restructuring was scheduled to be completed by 31 January 2003. This date was extended to 15 March 2003 in December 2002. As a result of the complexity of the Restructuring the Effective Date of the Schemes is now expected to be on or around 19 May 2003. The change to the timing of the Restructuring introduces risks associated with certain financial debt falling due in March 2003. In particular, the Bank Facility was due for repayment on 25 March 2003 and remains unpaid, an interest payment was due on the Yankee Bonds on 17 March 2003 and remains unpaid and an interest payment is due on the Eurobonds on 31 March 2003. In common with Corp's and plc's approach to other Scheme Claims, pending the outcome of the Schemes neither Corp nor plc intends to make payment in respect of such obligations, in whole or in part. Under the terms of the Bank Facility, unpaid amounts accrue interest at the

29

I. EXPLANATORY STATEMENT (IN COMPLIANCE WITH SECTION 426 OF THE COMPANIES ACT 1985)

SECTION 1: LETTER FROM THE CHAIRMAN OF PLC AND OF CORP

default rates set out therein; namely LIBOR plus 3.25 per cent. per annum. For the purposes of participation in the Schemes, no such interest will accrue beyond the Record Date.

The fact of the above mentioned payments falling due represents a risk to the Restructuring, due to consequential legal action which Syndicate Banks or Bondholders who are not supportive of the Restructuring process could take against Corp or plc. However, Corp and plc are of the view that, given the timing associated with any such legal action as well as the likely attitude of the English and New York Courts to a creditor seeking to frustrate the Restructuring (which is intended to be for the benefit of all Scheme Creditors), these risks should be manageable. This issue is discussed in more detail in Section 2, Part F: Risk Factors.

WHAT HAPPENS IF EITHER OR BOTH OF THE SCHEMES DO NOT BECOME EFFECTIVE?

The plc Scheme will not become effective unless the Corp Scheme becomes effective. Following the Corp Scheme being implemented, plc's assets available for distribution under the plc Scheme to the plc Scheme Creditors will principally comprise the assets received by it as a result of the repayment of capital by Ancrane. Ancrane, as a holder of Bonds issued by Corp and guaranteed

Edgar Filing: MARCONI PLC - Form 6-K

by plc and pursuant to intra-group arrangements, will be entitled to its pro rata share of the Corp Scheme Consideration and the plc Scheme Consideration. Ancrane has been re-registered as an unlimited liability company to facilitate the transfer of its assets to plc by the repayment of capital in specie for distribution to plc Scheme Creditors under the plc Scheme. If the Corp Scheme does not become effective, the plc Scheme Consideration would be so significantly diminished that plc would not implement the plc Scheme and would be forced to commence an insolvency proceeding. If plc were subject to an insolvency proceeding, for the reasons set out under the heading "The alternative" below it is likely that there would be a lower rate of return for the plc Scheme Creditors as compared to their return if the plc Scheme became effective. Also, any return to plc creditors from an insolvency proceeding would be likely to be significantly delayed.

The Corp Scheme is not conditional upon the plc Scheme becoming effective and Corp is satisfied that it will be able to implement the Corp Scheme whether or not the plc Scheme becomes effective. Corp is satisfied that, if the Corp Scheme is implemented, the Corp Group will be sufficiently ringfenced from plc that the Corp Group will be able to operate effectively, even if plc has been forced to commence an insolvency proceeding.

THE ALTERNATIVE

If the Corp Scheme becomes effective but the plc Scheme does not become effective, then plc would inevitably have to enter into some form of insolvency proceeding. If both of the Schemes do not become effective or are terminated before the First Initial Distribution, it is likely that Corp and plc would have to enter some form of insolvency proceedings. This is because, given the severity of the Group's financial position (including the fact that the Bank Facility was due for repayment on 25 March 2003 and remains unpaid, that an interest payment was due on the Yankee Bonds on 17 March 2003 and remains unpaid, and that an interest payment is due on the Eurobonds on 31 March 2003), the Board of the relevant Scheme Company would be likely to conclude that there was no reasonable prospect of avoiding an insolvency proceeding. The instigation of an insolvency proceeding in relation to Corp or both Corp and plc before either Scheme has become effective would be likely to result in insolvency proceedings for other principal Group companies.

As referred to above, if the interim security has not been released prior to the Corp Scheme Meeting neither Corp nor plc will proceed with their respective Schemes. If the interim security is released and the Corp Scheme Meeting proceeds, the choice facing all Corp Scheme Creditors will be the same: either the Corp Scheme will be approved and implemented or the Corp Scheme will be rejected and in the inevitable insolvency proceeding which would follow such a rejection the interim security would no longer be in place.

A detailed analysis of the position of Corp and plc should they be subject to insolvency proceedings (and the assumptions, caveats, limitations and uncertainties on which such analysis is based) is set out at Appendix 6. This analysis should be read carefully, including the caveats, limitations and uncertainties.

Corp and plc believe that the Schemes are more beneficial to Scheme Creditors than insolvency proceedings or the enforcement of security and should result in a better return, greater certainty and an immediate day one distribution to Scheme Creditors. None of these benefits would be possible under the insolvency alternatives.

Edgar Filing: MARCONI PLC - Form 6-K

SECTION 1: LETTER FROM THE CHAIRMAN OF PLC AND OF CORP

BOARD COMPOSITION

With the exception of Derek Bonham, membership of the Boards of Corp and plc is identical.

On 16 December 2002, I was appointed Chairman of plc's Board, in place of Derek Bonham, who will continue as a non-executive director of plc and chairman of its remuneration committee until implementation of the Restructuring, for continuity purposes. I chair plc's nomination committee. On the same date, Kent Atkinson and Werner Koepf were appointed as non-executive directors of plc. Kent Atkinson is chairman of plc's audit committee. The executive directors of plc are Michael Parton (Chief Executive Officer), Michael Donovan (Chief Operating Officer) and Christopher Holden (Interim Chief Financial Officer).

Michael Parton (Chief Executive Officer), Michael Donovan (Chief Operating Officer) and Christopher Holden (Interim Chief Financial Officer) will continue as the executive directors of Corp. On 16 December 2002, I was appointed Chairman of the Corp Board and subsequently became chairman of Corp's nomination committee. On the same date, Kent Atkinson and Werner Koepf were appointed as non-executive directors of Corp. Mr. Atkinson chairs Corp's audit committee. On 14 March 2003, we announced that Kathleen Flaherty and Ian Clubb have agreed to join the Corp Board as non-executive directors with effect from Listing of the New Shares, the New Notes and the Warrants. Mr. Clubb will chair Corp's remuneration committee.

Allen Thomas resigned from the Boards of plc and Corp on 14 March 2003.

ACTION TO BE TAKEN

SCHEME CREDITORS (OTHER THAN PERSONS WITH INTERESTS IN BONDS)

If you are a Scheme Creditor, I urge you to complete and return the Claim Form and Form of Proxy to KPMG as soon as possible and before the recommended deadline set out below. To help you in completing these documents detailed instructions have been included in Appendix 27 and each document contains further guidance. If you have any queries in connection with the Claim Form or Form of Proxy, please contact KPMG using the Helpline described at the front of this document.

BONDHOLDERS

If you are a Bondholder, I urge you to contact your Account Holder (through any Intermediaries, if appropriate) to ensure that an Account Holder Letter is submitted in respect of your Bonds before the recommended deadline set out below. In order to vote at the Scheme Meetings, Bondholders will need to nominate a Definitive Holder (who may or may not be the Bondholder). This nomination must be made in the relevant Account Holder Letter. In order to do this your Account Holder will need instructions from you in relation to voting and the delivery of Scheme Consideration and will require certain securities laws confirmations. To help you in giving these instructions detailed guidance as to the various elections to be made and confirmations to be given has been included in Appendix 28. If you have any queries in this connection, please contact Bondholder Communications using the Helpline described at the front of this document.

ACCOUNT HOLDERS

Edgar Filing: MARCONI PLC - Form 6-K

If you are an Account Holder, I urge you to immediately contact your Bondholders (through any Intermediaries, if appropriate) for instructions to enable you to complete and return the Account Holder Letter to Bondholder Communications as soon as possible and before the recommended deadline set out below. Where possible, I urge you to complete this document on-line as this will minimise clerical errors. To help you in completing these documents detailed instructions have been included in Appendix 28. If you have any queries in connection with the Account Holder Letter, please contact Bondholder Communications using the Helpline described at the front of this document.

RECOMMENDED DEADLINE FOR ACTION TO BE TAKEN

It is recommended that Claim Forms and Forms of Proxy are submitted to KPMG before 5.00 p.m. (London time) on 17 April 2003 and that Account Holder Letters are submitted to Bondholder Communications before 5.00 p.m. (New York City time) on 17 April 2003. Forms of Proxy may be submitted to KPMG before 12 noon

31

I. EXPLANATORY STATEMENT (IN COMPLIANCE WITH SECTION 426 OF THE COMPANIES ACT 1985)

SECTION 1: LETTER FROM THE CHAIRMAN OF PLC AND OF CORP

(London time) on 24 April 2003. The Prospective Supervisors will undertake a review of all Claim Forms submitted prior to the Effective Date to determine whether the relevant Scheme Claims can be properly Admitted. No Scheme Claims submitted after the specified time on 17 April 2003 will be included in the First Initial Distribution Notice. Assuming that the Scheme Claims of the two Trustees are included in the First Initial Distribution Notice (which Corp and plc expect to be the case), no Designated Recipient named in an Account Holder Letter submitted after this date will receive the First Initial Distribution of Scheme Consideration.

Submission of Forms of Proxy and Account Holder Letters after the recommended deadline on 17 April 2003 will not preclude a Scheme Creditor (including any Definitive Holder) from voting at the Scheme Meetings provided that the Scheme Creditor or his proxy is able to establish his identity and entitlement to vote at the relevant Scheme Meeting.

RECOMMENDATION

Corp and plc believe that, given the Group's financial position, the proposed Restructuring is in the best interests of all stakeholders, including Scheme Creditors, Bondholders and plc Shareholders. If the Restructuring is not approved, the severity of the Group's financial position is such that Corp and plc would have no reasonable prospect of avoiding insolvency proceedings which would mean that there would be a lower return to Scheme Creditors, accompanied by uncertainty and delay, and no return whatsoever to plc Shareholders. ACCORDINGLY, CORP RECOMMENDS THAT CORP SCHEME CREDITORS (INCLUDING DEFINITIVE HOLDERS) VOTE IN FAVOUR OF THE CORP SCHEME AT THE CORP SCHEME MEETING AND PLC RECOMMENDS THAT PLC SCHEME CREDITORS (INCLUDING DEFINITIVE HOLDERS) VOTE IN FAVOUR OF THE PLC SCHEME AT THE PLC SCHEME MEETING.

Yours sincerely,

(-s- John Devaney)
JOHN DEVANEY
CHAIRMAN
FOR AND ON BEHALF OF

Edgar Filing: MARCONI PLC - Form 6-K

MARCONI PLC AND MARCONI CORPORATION PLC

32

I. EXPLANATORY STATEMENT (IN COMPLIANCE WITH SECTION 426 OF THE COMPANIES ACT 1985)

SECTION 2 FURTHER EXPLANATION OF THE RESTRUCTURING

A. BUSINESS OVERVIEW

A.1 BACKGROUND

The Group is a global vendor of telecommunications equipment and services. The Group's customers include many of the leading telecommunications operators throughout the world, with whom it has a large base of installed equipment.

This document sets out proposals which, if implemented, will result in Corp becoming the new holding company of the Group. It is intended that all of plc's assets (which derive principally from the claim of plc's subsidiary Ancrane in the Corp Scheme in respect of its holding of Bonds and monies owed to it by Corp), net of a reserve in respect of plc's Ongoing Costs, will be distributed over time to the creditors of plc in accordance with the plc Scheme, following which it is intended that plc will be liquidated or dissolved. It is intended that, between the time of the Corp Scheme becoming effective and the listing of the New Shares, the New Notes and the Warrants, the plc Shares will be delisted from the Official List and cease trading on the London Stock Exchange's market for listed securities. Unless the context otherwise requires, this Part A assumes that the Schemes will be implemented in accordance with their terms and that the Group is the Corp Group.

A.2 HISTORY OF THE MARCONI GROUP AND THE RESTRUCTURING

EARLY HISTORY

Corp, previously called the General Electric Company, p.l.c. ("GEC") and which is currently (but, on the implementation of the Corp Scheme, will cease to be) a wholly-owned subsidiary of plc, was incorporated as a private limited company in England in 1900 under the name The General Electric Company (1900) Limited and can trace its origins back to 1886. GEC originally operated in the electrical industry. The more significant events in the development of the Group are as follows:

- a. 1960s: significant expansion in the electrical industry through acquisitions
- b. 1970s and 1980s: acquisition of Videojet Systems International Inc. (data systems business), Picker International Holdings Inc. (medical systems business) and Gilbarco Inc. (commerce systems business); formation of GEC Plessey Telecommunications Holdings Limited ("GPT"), a 50 per cent. joint venture with The Plessey Company plc, subsequently increasing its stake to 60 per cent.; formation of two 50 per cent. joint ventures, GEC Alsthom N.V. with Alcatel S.A., and General Domestic Appliances Ltd (now known as General Domestic Appliances Holdings Ltd) with the General Electric Company of the United States; and
- c. 1990s: reduction of the stake in the GEC Alsthom joint venture to a

Edgar Filing: MARCONI PLC - Form 6-K

24 per cent. shareholding in Alstom S.A.; acquisition of the minority 40 per cent. stake in GPT and formation of Marconi Communications, combining the GPT business with the Marconi telecommunications operations in Italy, Hong Kong and South Africa under the same management structure.

- d. 1999: GEC separated the Marconi Electronic Systems business ("MES"), its international aerospace, naval shipbuilding, defence electronics and defence systems business, which merged with British Aerospace plc (now known as BAE SYSTEMS plc ("BAE")). GEC's remaining businesses were reorganised under plc, with GEC becoming a wholly-owned subsidiary of plc. Shareholders of GEC became shareholders in plc.

MODERN HISTORY

Following the separation of MES, the Group focused its strategy on communications technology and services. From 1999 through to 30 September 2002, the more significant events in the Group's history include:

- a. Year ended 31 March 2000: acquisition of RELTEC Corporation, FORE Systems, the business of RDC Communications Ltd, Nokia's transmission equipment business, the public networks business of Bosch, the Australian communications solutions business of Scitec and acquisition of

33

I. EXPLANATORY STATEMENT (IN COMPLIANCE WITH SECTION 426 OF THE COMPANIES ACT 1985)

SECTION 2: FURTHER EXPLANATION OF THE RESTRUCTURING -- PART A

27 per cent. of Atlantic Telecom (which was diluted in June 2000 to a 19.7 per cent. interest as a result of Atlantic Telecom's acquisition of First Telecom. Atlantic Telecom is now in liquidation);

- b. Year ended 31 March 2001: acquisition of Metapath Software International Inc. ("MSI"), Systems Management Specialist, Inc., Albany Partnership Limited and Mariposa Technology, Inc;
- c. Year ended 31 March 2002: acquisition of a 71.9 per cent. economic interest (49.9 per cent. of voting share capital) in Easynet Group plc ("Easynet") and disposal of its 92 per cent. interest in ipsaris Limited as part of the same transaction in July 2001; disposals of the remaining 24 per cent. interest in Alstom S.A. in February and June 2001, the remaining 1.49 per cent. interest in Lagardere SCA in September 2001, Marconi Medical Systems Group in October 2001, a 6.5 per cent. interest in Lottomatica SpA in November 2001 and February 2002, Marconi Commerce Systems Group in February 2002, the Marconi Optical Components business in exchange for a 9 per cent. interest in Bookham Technology p.l.c. in February 2002 (pursuant to a subsequent agreement between Bookham Technology p.l.c. and Nortel Networks Corporation, Corp now owns approximately 6 per cent. of Bookham Technology p.l.c.), Marconi Data Systems Group in February 2002 and the 50 per cent. interest in General Domestic Appliances Holdings Limited in March 2002; and
- d. Six months ended 30 September 2002: disposal of the Group's Applied

Edgar Filing: MARCONI PLC - Form 6-K

Technologies division in July 2002 and the Group's strategic communications business (Mobile) in August 2002.

RECENT DEVELOPMENTS

On 19 December 2002, plc announced that Corp had reached agreement with RT Group plc (in members' voluntary liquidation) and its subsidiary RT Group Telecom Services Limited ("RTSL"), on a return of capital from Ultramast Limited ("Ultramast"), a joint venture set up in December 2000. The agreement provides for Corp and RTSL to waive all outstanding litigation relating to Ultramast. The Court approved this reduction of capital and accordingly RTSL has assumed full control of Ultramast. The Group has received approximately L41 million in cash, which includes approximately L19 million which was paid into Court by Corp pending the outcome of a lawsuit between the parties in August 2002.

On 5 March 2003, plc announced that it had completed the disposal of two businesses from its Capital portfolio. The Group sold OTE SpA (its private mobile networks division, also known as TETRA) to Finmeccanica SpA for L2 million in cash, L4.8 million in assumed financial debt, and L8.2 million in assumed OTE debt to suppliers. Finmeccanica SpA has also agreed to release approximately L2.5 million to the Group from escrow relating to the August 2002 sale of Mobile (the Group's strategic communications business). On the same date, plc announced that it had completed the sale of Marconi Online to Coca Cola Amatil (N.Z.) Limited for NZ\$2.95 million (over L1 million).

On 26 March 2003, Corp and plc entered into a definitive agreement with the Group's ESOP Derivative Banks for a settlement of their ESOP derivative related claims against the Group. Under the terms of the settlement, which is conditional upon the Corp Scheme becoming effective, Corp will pay a total of L35 million to the ESOP Derivative Banks in full and final settlement of their ESOP related claims against the Group. This settlement amount will be paid from the fund of up to L170 million which was to have been set aside by Corp, as part of the Restructuring, pending resolution of potential liabilities of Group companies to Barclays Bank PLC, Salomon Brothers International Limited and UBS AG in relation to the Group's ESOP derivative arrangements. The settlement has made available approximately L135 million in cash which forms part of the L340 million comprising the cash element of the Corp Scheme Consideration. Without the ESOP settlement, the L135 million sum would not have formed part of the Corp Scheme Consideration.

Further information relating to "Modern history" and "Recent developments" is set out in Appendix 5.

BUSINESS REORGANISATION

Following a profits warning announced on 4 July 2001, the Group undertook an operational review of its activities. The results of the operational review were announced in September 2001 and included a change of

34

I. EXPLANATORY STATEMENT (IN COMPLIANCE WITH SECTION 426 OF THE COMPANIES ACT 1985)

SECTION 2: FURTHER EXPLANATION OF THE RESTRUCTURING -- PART A

management with the appointment of a new Chief Executive Officer and an interim Chairman. It also covered the Group's markets, its operations and scope of business and focused on adapting the Group to the changed circumstances of the telecommunications market during the substantial decline in market demand for

Edgar Filing: MARCONI PLC - Form 6-K

the Group's products and services. As a consequence of the review, the Group streamlined its activities and disposed of a number of businesses during the period ended 30 September 2002 (as further described under "Modern history" above). For the purposes of financial reporting, with effect from 1 April 2002, the Group divided its continuing operations into two segments: Core and Capital.

The Group divides its Core activities (for the purposes of financial reporting) into two main business types: Network Equipment, comprising Optical Networks, Broadband Routing and Switching ("BBRS"), European Access, North American Access, Outside Plant and Power ("OPP") and Other Network Equipment; and Network Services, comprising Installation, Commissioning and Maintenance ("IC&M") and Value Added Services ("VAS").

The Group's Capital activities comprise certain non-core businesses that the Group manages for value and ultimately for disposal. Activities in Capital include the Group's holding in Easynet Group Plc as well as a number of minor activities, assets and investments.

Following the Restructuring, it is intended that the Group will segment its business along geographic lines and report its US Businesses separately from its businesses based in Europe and the rest of the world. The US Businesses will comprise the BBRS, OPP and North American Access Businesses and related Network Services activities. European and the rest of the world based businesses will comprise the Optical Networks, European Access, Other Network Equipment and the rest of the Network Services activities.

BACKGROUND TO THE RESTRUCTURING

The Group has faced difficult trading conditions for some time. The impact of a period of rapid and unprecedented deterioration in the global telecommunications market has been compounded for the Group by the costs of a number of acquisitions made since 1998. These acquisitions, which were primarily for cash consideration, resulted in a substantial part of the debt burden being carried by the Group and, in the light of reduced market demand for the Group's products and services, the trading and cash flow performances of the acquired businesses have been running at levels well below those that were anticipated at the time of acquisition.

The Board of plc announced its intention, at its Annual General Meeting in July 2001, to initiate an operational review of the Group's business. The results of this review were announced in September 2001, along with the appointments of Michael Parton as Chief Executive Officer of plc, Derek Bonham as Interim Chairman of plc, Michael Donovan as Chief Operating Officer of plc as well as the management appointments of Neil Sutcliffe as chief executive officer of Marconi Capital and Geoffrey Doy as chief executive officer of sales and marketing of plc.

Against a background of further market deterioration early in 2002, plc announced on 22 March 2002 that Corp and plc had decided not to enter into new banking facilities to refinance Corp's then existing syndicated bank facilities. Following this decision, Corp and plc agreed to cancel the undrawn commitments under the existing facilities and agreed that the drawn portion under the Bank Facility (which was due for repayment on 25 March 2003) would be repayable on demand.

Following the decision not to refinance the then existing syndicated bank facilities the Business Plan was prepared. This Business Plan was presented to the Co-ordination Committee and the Informal Committee of Bondholders and was used by Corp and plc as a basis for formulating the Heads of Terms for the Restructuring. The Business Plan assumed that recovery in the Group's markets would not commence until the end of the calendar year 2003. A set of sensitivities were applied to reflect the scenario of more difficult market

conditions, and in particular a delay in market recovery beyond the end of 2003. Given continuing uncertainty in market conditions, further revisions have been made to the Business Plan. In proposing the Restructuring, Corp and plc have assessed the proposed capital structure of Corp against the scenario of a delay in market recovery and are confident that the proposed capital structure of Corp is appropriate in circumstances where such a delay occurs. However, the Group cannot predict with any level of certainty the occurrence, timing or extent of any market recovery.

35

I. EXPLANATORY STATEMENT
(IN COMPLIANCE WITH SECTION 426 OF THE COMPANIES ACT 1985)

SECTION 2: FURTHER EXPLANATION OF THE RESTRUCTURING -- PART A

On 29 August 2002, plc announced that Corp and plc had concluded Heads of Terms with the Co-ordination Committee and the Informal Committee of Bondholders for the financial restructuring of the Group.

On 13 September 2002, the Group announced that, in accordance with the Heads of Terms, interim security over the balance of the Lockbox Accounts established in April 2002 had been granted in favour of the Bank Creditors, the Secured Bondholders and Barclays Bank PLC (as the only ESOP Derivative Bank which committed to support the Restructuring prior to 15 October 2002). On 16 December 2002, the Group announced amendments to the terms of that interim security. Further details are set out in Parts D.1 and D.2.

On 16 December 2002, plc also announced modifications to the Heads of Terms by way of an addendum. On 7 February 2003, plc announced that Corp and plc had reached agreement in principle with the Group's ESOP Derivative Banks for a settlement of their ESOP derivative related claims against the Group. On 18 March 2003 plc announced that documentation in relation to the proposed Restructuring had been filed with the Court and provided an update on certain aspects of the proposed Restructuring. On 26 March 2003 and 24 March 2003 respectively the required consents were received to certain pre-completion steps for the Restructuring from the requisite majorities of the Syndicate Banks and the members of the Informal Committee of Bondholders.

Corp and plc do not currently anticipate that the Corp Group's day to day operations, in particular supplies to customers and the payment of suppliers and employees, will be significantly affected by the proposed capital structure of Corp following the Restructuring.

Further information relating to the Restructuring is set out in Part C of this Section and a discussion of the risk factors arising from implementation of the Restructuring is set out in Part F.2 of this Section.

RESTRUCTURING

Taking into account the cash to be distributed as part of the Restructuring and approximately L40 million of subsidiary-level bilateral loans and finance leases, the net indebtedness of the Corp Group immediately following the Corp Scheme becoming effective is expected to be approximately L117 million. The Corp Group is expected to retain approximately L602 million of cash immediately following the Corp Scheme becoming effective, of which approximately L167 million is expected to be restricted cash (see Part D.4 of this Section for further information about retained cash). These estimates assume that the Corp Scheme becomes effective on or around 19 May 2003 and that there is no increase in the cash element of the Corp Scheme Consideration (and consequential decrease

Edgar Filing: MARCONI PLC - Form 6-K

in the amount of Junior Notes issued) as a result of any asset disposal prior to 1 May 2003.

Assuming the Corp Scheme is implemented in accordance with its terms, Corp Scheme Creditors will receive in aggregate:

- a. CASH: L340 million cash;
- b. NEW SENIOR NOTES: the euro equivalent (calculated at the Currency Rate) of L450 million in aggregate principal amount of new guaranteed senior secured notes due April 2008 to be issued by Corp denominated in euro and/or US dollars, subject to elections made in Claim Forms and Account Holder Letters, with interest payable quarterly in cash at a rate of 8 per cent. per annum;
- c. NEW JUNIOR NOTES: the sum of US\$300 million plus the US dollar equivalent (calculated at the Currency Rate) of L117.27 million in aggregate principal amount of new guaranteed junior secured notes due October 2008 to be issued by Corp denominated in US dollars with interest payable quarterly in cash at a rate of 10 per cent. per annum or, at Corp's option, in kind (by issuing additional New Junior Notes) at a rate of 12 per cent. per annum; and
- d. NEW SHARES: 995,000,000 ordinary shares, representing 99.5 per cent. of the issued ordinary share capital of Corp immediately following the implementation of the Restructuring.

The cash element of the distribution will be increased by the net proceeds of any asset disposals, other than L82 million of excluded asset disposal proceeds, received on or after 1 December 2002 and before 1 May 2003, and the aggregate principal amount of the New Junior Notes will be decreased by 10/11ths of the sterling amount

36

I. EXPLANATORY STATEMENT (IN COMPLIANCE WITH SECTION 426 OF THE COMPANIES ACT 1985)

SECTION 2: FURTHER EXPLANATION OF THE RESTRUCTURING -- PART A

by which the cash element is increased (such calculation to reduce the L117.27 million figure referred to in c. above).

The New Notes may be redeemed at Corp's option in whole, but not in part, at any time at a redemption price equal to the greater of (i) 110 per cent. of their principal amount, and (ii) a make-whole amount equal to the sum of the present values of remaining scheduled payments of principal and interest, using a discount rate that is 50 basis points above the yield on US treasuries of similar maturity to the New Senior Notes and New Junior Notes, as applicable, plus, in each case, accrued interest. Under the terms of the New Notes, Net Proceeds of non-exempt asset disposals must be applied to redeem first the New Junior Notes and then, under certain circumstances, the New Senior Notes. For further information, see Part C.3 of this Section and Appendix 8.

In order to support the Group's working capital requirements following the Restructuring, Corp and Marconi Bonding Limited have entered into the Performance Bonding Facility (a L50 million committed performance bonding facility provided by HSBC Bank plc and JPMorgan Chase Bank) and Marconi Communications, Inc. has entered into the Working Capital Facility (a US\$22.5 million revolving facility provided by Liberty Funding L.L.C.). The Performance

Edgar Filing: MARCONI PLC - Form 6-K

Bonding Facility is conditional on the Corp Scheme becoming effective.

A brief description of the terms and conditions of the Performance Bonding Facility and the Working Capital Facility is set out in Part D.4 of this Section. Certain risks associated with working capital are set out in Part F of this Section.

The Corp Scheme is not conditional upon the plc Scheme becoming effective and Corp is satisfied that it will be able to implement the Corp Scheme whether or not the plc Scheme becomes effective. Corp is satisfied that, if the Corp Scheme is implemented, the Corp Group will be sufficiently ringfenced from plc that the Corp Group will be able to operate effectively, even if plc has been forced to commence an insolvency proceeding.

RINGFENCING OF US ASSETS

As part of the Restructuring, it is proposed that Corp's US Businesses, namely the North American Access Business, BBRs Business and OPP Business, be contractually separated or ringfenced from the rest of the Group (the "US RINGFENCING").

Specific details of the US Ringfencing include:

- a. Marconi Communications, Inc. and its subsidiaries which contain the North American Access Business, BBRs Business and OPP Business will constitute the Ringfenced Entities that are contractually separated from the Non-Ringfenced Entities. While the business units involved are located predominantly in the United States, the Ringfenced Entities will not be limited to subsidiaries that are organised or incorporated under the laws of the United States, the states thereof or the District of Columbia and will also include subsidiaries owned by Marconi Communications, Inc. that are organised and incorporated under the laws of other jurisdictions including Ireland, Mexico and Switzerland;
- b. the covenants in the indentures governing the New Notes will significantly restrict the type of financial, operational and other dealings that the Non-Ringfenced Entities can have with the Ringfenced Entities. The covenants in the New Notes will also require Corp to separate the North American Access Business, BBRs Business and OPP Business into separate subsidiaries (or groups of subsidiaries) within the US Ringfencing no later than the second anniversary of the issue date of the New Notes. Moreover, the Non-Ringfenced Entities will generally be prohibited from providing funding for any of the Ringfenced Entities and, following the separation of the three principal businesses within the US Ringfencing, the North American Access Business, BBRs Business and OPP Business will generally be prohibited from providing funding to each other;
- c. the Ringfenced Entities will enter into various agreements with the Non-Ringfenced Entities necessary to ensure that from the Effective Date those dealings that are permitted with each other will be provided in the ordinary course of business on an arm's length basis or otherwise as required or permitted by the covenants in the indentures governing the New Notes.

A discussion of risk factors associated with the US Ringfencing is set out in Part F of this Section.

Edgar Filing: MARCONI PLC - Form 6-K

I. EXPLANATORY STATEMENT (IN COMPLIANCE WITH SECTION 426 OF THE COMPANIES ACT 1985)

SECTION 2: FURTHER EXPLANATION OF THE RESTRUCTURING -- PART A

A.3 MARKET ENVIRONMENT AND BUSINESS STRATEGY

MARKET ENVIRONMENT

The late 1990s saw unprecedented growth in capital expenditure on telecommunications equipment as established and new operators invested in increased capacity to meet expected growth in both data and mobile traffic. Although data and mobile traffic has grown it has not grown as strongly as expected and operators' turnover has not matched the investment in capacity; both new and incumbent carriers have become overextended financially and capital spending has been dramatically curtailed. In this environment, telecommunications equipment vendors, like the Group, have experienced substantial declines in turnover. The speed of this decline has been far greater than anticipated and, in this environment, the Group, along with its major competitors, has been unable to reduce the cost base of the business at the same rate and consequently has experienced a significant decline in business performance.

Corp and plc consider that the slowdown in network equipment sales has been driven primarily by oversupply rather than reduced demand in the end-user telecommunications services markets. Underlying data and mobile traffic growth, driven by broadband, data and mobile services, remains quite strong and, as this absorbs installed over-capacity, Corp and plc believe carriers will invest in additional infrastructure.

BUSINESS STRATEGY

As a provider of networking technology and services that enables telecommunications operators to evolve narrowband networks to next generation broadband and mobile networks, the Group is now focusing its strategy around:

- a. nurturing pre-existing relationships with its customers in current generation technologies (for example Synchronous Digital Hierarchy ("SDH") and then evolving these customer networks over time to the next generation Dense Wavelength Division Multiplexing ("DWDM") optical networks);
- b. development and effective marketing of genuine "best in class" solutions; and
- c. developing and enhancing the services offered to existing and new customers.

The Group has taken extensive action to reduce the scope of its activities and to rationalise or curtail non-core areas. The Group's near-term objective is to restore its Core businesses to operating profitability (before goodwill, amortisation and exceptional items) and generate positive operating cashflow (before exceptional cash costs). In the longer term, the Group aims to develop and expand its product portfolio and markets on a basis that is consistent with its business strategy.

The Group considers that partnerships, where research and development and routes to the market are shared for mutual benefit, will be an increasingly important factor in the industry and expects the Group to be an active participant in such partnerships.

Business positioning

Development of the Optical Networks business is a strategic priority for the Group. The Group's objective is to maintain a leading position in the European optical networking markets and to build market share in Central and Latin America as well as the Asia Pacific region. Development of the Network Services businesses is the Group's other key strategic objective with the aim of increasing its turnover derived from such services activities.

The Group is also seeking to increase market share in selected product and geographic markets where it has strong customer relationships. Accordingly, the Group will deploy resources in developing its portfolio of fixed wireless transmission and access products as well as its Access Hub multi-service access node.

The Group believes that it has a number of developing or newly developed products which are potentially "best in class" where it has yet to penetrate major new telecommunications company customers. In particular, the

38

I. EXPLANATORY STATEMENT
(IN COMPLIANCE WITH SECTION 426 OF THE COMPANIES ACT 1985)

SECTION 2: FURTHER EXPLANATION OF THE RESTRUCTURING -- PART A

Group is focused on developing the North American market for its leading-edge range of multi-service switches and the UK market for its unique class 5 Softswitch solution.

The Group's OPP and North American Access Businesses are being managed for value and ultimately for disposal. The proceeds of these disposals will be used to repay part of the New Junior Notes. The North American Access Business may be sold prior to 1 May 2003, in which event the net proceeds of the disposal will be applied to increase the cash element of the Corp Scheme Consideration (and the aggregate principal amount of the New Junior Notes will be decreased by 10/11ths of that amount).

Organisational efficiency and effectiveness

Since September 2001, the Group has embarked on a sequence of substantial cost reduction programmes to reduce sales and marketing, general and administrative and research and development overheads. These programmes remain in place and continue to deliver cost reductions.

Organisationally, extensive rationalisation will continue to be an important part of the Group's strategy in order to reduce costs in all areas of production and overhead. In particular, the supply chain will continue to be restructured to remove excess capacity and reduce break-even points.

As part of this strategy, the Group will retain control of functions only where it possesses key competencies. Other functions, such as the manufacturing of non-complex products, will continue to be outsourced and the supply chain cost base will be rationalised to a level more in line with expected sales volumes.

A.4 GROUP'S PRINCIPAL ACTIVITIES

plc is the holding company of the Group, and was incorporated as a public limited company in England in 1999. It conducts its commercial activities

Edgar Filing: MARCONI PLC - Form 6-K

primarily through Corp and Corp's subsidiaries.

Both Corp and plc are subject to the requirements of the Act and the Companies Act 1989.

The Group is headquartered in London with principal operating sites in Coventry, Beeston, Chorley, Camberley, Liverpool, London, Stafford and Wellingborough (UK); Florida, Pennsylvania, Ontario, Georgia, Mississippi, North Carolina, Illinois, Texas and Montreal (US and Canada); Genoa, Marcianise and Pisa (Italy); Backnang, Offenburg, Frankfurt and Radeberg (Germany); Madrid (Spain); Melbourne and Sydney (Australia); Beijing, Guilin and Hong Kong (China); Darulam and Kuala Lumpur (Malaysia); Auckland (New Zealand); New Delhi (India); Riyadh (Saudi Arabia); Dubai (United Arab Emirates); Springs (South Africa); Sao Paulo and Votorantim (Brazil); and Naucalpan de Juarez and Huixquilucan Edo de Mexico (Mexico).

For the purposes of financial reporting, with effect from 31 March 2002, the Group divides its continuing operations into two segments: Core and Capital.

CORE BUSINESSES

For the purposes of financial reporting, the Group divides its Core activities into two main business types: Network Equipment, comprising Optical Networks, BBRs, European Access, North American Access, OPP and other Network Equipment; and Network Services, comprising IC&M and VAS.

The Group's customer base includes telecommunications companies and providers of internet services for their public networks, and certain large corporations, government departments and agencies, utilities and educational institutions for their private networks.

Sales, marketing and distribution

The Group sells its network equipment and network services using its direct sales force as well as indirect channels such as local partners and distribution partners. The Group's sales activities include sales and marketing organisations in all major geographic regions. There are specialised product marketing groups which support these organisations internally and a central marketing staff which provides strategic direction and customer and market communications support for these organisations externally. Each of these regional organisations has responsibility for account management, sales, technical support and contract negotiation.

39

I. EXPLANATORY STATEMENT (IN COMPLIANCE WITH SECTION 426 OF THE COMPANIES ACT 1985)

SECTION 2: FURTHER EXPLANATION OF THE RESTRUCTURING -- PART A

The Group's distribution partners include Ericsson, Italtel, Nokia and Siemens. A seven-year agreement with Ericsson was signed in July 1999 that allows Ericsson to market the full range of the Group's SDH equipment throughout the world. In June 2002, the Group announced an additional seven-year agreement enabling Ericsson to source its range of next-generation DWDM optical networking equipment as well as encompassing the existing 1999 agreement on SDH equipment. The Group also entered into a five-year agreement with Nokia in November 1999 to market the Group's SDH and DWDM systems.

Customers

Edgar Filing: MARCONI PLC - Form 6-K

The Group benefits from the continued support of its strong customer base which comprises mainly well-established incumbent telecommunications operators and government agencies.

The main customers of the Group's network equipment and services include BT, the Metro City Carriers in Germany, Telecom Italia, the UK Government and Vodafone Group in Europe; BellSouth, Qwest, SBC, the US Federal Government and Verizon in the United States; China Railcom, China Telecom, China Unicom, Telkom Malaysia and Telstra in the Asia-Pacific region; and Brasil Telecom, Telecentro Oeste, Telcel, Telefonica and Telmex in Central and Latin America. These customers accounted for 51 per cent. of the turnover of the Core businesses during the six months ended 30 September 2002.

Customers of the Group's Optical Networks and European Access Businesses are predominantly based in Europe as well as in Asia-Pacific and Central and Latin America. Customers of the Group's BBRs, OPP and North American Access Businesses products and services are predominantly based in the Americas. In addition, the Group provides network services to a number of customers in the transportation and utility sectors, mainly in Europe.

Except for BT, each of the Group's customers accounted for less than 5 per cent. of the Group's total turnover and Core turnover for the financial year ended 31 March 2002. For the same period, BT accounted for approximately 9 per cent. of the Group's total turnover and 14 per cent. of the turnover of its Core businesses. During the six months ended 30 September 2002, BT accounted for 15 per cent. of the Group's total turnover and 17 per cent. of the turnover of its Core business. A discussion of certain risks associated with the Group's reliance on a relatively small number of customers is set out in Part F of this Section.

The Group has entered into frame contracts with most of its major customers. While the terms of the frame contracts vary from customer to customer, such contracts generally set out the terms and conditions (including pricing) on which the Group will supply a customer with products and services. The length of frame contracts varies from customer to customer and can range from 12 months to five years. Some of the frame contracts establish price and volume expectations which provide the Group with some visibility of expected sales during the terms of the contracts. However the frame contracts do not typically guarantee the volume or value of products or services actually supplied by the Group, which remain at the discretion of the relevant customer. Near the end of their term, some frame contracts impose an obligation on the parties to negotiate in good faith to agree an extension of the contract.

In some cases, frame contracts contain change of control clauses which may give rise to a termination right as a result of the Restructuring. In any event, customers are not normally contractually bound under their frame contracts to purchase products or services solely from the Group. Customers also often have the right to terminate a frame contract after a specified notice period. Notwithstanding the flexibility customers have in terms of the volume and value of the orders they place and whether they place those orders with the Group or one of its competitors, customers will often have a commercial incentive to continue to purchase all of their requirements for certain types of products and services from (and to have those parts of their networks serviced by) the Group.

A discussion of certain risks associated with termination rights triggered as a result of the Restructuring is set out in Part F of this Section.

NETWORK EQUIPMENT

The Group designs and supplies communications systems that transmit and switch voice, data and video traffic predominantly in public networks. The Group's

Edgar Filing: MARCONI PLC - Form 6-K

Network Equipment products include optical networking

40

I. EXPLANATORY STATEMENT (IN COMPLIANCE WITH SECTION 426 OF THE COMPANIES ACT 1985)

SECTION 2: FURTHER EXPLANATION OF THE RESTRUCTURING -- PART A

systems, broadband and narrowband switches, routers and aggregation devices, wireless transmission systems and software management systems. In addition, the Group sells outside plant and power products for use in communications networks.

Aggregate sales for the Group's Network Equipment businesses for the financial year ended 31 March 2002 were L1,804 million (39.5 per cent. of total Group sales) compared to L3,359 million (48.4 per cent. of total Group sales) in the year ended 31 March 2001 and L2,583 million (45.1 per cent. of total Group sales) in the year ended 31 March 2000. Aggregate sales for the Group's Network Equipment businesses for the six months ended 30 September 2002 were L600 million (54.2 per cent. of total Group sales).

Overview of the public network market

Historically, government-owned or government-regulated monopolies have operated public networks, which traditionally transmitted voice calls between users. Privatisation and deregulation of public networks contributed to the entry of a large number of new companies into the public network market, offering new voice, data and video services.

The public network markets in which the Group operates are highly competitive. The Group's principal competitors include Alcatel, Cisco Systems, Ericsson, Fujitsu, Lucent Technologies, Nortel Networks and Siemens. The primary method of competition in the public network market is the widespread use of open bids for equipment purchases. Buyers use a combination of factors to evaluate bids, including price, technical compliance, ability to deliver in the required timescale and provide after-sales support, financial stability and long-term viability. A number of competitors have substantial technological and financial resources (including research and development resources) and operate in all significant market segments of the industry. As the public network and private network markets converge, other specialist companies in the information technology sector may also emerge as strong competitors. In addition, competitors may emerge in rapidly developing telecommunications markets such as China. A description of risk factors relating to the Group's ability to remain competitive through R&D investment is set out in Part F of this section.

A typical public network can be portrayed as comprising three high level layers. These are the service, switching and transport layers. Traffic in the network is moved around the network by equipment in the transport layer and routed to different points in the network by equipment in the switching layer. Equipment in the services layer defines and makes available the service associated with each particular class of network traffic, for example voice, data or video services. Public networks, which comprise the three layers above, can typically be either access, metro or core networks, depending on the connections they establish. The access network typically connects an end user of a service to a network operator's local exchange (where switches are located). The core network usually connects an operator's major points of presence, for example, the routes between two cities. The metro network typically provides connections between the access and core networks - for example, between a major city and the various local exchanges or points of presence within a particular geographic region.

Edgar Filing: MARCONI PLC - Form 6-K

The Group's equipment can be found in most parts of the typical public network with its optical products predominantly operating in the transport layer, its multi-service switches and Softswitch in the switching layer and its range of access products found in most layers of the access network.

Optical Networks

Communications service providers primarily use three technology standards, SDH, SONET and DWDM, to transmit voice, data and video traffic over fibre optic communications networks. DWDM is a relatively new transmission standard that is used worldwide. SDH is the digital transmission standard that is used in most regions except North America and Japan, where SONET is the predominant standard that is used. In June 2002, the Group announced that it was ceasing development of its SONET products because of continuing weak market conditions. The Group has not made material sales of SONET products. The Group's Optical Networks products contributed 16.1 per cent. of total Group sales in the year ended 31 March 2002 and 21.9 per cent. in the six months ended 30 September 2002. During the latter period, sales were predominantly in Europe and Asia, with the remainder from the Americas.

41

I. EXPLANATORY STATEMENT (IN COMPLIANCE WITH SECTION 426 OF THE COMPANIES ACT 1985)

SECTION 2: FURTHER EXPLANATION OF THE RESTRUCTURING -- PART A

The Group has focused its development on a comprehensive range of optical transmission equipment based on SDH and, more recently, DWDM. A discussion of the risks associated with the telecommunications market is set out in Part F of this Section.

- a. Synchronous Digital Hierarchy: The Group was a pioneer of SDH technology following its introduction in the early 1990s, and has continued to introduce next generation SDH products. The Group is a leading supplier of SDH transmission equipment within Europe and has a tenable position in other markets including the Asia-Pacific market. SDH contributed approximately 85 per cent. of the Optical Networks Business's sales in the year ended 31 March 2002 and approximately 80 per cent. in the six months ended 30 September 2002.

The Group's add-drop multiplexers transport voice, data and video traffic streams over ring-based optical fibre networks to provide protection against network failures. The Group's line systems transport high-capacity voice, data and video traffic streams between major traffic centres. The Group also supplies cross-connects to provide points of flexibility and restoration within an SDH network and to switch traffic streams from one transmission line to another. Over the next twelve months, the Group intends to launch a number of more cost effective next generation SDH products with greater functionality, for use both in core networks and for connecting residential and business customers to the core network, such as its SMA Series 4 range of add-drop multiplexers and the MSH range of cross-connects announced in September 2002.

- b. Dense Wavelength-Division Multiplexing: DWDM is the transmission of closely spaced signals through a single optical fibre using wavelengths, each of which functions as a separate, independent

Edgar Filing: MARCONI PLC - Form 6-K

signal, and allows the capacity of installed optical fibre to be increased substantially to meet future growth in demand for voice, data and video traffic capacity. The Group's DWDM equipment is complementary to the Group's SDH equipment and enables service providers to increase significantly the bandwidth of installed fibre optic cabling and still use the existing network infrastructure. Over the past few years, the Group's share of the next generation DWDM market in Europe has grown significantly.

The Group has already established a tenable market position with its photonic line system ("PLx"). The Group has recently launched a soliton-based, ultra-long-haul photonic line system ("UPLx") that extends the distance that traffic can be transported before regeneration of the signal is required. The Group is developing this product specifically for ultra and extended long-haul DWDM networks which will have much higher per fibre capacity than SDH or SONET networks. The Group has announced its first order for this product in Australia. In 2000 the Group launched a remotely re-configurable photonic add-drop multiplexer ("PMA"). This product allows traffic streams to be inserted and removed from a transmission ring without disturbing other traffic streams. The Group has also developed a range of point-to-point and ring-based Metro products ("PMM"). DWDM contributed approximately 15 per cent. of the Optical Networks Business's sales in the year ended 31 March 2002, and approximately 15 per cent. in the six months ended 30 September 2002.

The Group's DWDM equipment is complementary to the Group's SDH equipment and the Group intends to take advantage of its positions in the SDH markets of Europe, Central and Latin America and Asia Pacific to sell its DWDM products to its existing SDH customer base as well as to new customers wishing to make a cost effective and simple increase in their available bandwidth.

The Group's transmission equipment is managed by its network management system (ServiceOn). ServiceOn provides a broad range of management functions required by a network operator. It can be used by service providers to remotely re-configure their networks in accordance with changing traffic patterns. ServiceOn also provides network performance information and has fault detection capability to support the day-to-day operation of the network.

The Group's broad portfolio of Optical Networks products, coupled with scalability and ease of upgrade, enables it to sell optical networks to its customers which optimise network design and cost for those customers. The Group's focus on overall optical networks solutions, rather than single product solutions, enables it to design

42

I. EXPLANATORY STATEMENT (IN COMPLIANCE WITH SECTION 426 OF THE COMPANIES ACT 1985)

SECTION 2: FURTHER EXPLANATION OF THE RESTRUCTURING -- PART A

more cost effective networks and to integrate future product offerings over the life of frame contracts. The Group believes that its installed base of SDH equipment, deep customer relationships, superior knowledge of the incumbent network design, and interoperability of its products with that installed base of SDH equipment, are an important competitive advantage for both the existing and new SDH and DWDM product ranges.

Edgar Filing: MARCONI PLC - Form 6-K

The Group's objective is to maintain a leading position in the European optical networking markets and to build market share in the Asia Pacific region as well as Central and Latin America.

Broadband Routing and Switching

In 2001, the Group refocused its technical and commercial resources in the BBRs Business towards customers requiring more resilient networking platforms of the sort found in carrier class networks, namely government and military agencies, selected telecommunications service providers and other large corporations. BBRs also continues to provide support services to its approximately 1,000 US Federal Government service provider and enterprise customers. The Group's single largest customer of BBRs products is the US Federal Government with whom the Group has enjoyed a long relationship. To date, this has resulted in an installed base of BBRs products in US Federal Government communications networks of approximately US\$1.3 billion in value.

The BBRs Business contributed 4.6 per cent. to the Group's sales in the year ended 31 March 2002 and 6.6 per cent. in the six months ended 30 September 2002. The BBRs Business' sales are made predominantly in the North American market and these sales accounted for 4.3 per cent. of total Group sales in the latter period.

The Group's products address the three principal packet-oriented protocols in use today: asynchronous transfer mode ("ATM"); internet protocol ("IP"), and multi-protocol label switching ("MPLS"), an emerging standard which provides greater predictability, Quality of Service ("QoS") and differentiated service levels for IP-based data, voice and video communications when compared with services available over traditional, connectionless IP networks.

The Group's principal products comprise a range of multi-service switch-router devices that both establish the physical communication links between end points, as well as determine the optimal route across the network. In addition, the Group also develops and sells a range of integrated access devices ("IADs") which are cost-effective solutions supporting converged voice, data and video transmissions over a single circuit. The Group has focused on the sale and support of its ASX-200BX, ASX-1000 and ASX-4000 range of multi-service switches, while continuing the development of its recently-launched next generation BXR-48000, which the Group believes provides the highest capacity of any multi-service switch currently available in the telecommunications industry.

The Group's switch-router product platforms, such as the ASX-4000 and BXR-48000 are designed to support communications traffic transmitted by ATM, IP and MPLS protocols. They are designed to enable operators to build on their existing switching and routing infrastructure to continue to support their legacy services while offering the flexibility and scalability to roll-out next generation IP, wireless and packet voice services. They are also designed to enable operators to reduce their capital investment and operating costs.

The ASX-4000 can switch at transmission speeds ranging from 10 to 40 gigabits per second ("Gbps") and can be positioned either within the core, or at the edge, of service provider networks or high-capacity private networks. Recent developments of the ASX-4000 switch include applications to allow service providers to transport voice traffic over packet switched infrastructures such as ATM ("VoA") or IP ("VoIP").

The BXR-48000 can operate at transmission speeds ranging from 40 Gbps to 480 Gbps. It can be configured as a very high capacity router or a very high capacity switch. Routers function in the IP ("packet") networking domain, while switches typically operate in the traditional voice, Frame Relay and ATM domains. In March 2002, following technical trials on the first BXR-48000 unit, the US Department of Defense's Naval Research Laboratory ("NRL") demonstrated

Edgar Filing: MARCONI PLC - Form 6-K

the high performance, high security, speed, reliability and functionality of this product and subsequently, in September 2002, the US Department of Defense placed a firm order for the product. The military-grade capabilities demonstrated by the BXR-48000 are equally applicable for the voice, video, data and multiservice networks of service providers and large non-military institutions. In December 2002, the Group announced a further sale of the BXR-48000 to a leading European financial institution.

43

I. EXPLANATORY STATEMENT (IN COMPLIANCE WITH SECTION 426 OF THE COMPANIES ACT 1985)

SECTION 2: FURTHER EXPLANATION OF THE RESTRUCTURING -- PART A

The Group also provides support services to customers of its BBRs products. The Group reports these revenues within its Network Services segment. The BBRs Business service offerings range from routine technical support and assistance for its switch-routers, to dedicated, on-site project and programme support for complex network environments.

Within the broadband switching and routing market, the Group believes that the IP router market will be a significant source of potential growth in the longer term due to the continued growth in IP traffic and the launch of new services such as VoIP. It should be noted, however, that the introduction of these new services is dependent on the development of technologies that permit the "toll-grade" transmission, over IP, of voice and real-time multimedia services. In the meantime, concern from carriers and security sensitive private network operators over the security and reliability of their networks are expected to lead to continued growth in the ATM market.

Consequently, the Group intends to continue to focus its research and development on the further development of its multi-service products which support ATM, IP and MPLS protocols. In particular, the Group's BBRs equipment is designed to enable carrier operators to address the divergent demands of today's difficult market environment. The market demands continued support for the ATM networks that transport today's services as well as providing a safe and viable migration path for the convergence of these networks with data oriented IP networks. The BXR-48000 is a key strategic platform through which the Group aims to deploy further its range of BBRs products into the networks of large telecommunications providers.

As part of the Restructuring, it is proposed that the BBRs Business be contractually separated or ringfenced from the rest of the Group.

European Access

Access equipment connects the end user to a service provider's switch or local exchange across what has been traditionally known as the "last mile" or "local loop". This is the physical wire, fibre or wireless link that runs from a subscriber's telephone set or other communications device to the service provider's local exchange. The Group designs, manufactures, sells and supports a range of access equipment which maximises the capabilities of physical transport media, including copper telephone lines, fibre optics, and both licensed and unlicensed wireless spectra. The Group's access systems activities have undergone significant rationalisation and are now focused on leveraging the Group's reputation and relationships in Europe to continue penetration of key customers with fixed wireless, Access Hub and voice software systems. The European Access Business contributed 8.4 per cent. of total Group sales in the year ended 31 March 2002 and 11.6 per cent. in the six months ended 30 September

Edgar Filing: MARCONI PLC - Form 6-K

2002. During the latter period, approximately 85 per cent. of the European Access Business sales were in Europe, 12 per cent. in Asia Pacific, with the remainder in Central and Latin America.

The principal access systems products are:

- a. Digital Subscriber Line Access Multiplexers ("DSLAMs"): These products are typically located within an operator's local exchange on one end of the subscriber loop providing broadband internet/DSL data services. The Group's Access Hub, which can be configured as an advanced high density DSLAM also incorporates integrated ATM edge switching and IP multi-casting functionality, enabling it to perform as a broadband aggregator for multiple applications including voice, video and data services as well as providing conventional DSLAM functionality, such as asymmetric digital subscriber line (ADSL) capabilities. This next generation product offers one of the highest port densities available in the industry and is optimised for ease of configuration and management. The Group launched its Access Hub platform in 2001 and has already won two major frame contracts with Telecom Italia and Telkom (South Africa). Other customers include Wind (Italy).
- b. Fixed Wireless: The Group's Skyband MDRS product family encompasses the Group's point-to-point ("PtP") portfolio which offers long and short haul SDH transmission for services ranging from trunk networking, local access bypass and mobile network feeder applications. The Group's Skyband MDMS point-to-multi-point ("PtMP") portfolio offers cost-effective broadband wireless solutions ranging from 2.4 Ghz to 32 Ghz, depending on the country's frequency

44

I. EXPLANATORY STATEMENT

(IN COMPLIANCE WITH SECTION 426 OF THE COMPANIES ACT 1985)

SECTION 2: FURTHER EXPLANATION OF THE RESTRUCTURING -- PART A

allocation, and supports subscriber voice and broadband data, using both standards-based and optimised techniques. The Group's radio planning and installation services enhance the Group's ability to offer customised, cost-effective solutions for network operators and service providers. The main customers of the Group's range of fixed wireless access products include mmO(2) (Germany), and E-plus (Germany).

- c. Voice Systems: The Group provides switching hardware and software to telecommunications and media carriers in both legacy narrowband and next generation networks. The three main activities are:
 - (i) Narrowband Switch Support: The Group continues to supply upgrades and extensions to its significant installed base of narrowband voice telephony systems (System X). The majority of this installed base is in the UK. Upgrades and extensions have been driven by the need for operators to adapt their networks to changing traffic patterns, predominantly caused by the growth in Internet traffic.
 - (ii) Softswitch: This next generation product is a system which builds on many of the features of the narrowband switch allowing network operators to combine their traditional

Edgar Filing: MARCONI PLC - Form 6-K

telephony services with broadband multimedia and high-speed data services across a single broadband packet switched network. The Group's Softswitch is currently one of only a limited number of products, offering full class 5 capability available in the market. It can therefore address both public and private network applications and has been designed to allow customers significantly to reduce the cost of operating their networks. The Group's Softswitch has been installed in the Dubai Marina project where it is currently delivering voice and multimedia services and is undergoing trials with a number of customers in the United Kingdom. In December 2002, the Group announced the sale of its Softswitch system to support Jersey Telecom's roll out of a suite of commercial and residential broadband services.

- (iii) Intelligent Networks: As legacy narrowband services have evolved, operators have experienced an increasing need to provide additional value added services that can be billed to individual subscribers. Corp and plc believe that the Group's Intelligent Networks products are amongst the leading products in the UK market in the provision of hardware and software for fixed networks that allows carriers to offer a range of enhanced voice services, beyond those contained in existing narrowband switching products. These services, such as 0800 numbers, voicemail, call waiting and ringback, can be controlled from a small number of service points where data and applications can be stored and updated centrally. Intelligent Network products also work with switches from other manufacturers, increasing their attractiveness to operators whose systems contain a range of products.

The services offered by these products provide differentiating capability for the Group's customers. The Group therefore undertakes directly customer funded developments as well as Group-funded research and development. The Voice Systems activities' primary geographical market is the UK where the Group has a strong position in the UK circuit switching market, and the Group is an equipment supplier to customers such as BT, Cable and Wireless, NTL and Telewest, each of whom relies on the Group for upgrades and care and maintenance of installed equipment. The Group's narrowband switching products are deployed in approximately 70 per cent. of BT's local telephone exchanges and are central to the UK public service telephone network ("PSTN"). The Group's initial market entry for its new Softswitch product is seen as the confluence of the growth in IP Voice, IP managed VPN, and the growth of DSL. This creates an opportunity to develop a new range of cost-effective services for corporations, by extending the reach of their private networks to smaller locations and, through DSL connectivity, uniquely to home workers.

Initially, establishing the Softswitch as a major supplier in this sector will provide the foundation for further expansion into small to medium sized enterprises and then pure residential services (as opposed to corporate home worker).

45

I. EXPLANATORY STATEMENT (IN COMPLIANCE WITH SECTION 426 OF THE COMPANIES ACT 1985)

SECTION 2: FURTHER EXPLANATION OF THE RESTRUCTURING -- PART A

- d. Other Access Products: The Group has a range of other access products that are deployed in its customers' networks, including its Deep Fiber DMP product. This product brings the high bandwidth of the core fibre network into the access network.

North American Access

The Group designs, sells and supports a range of copper and fibre based access platforms for markets that use North American communications standards. The Group's largest customers are BellSouth and Sprint and the Group is one of the main suppliers of digital loop carrier systems by market share in North America. The North American Access Business contributed approximately 5 per cent. of total Group sales in the six months ended 30 September 2002.

The Dutch Link Control (DLC) DISC*S(R) family of products provide copper based access for voice and data services. The Group has provided over ten million lines of digital local loop equipment based on the DISC*S(R) platform throughout the United States, and has recently introduced a smaller footprint broadband high density version of the platform.

The Group's fibre to the curb solutions support a mix of voice, broadband data and video services to each customer. They deploy fibre all the way to a curbside pedestal and utilise copper or coax cables only for the short final drop to the customer's premises.

As part of Restructuring, it is proposed that the North American Access Business be contractually separated or ringfenced from the rest of the Group. The North American Access Business has undergone significant rationalisation and is being managed for value and ultimately for disposal. The proceeds of this disposal will be used to repay part of the New Junior Notes. The North American Access Business may be sold prior to 1 May 2003, in which event the net proceeds of the disposal will be applied to increase the cash element of the Corp Scheme Consideration (and the aggregate principal amount of the New Junior Notes will be decreased by 10/11ths of that amount).

Outside Plant and Power

The Group is one of the major providers of OPP products and services in North America. The Group is one of the major suppliers to Qwest, Verizon, BellSouth, SBC, Sprint, AT&T and WorldCom. In addition, the Group is a supplier to AT&T, Verizon, Cingular, Telcel and US Cellular. The Group currently has contracts to provide services to Bechtel in the building of wireless networks for AT&T and Cingular. The OPP Business contributed 5.4 per cent. of total Group sales in the year ended 31 March 2002, and 7.2 per cent. in the six months ended 30 September 2002.

The OPP Business has three primary product lines:

- a. Outside Plant supplies connection, protection and enclosure products for the local loop, and is a supplier in enclosure design such as thermal management and analysis, water and dust intrusion, equipment packaging techniques and corrosion resistance. Although these are primarily passive hardware products, the trend of placing sensitive electronics outside the local exchange and closer to the subscriber requires increasingly sophisticated enclosures and static protection. The connection and protection products include distribution pedestals, building entrance terminals, cross connect terminals, cable television enclosure products, fibre optic splice enclosures, large electronic configuration cabinets, central office main distribution frames, heat management systems, power surge

Edgar Filing: MARCONI PLC - Form 6-K

protection devices and connection blocks and terminals. The enclosure products are metal and plastic cabinets that house equipment such as power supplies, connection products, and digital and wireless transmission equipment.

- b. Power supplies power systems to service providers and telecommunications equipment manufacturers for the local loop, local exchange switching, wireless sites and other customer equipment such as computer networks. The Group's power products and systems include large power systems for local exchange applications, smaller cabinet power systems with "plug and play" flexibility, modular power systems, custom power subsystems sold to OEMs, DC distribution

46

I. EXPLANATORY STATEMENT (IN COMPLIANCE WITH SECTION 426 OF THE COMPANIES ACT 1985)

SECTION 2: FURTHER EXPLANATION OF THE RESTRUCTURING -- PART A

and DC-DC conversion systems and traditional ringing and signalling equipment. The Group's family of power products is marketed under Vortex(R), Lorain(R) and other brand names and is based on a single integrated platform suitable for multiple wireline and wireless applications. This microprocessor-based "plug and play" architecture allows for software-based configuration, management, monitoring and local and remote power system access that is easily expanded for system configuration and control.

- c. Services provides customers with software that allows for remote monitoring and control of power systems as well as complete programme management support for communications systems deployment. Additionally, the Group provides a range of customer services, including site contract maintenance and breakdown service, spare parts provisioning, equipment depot repair, and training.

The OPP Business' principal geographic markets are in North America and Central and Latin America.

As part of the Restructuring, it is proposed that the OPP Business be contractually separated or ringfenced from the rest of the Group. OPP is being managed for value and ultimately for disposal. The proceeds of this disposal will be used to repay part of the New Junior Notes.

Other Network Equipment businesses

Other Network Equipment businesses contributed 2.6 per cent. of total Group sales in the year ended 31 March 2002, and 2.6 per cent. in the six months ended 30 September 2002. These comprise mainly the following businesses:

- a. Marconi Interactive Systems ("MIS"): MIS manufactures payphones and multimedia terminals which range from an indoor "desk top" phone through to sophisticated street multimedia terminals which have voice telephony and internet access capability. The business is predominantly UK-based and sells primarily to the major public network customers such as BT, Telecom Italia, Singtel, Telenor, Teledanmark and, through Loxley Business Information Technology Company Limited, TelecomAsia.
- b. Network Equipment -- South Africa: The Group's operations in South

Edgar Filing: MARCONI PLC - Form 6-K

Africa include the design, manufacture and supply of a range of terminal products including telephones, PABX key-systems and public payphones. On 23 December 2002, the Group disposed of its 51 per cent. interest in its optic fibre cable and copper cable business (ATC (Proprietary) Limited).

NETWORK SERVICES

The Group's Network Services activities comprise a broad range of support services to telecommunications operators and other providers of communication networks. The Group supports both its own products as well as those of other vendors of network equipment.

Aggregate sales of all Network Services activities for the financial year ended 31 March 2002 were L969 million, (21.2 per cent. of total Group sales), compared to L1,016 million (14.6 per cent. of total Group sales) in the year ended 31 March 2001 and L543 million (9.5 per cent. of total Group sales) in the year ended 31 March 2000. Aggregate sales in the six months ended 30 September 2002 were L392 million (35.4 per cent. of total Group sales).

Overview of the Network Services market

The substantial reduction in sales of network equipment has led to corresponding reductions in the network planning, installation and commissioning services associated with the sales of new products. However, as network operators have sought to reduce expenditures to cope with excess capacity, the requirements for maintenance and support have continued and in some cases new opportunities have emerged as operators have sought to consolidate vendors and outsource additional services. Corp and plc believe this is a trend that is expected to continue and to mitigate, to some extent, the decline in sales of services related to new products sales.

47

I. EXPLANATORY STATEMENT (IN COMPLIANCE WITH SECTION 426 OF THE COMPANIES ACT 1985)

SECTION 2: FURTHER EXPLANATION OF THE RESTRUCTURING -- PART A

The fragmented nature of the network support services market means there are no dominant competitors in the provision of services to the public network market. However, major telecommunications vendors, such as Alcatel, Cisco Systems, Ericsson and Lucent Technologies are extending their service capabilities to offer total solutions in direct competition to the Group. Major information technology and systems integrators, such as CSC, EDS and IBM, are now offering telecommunications solutions to their customers. Furthermore, independent service and support organisations such as Dimension Data and Telindus offer a broad portfolio of services.

The principal method of competition in this market is through open bidding. Services may also be sold as a part of, or linked to, equipment sales.

Service offerings

The Group provides plan, build and operate support services to both fixed line and wireless network operators in many countries around the world. The Group targets customers in the service provider, large scale "carrier class" markets and in the government, transport and utilities sector. The services segment has two main sub-groupings:

Edgar Filing: MARCONI PLC - Form 6-K

Installation, Commissioning and Maintenance comprises the following activities:

- a. Customer Fulfilment provides project management, installation and commissioning, field engineering support and customer training. The main markets are the UK, North America, Germany and Italy. The North American activities are associated with the OPP Business and will be included in the Ringfenced Entities post-Restructuring.
- b. Managed Services supports the installed base of the Group's equipment worldwide through technical support, on-site maintenance and spares & repairs management. Managed Services also remotely monitors, manages and supports customers' live networks. Services are provided from a global network of technical assistance centres ("TACs"), stock hubs and network operation centres ("NOCs"). The Group operates thirteen TACs (five in the US, two in the UK, two in the rest of Europe, two in Canada and one in each of Japan and Australia) offering around-the-clock telephone assistance to customers. It also has five NOCs (one in each of Australia, Germany, Italy, the UK and the US) for remote monitoring, fault diagnosis and network repair. The Group can support its own product range as well as products supplied by other communication equipment companies.
- c. Operational Support Systems provides the software systems and systems integration services that enable operators to maximise the efficiency of their networks and the quality of the services they provide to customers.

The bulk of these services are related to the sale of the Group's products, although there is also considerable experience of working with equipment from other vendors.

Value-Added Services comprise the following activities:

- a. Integrated Systems provides plan, build and operate services on major complex projects for non-telecommunications businesses in market sectors such as transportation and government. The projects involve planning, building, operating and supporting carrier class telecommunications infrastructure and are generally long-term. The principal geographical markets are the UK, Germany and the Middle East.
- b. Wireless Services provides radio frequency consulting services to both wireless and wireline network operators. These are primarily consulting and contractual services for site acquisition, mast design and construction, radio frequency cell site planning and network optimisation. The Group's radio planning and installation services enhance the Group's ability to offer customised, cost-effective solutions for network operators and service providers. In North America the primary focus is on radio cell site planning and network optimisation. In Europe, the Middle East and Africa (EMEA), the principal geographical markets are the UK, Saudi Arabia, the Netherlands and Germany.

48

I. EXPLANATORY STATEMENT
(IN COMPLIANCE WITH SECTION 426 OF THE COMPANIES ACT 1985)

SECTION 2: FURTHER EXPLANATION OF THE RESTRUCTURING -- PART A

Edgar Filing: MARCONI PLC - Form 6-K

- c. Managed Services provides customer support services associated with the Group's BBRs equipment. These will be included in the Ringfenced Entities post-Restructuring.

The services businesses have developed within the Group over a number of years. In EMEA, installation and commissioning services were necessary to support equipment sales to service providers. In North America, the business developed through supporting the data networking and power markets. The Integrated Systems activities have developed organically to support complex mission critical network projects for large enterprises. Wireless Services evolved from the acquisition of APT in the UK, TI Projekts in Germany and MSI.

The Group intends to continue to drive process and efficiency improvements throughout Network Services' operations to reduce costs, improve customer satisfaction and increase both revenues and margins. In addition, the Group intends to increase the proportion of equipment sales that include support contracts and more cross-selling of existing services across markets and customers.

Within Integrated Systems, the key initiative is to expand out of the strong UK base into carefully selected overseas markets (primarily Germany and Austria) through a combination of skills transfers and working with selected partners.

The Group intends to grow the Wireless Services business by targeting mobile network operators operating 2G networks and planning 3G networks and equipment vendors providing turnkey projects to the mobile network operators who require service partners.

CAPITAL BUSINESSES

The Group's Capital Businesses comprise certain non-core businesses that the Group manages to create value and ultimately for disposal. Activities in Capital include the Group's holdings in:

- a. Easynet Group Plc: On 26 July 2001, the Group merged its 92 per cent. interest in ipsaris Limited into Easynet Group Plc ("Easynet"), a UK registered company listed on the London Stock Exchange, acquiring 71.9 per cent. of the issued share capital of Easynet and control of 49.9 per cent. of Easynet's issued voting capital. Easynet's share capital comprises voting ordinary shares and non-voting convertible shares. The closing of the Ultramast Limited capital reduction on 24 February 2003 and the settlement of the litigation associated with Ultramast Limited provided for the Group to acquire approximately a further 1.3 million ordinary shares in Easynet; certain of these shares will convert into convertible ordinary shares so that the Group will not own more than 49.9 per cent. of the voting ordinary shares. Easynet operates an internet network and data centre infrastructures. In the UK, Easynet has a national broadband network. Easynet is accounted for as an associate in the Group's consolidated accounts.
- b. Bookham Technology plc: On 17 December 2001, the Group sold its optical components business to Bookham Technology plc ("Bookham") in exchange for 9 per cent. of the issued ordinary shares of Bookham. Bookham is a provider of optical components to the Group and other network equipment vendors. Pursuant to a subsequent agreement between Bookham and Nortel Networks Corporation, Corp now owns approximately 6 per cent. of Bookham.
- c. Capital also includes the Group's Italian-based Public Mobile Radio Networks business, which develops base stations and controllers for 3G networks.

Edgar Filing: MARCONI PLC - Form 6-K

Other activities in Capital include a number of minor activities, investments and assets.

RESEARCH AND DEVELOPMENT

The Group expended approximately L486 million, or 17.7 per cent. of total Core sales, on research and development ("R&D") in its Core businesses in the financial year ended 31 March 2002 (year ended 31 March 2001: L469 million). All of this amount was funded by the Group. During the six months ended 30 September 2002, the Group expended approximately L163 million, or 16.4 per cent. of total Core sales on R&D in its Core businesses.

49

I. EXPLANATORY STATEMENT (IN COMPLIANCE WITH SECTION 426 OF THE COMPANIES ACT 1985)

SECTION 2: FURTHER EXPLANATION OF THE RESTRUCTURING -- PART A

The Group intends to continue to provide a competitive product portfolio building on existing market leading characteristics across its core product areas despite this reduction in expenditure. As revenues stabilise, the Group intends that R&D expenditure will amount to approximately 10 per cent. of expected Core sales.

Optical Networks accounts for the Group's largest product portfolio and generates the largest revenue base. Optical Networks R&D expenditure reflects this representation and accounted for almost 40 per cent. of the total R&D expenditure in the Group's Core businesses during the six months ended 30 September 2002 (six months ended 30 September 2001: 30 per cent.). The current R&D projects have been selected on the basis that they are expected to yield a higher overall return for the Group. The Group is maintaining continued investment in next generation SDH products, in particular its recently launched Series 4 product range which has been designed to be more cost effective and offer service providers greater functionality than previous generations of the product. It is also focusing on the development of its next generation optical cross connect, the MSH range, its Metro product range, which is designed for metropolitan applications, as well as its long-haul DWDM products and further upgrades to the Group's network management software with the creation of elements to allow new product network integration and the development of a network control layer. Investment in network management should ensure that the Group's customers will retain a full optical network solution, which evolves along with individual product developments.

The BBRS Business accounted for 23 per cent. of R&D expenditure in the Group's Core businesses in the six months ended 30 September 2002 (six months ended 30 September 2001: 21 per cent.). Over half of this expenditure was focused on the development of the Group's new multi-service core switch, the BXR-48000. In November 2002, the Group demonstrated its ability to support the transport of encrypted high speed data and high definition videos streams over the BXR-48000 using its newly developed 10 Gbps OC-192c ATM interface card. Ongoing initiatives on the BXR-48000 are focused on enhancing the product's IP functionality. Other ongoing programmes include the further development of the ASX-4000 switch to incorporate applications which will allow customers to transport voice traffic over ATM and IP infrastructures.

R&D expenditure across the Group's European Access and North America Access Businesses combined, accounted for 25 per cent. of total R&D in the Group's Core businesses in the six months ended 30 September 2002 (six months ended 30

September 2001: 35 per cent.). During the first calendar quarter of 2002, the Group carried out an in-depth review of its complete portfolio of access solutions. This review was based on an evaluation of the forecast levels and timing of returns on investment and the cash generation potential of each product line. Following the review, the Group streamlined its portfolio of access technologies and refocused its R&D expenditure. In Europe, investment now only occurs in products that meet European Technology Standard Institute (ETSI) requirements and that will build on current market and customer positions. Consequently, R&D is being targeted on three key product ranges: the Access Hub platform, the Skyband fixed wireless access products and the Softswitch. Planned future developments of these products include the ability to aggregate traffic from 3G mobile base stations into the Access Hub, the addition of further frequency bands and voice and video functionality in the design of the fixed wireless products and the addition of further features and functionality to the Softswitch. R&D investment in North American access products has been significantly reduced and the Group has announced that while continuing to pursue sales opportunities and offer full support, care and maintenance for its existing copper and first generation fibre access products, it will not undertake further investment to develop next generation upgrades. In particular, the Group has discontinued investment in its next generation Fiber-to-the-Home solutions. Ongoing R&D efforts are focused on reducing the costs of existing products.

The remaining R&D investment in the six months ended 30 September 2002 related mainly to outside plant and power products and wireless software. The Group is currently focusing its R&D efforts in the OPP Business towards the completion of its next generation power platform and web-based monitoring system. Smaller projects are also under way to develop customer specific products as well as redesigning the current product portfolio to reduce costs. The Group's wireless R&D efforts are focused on two product streams, OSS solutions and Wireless Network Planning solutions.

A discussion of certain risks associated with the Group's R&D is set out in Part F of this section.

50

I. EXPLANATORY STATEMENT
(IN COMPLIANCE WITH SECTION 426 OF THE COMPANIES ACT 1985)

SECTION 2: FURTHER EXPLANATION OF THE RESTRUCTURING -- PART A

A.5 INTELLECTUAL PROPERTY

BACKGROUND

The Group owns a number of Intellectual Property rights including Patents, trade marks and registered designs throughout the world. The Group has a number of patent and know-how (and other) licences from third parties relating to products and methods of manufacturing products. The Group has also granted Patent, software, know-how and other licences to third parties.

Because the Group has previously developed some of its technologies through customer-funded research, it may not always retain proprietary rights to the products it develops.

The Group relies on Patents, trade marks, trade secrets, design rights, copyrights, confidentiality provisions and licensing agreements to establish and protect its proprietary technology and to protect against claims from others. Infringement claims have been and may continue to be asserted against the Group

Edgar Filing: MARCONI PLC - Form 6-K

or against its customers in connection with their use of the Group's systems and products. The Group cannot ensure the outcome of any such claims and, should litigation arise, such litigation could be costly and time-consuming to resolve and could result in the suspension of the manufacture of the products utilising the relevant Intellectual Property. In each case, the Group's operating results and financial condition could be materially affected. See Appendix 20 for a discussion of significant legal proceedings.

The "Marconi" trade mark used by many of the Group's businesses is identified with and important to the sale of the Group's products and services. It is either registered or the subject of an application for registration in approximately 120 territories, including all of those territories which the Group currently views as being its major trading territories.

A discussion of certain risks associated with Intellectual Property rights is set out in Part F of this Section.

PATENTS OWNED BY UK IP OPCOS AND US IP OPCOS

As part of the security arrangements in relation to the New Notes to be implemented as part of the Restructuring all legal and beneficial title to Patents owned by the UK IP Opcos and US IP Opcos will be assigned to three SPVs, UK IPR Co, Ringfenced IPR Co and US IPR Co, which have been formed for the purpose of owning, maintaining and licensing the Patents assigned to them and all future Patent rights of Corp Group companies in the UK and US. UK IPR Co will be incorporated in England and Wales and Ringfenced IPR Co and US IPR Co will be incorporated in the State of Delaware, USA. US IP Opcos will grant security over all Intellectual Property prior to executing the assignments referred to in this paragraph. Further details are set out in Appendix 10.

Ringfenced IPR Co will be a wholly-owned subsidiary of Marconi Communications, Inc. US IPR Co will be a wholly-owned subsidiary of Marconi Inc. UK IPR Co will be a wholly-owned subsidiary of Marconi Communications Limited.

Ringfenced IPR Co will have assigned to it the Patents relating to the North American Access, BBRs and OPP Businesses operated by US IP Opcos. US IPR Co will have assigned to it the Patents owned by US IP Opcos that do not relate to North American Access, BBRs and OPP Businesses. UK IPR Co will have assigned to it the Patents owned by UK IP Opcos.

Assignment to each SPV will be effected under an umbrella assignment. Each UK IP Opco and US IP Opco will be a party to the relevant assignment.

The SPVs will not transfer, dispose of or grant any exclusive licence under any Patent, whether to another Corp Group company or a third party, other than:

- a. to another Corp Group company in the context of infringement proceedings against a third party where, absent such assignment, substantial damages would be irrecoverable (and in which case the Patent or Patents shall be reassigned to the relevant SPV as soon as such condition no longer prevails);

51

I. EXPLANATORY STATEMENT (IN COMPLIANCE WITH SECTION 426 OF THE COMPANIES ACT 1985)

SECTION 2: FURTHER EXPLANATION OF THE RESTRUCTURING -- PART A

- b. to a third party or a subsidiary of Corp, in each case in connection

Edgar Filing: MARCONI PLC - Form 6-K

with any disposal (which is otherwise permitted by the applicable indenture pursuant to which the New Notes will be issued) of a Corp Group company or of all or substantially all of its assets, property or rights; or

- c. to a customer of Corp or any of its subsidiaries where the technology has been commissioned by that customer and developed by a Corp Group company (whether alone or jointly with the customer) for such customer's exclusive use pursuant to a development agreement.

UK IPR Co will grant a non-exclusive licence to Marconi Communications Limited of all Patents assigned to it by UK IP Opcos. Ringfenced IPR Co will grant a non-exclusive licence to Marconi Communications, Inc. of all Patents assigned to it by US IP Opcos. US IPR Co will grant a non-exclusive licence to Marconi Inc. of all Patents assigned to it by US IP Opcos. All the licences will permit sub-licences to be granted subject to the provisions on Important Transactions described below.

The management and maintenance of the UK and US owned Patents respectively will remain primarily with Marconi Communications Limited, Marconi Inc. and Marconi Communications, Inc. However, Important Transactions will require SPV approval. There will be three special categories of Important Transactions:

- a. granting sub-licences to third parties;
- b. pursuing/abandoning patent applications; and
- c. pursuing infringers.

All Important Transactions will require the approval of the SPV but the SPV shall delegate that consent authority to Corp (which will act through Marconi Intellectual Property (divisional group)). This will ensure that the decisions regarding any Important Transaction are made with the interests of the entire Corp Group in mind (or at a minimum for any Patent, the interests of every other licensee within the Corp Group). At the same time, the decision could be taken expeditiously because it would be exercised by Corp and not a non-operating SPV. The approval requirements may not be waived or amended.

New applications for Patents will be filed in the name of Marconi Communications, Inc., Marconi Inc. or Marconi Communications Limited (as appropriate) and assigned to the respective SPV. This will be achieved via a covenant in the indentures governing the New Notes on Corp to procure the assignment by Corp or a subsidiary of Corp organised in the UK or under US law of the Patent application from Marconi Communications, Inc., Marconi Inc. or Marconi Communications Limited to the relevant SPV. In the UK the application may be filed in the name of UK IPR Co at the outset.

Each of the SPVs will grant security over its assets in favour of the Security Trustee, and the shares in the SPVs will be charged or pledged, as applicable, in favour of the Security Trustee on behalf of the holders of the New Notes and the banks providing the Performance Bonding Facility. Further details are set out in Appendix 10.

In those cases (as set out in Appendix 10) where Guarantors grant floating charges (or equivalent security over all their assets) this will include such Intellectual Property as those Guarantors own.

In some cases the Guarantors are required to grant a fixed charge or equivalent security over specified Intellectual Property in the future so far as such Intellectual Property is material and the security is legally permissible.

OTHER INTELLECTUAL PROPERTY OF THE GUARANTORS

Edgar Filing: MARCONI PLC - Form 6-K

As part of the security arrangements in relation to the New Notes, Intellectual Property owned by or registered in the name of Marconi Communications GmbH will be assigned to a Bank Trustee Company in Germany by way of security. The Bank Trustee Company will grant a licence to Marconi Communications GmbH.

OTHER INTRA-GROUP LICENCES

In consideration of the Parties sharing the costs incurred for research and development under the existing Research and Development Cost Sharing Agreement (RDCSA), each Party grants to the other Parties a royalty-free licence of Patents and technology developed by a Party under the RDCSA. Subject to the following

52

I. EXPLANATORY STATEMENT (IN COMPLIANCE WITH SECTION 426 OF THE COMPANIES ACT 1985)

SECTION 2: FURTHER EXPLANATION OF THE RESTRUCTURING -- PART A

amendments listed below (and any further consequent changes that may be required as a result of the arrangements set out herein), the existing RDCSA will remain in force:

- a. the RDCSA will be varied/amended to allow Parties to sub-license Patents, subject to the procedure concerning Important Transactions described above;
- b. Marconi Communications, Inc. will withdraw from the RDCSA. This is because Marconi Communications, Inc. remains potentially liable for cost sharing under the RDCSA but accrues no commercial benefit through use of other Parties' Intellectual Property;
- c. the RDCSA will also be amended to confirm that the Parties to the RDCSA contract on behalf of themselves and their subsidiaries and related companies within their territory. Such subsidiaries and related companies will be entitled to claim the benefit of the provisions of the amended RDCSA; and
- d. the termination provisions of the RDCSA will be amended to state that the insolvency of any Party or its related companies and subsidiaries will not affect the rights enjoyed by those entities benefiting under a licence granted pursuant to the RDCSA.

The SPVs will not be parties to the RDCSA.

All Corp Group companies will enter into a Group Licence Agreement which will provide that each company grants a non-exclusive licence to the operating companies in the Corp Group of any Intellectual Property (other than trade marks and service marks) used in such other company's business to the extent that such use is not already authorised by the RDCSA or otherwise formally authorised in a written licence agreement. This Group Licence Agreement will only govern actual use by one Corp Group company of another Corp Group company's Intellectual Property. Each licensee Corp Group company shall pay a royalty (determined on an arm's length basis) to the licensor Corp Group company. The payment of that royalty shall become effective on a declaration of use by either the licensee or licensor and all royalties due from the date of the Group Licence Agreement shall immediately be payable by the licensee on the declaration of use being given or received, as the case may be. The Group Licence Agreement will have full effect to the extent that any operating company in the Corp Group lacks sufficient authorisation under the RDCSA. To the extent required, a licensee

Edgar Filing: MARCONI PLC - Form 6-K

under the Group Licence Agreement will be permitted to grant sub-licences (subject, insofar as is necessary, to the provisions on Important Transactions described above). The Group Licence Agreement may not be varied or terminated so as to deprive a Corp Group company of the benefit enjoyed under such licence so long as it remains a part of the Corp Group.

All future intra-Corp Group use of Intellectual Property (other than trade marks or service marks) which is not otherwise governed by the RDCSA or the Group Licence Agreement will be recorded in a written licence agreement. This will be achieved via a covenant in the indentures governing the New Notes on Corp to procure the execution of such agreements between the relevant operating companies in the Corp Group.

A.6 DIVIDEND POLICY

Under English law a company may only pay dividends out of profits available for distribution. Corp intends to apply to court to cancel its Non-Voting Deferred Shares and its share premium account (including the share premium account arising on the issue of the New Shares to be allotted pursuant to the Corp Scheme) to create a reserve which will be applied in writing off accumulated losses on its profit and loss reserve. It is anticipated that this Capital Reduction will become effective shortly after the Effective Date of the Corp Scheme, although no assurance can be given that the application will be successful. Further information concerning the Capital Reduction is set out in Part D.9 of this Section. Although the future ability of Corp to pay a dividend will be facilitated if the Capital Reduction is effected, Corp will be restricted from paying dividends under the terms of the indentures governing the New Notes (see Part C.3 of this Section and Appendix 8). Accordingly, Corp does not expect to pay a dividend in the foreseeable future. A discussion of certain risks associated with the dividend policy is set out in Part F: Risk Factors.

A.7 FINANCIAL OBJECTIVES

Upon completion of the Restructuring, the Group expects to be better positioned to compete effectively in the areas of the telecommunications market on which it has chosen to focus. Although the Group's principal markets

53

I. EXPLANATORY STATEMENT (IN COMPLIANCE WITH SECTION 426 OF THE COMPANIES ACT 1985)

SECTION 2: FURTHER EXPLANATION OF THE RESTRUCTURING -- PART A

remain difficult, they are expected, at some stage, to recover as customers continue to evolve existing narrowband networks to broadband data and next generation mobile networks. In due course, this should allow the Group once again to grow profitably, assuming the telecommunications market improves.

In the near-term the Group's financial strategy is to continue to reduce its total costs base to levels at which it can generate operating profit (before goodwill, amortisation and exceptional items) and to manage its capital expenditure and working capital in order to convert operating profit to positive operating cash inflows (before exceptional cash costs).

The Group does not expect to rely on market recovery in order to achieve its target gross margin during the financial year ending 31 March 2004. The achievement of the Group's longer-term objectives is, however, dependent on an increase in sales following the expected improvement in the market for the Group's products and services.

Edgar Filing: MARCONI PLC - Form 6-K

Further information in relation to the Group's financial objectives is contained in Appendix 5. A discussion of certain risk factors that could affect the Group's expectations with respect to the Group's return to operating profitability and ability to generate positive operating cash flow is set out in Part F of this Section.

GROSS MARGIN IMPROVEMENT

The Group expects to achieve a gross margin run-rate in the range of 24 to 27 per cent. of sales in the Core businesses during the financial year ending 31 March 2004. Of this, the Group expects that the Group's US businesses would contribute a gross margin run-rate in the range of 33 to 35 per cent. of sales while its businesses in Europe and the rest of the world would contribute a gross margin run-rate in the range of 23 to 26 per cent. of sales. The run-rate for the US Businesses has not been adjusted to take into account the disposal of any of the US Businesses.

The Group aims to drive future gross margin improvement through focusing on sales of higher margin products and services, further supply chain rationalisation and additional planned product cost reductions (being materials and engineering cost reductions).

In the longer-term, assuming the market recovers, a gross margin run-rate in excess of 30 per cent. is expected to be achievable. The Group will need to benefit from increased sales volumes over time in order to achieve this level of gross margin. When setting this longer-term target, the Group has assumed it will continue to be able to achieve annual product cost savings at least equal to the level of expected annual price reductions.

OPERATING COST REDUCTION

The Group's aim is to reduce operating overheads, comprising research and development, sales, marketing, general and administrative costs but excluding goodwill amortisation and exceptional items for the Core businesses, including OPP and North American Access to a run-rate of below L450 million during the financial year ending 31 March 2004.

The Group aims to achieve an operating expenditure run-rate for the Core businesses in the range of 21 to 24 per cent. of sales during the financial year ending 31 March 2004. Of this, the Group expects that its US businesses would contribute an operating expenditure run-rate in the range of 29 to 33 per cent. of sales, while its businesses in Europe and the rest of the world would contribute an operating expenditure run-rate in the range of 20 to 23 per cent. of sales. The run-rate for the US Businesses has not been adjusted to take into account the disposal of any of the US Businesses.

Once the Core businesses' operating expenditure target is achieved, the level of the Core businesses' sales at which the Group expects to be able to break even at an operating profit/(loss) level will be reduced to below L1.7 billion per annum.

The Group expects the main driver of these targeted operating cost savings to be further planned reductions in its workforce resulting from further rationalisation of its activities, as well as natural attrition. Reduced spending on marketing initiatives and professional fees are also expected to contribute to operating cost savings.

Edgar Filing: MARCONI PLC - Form 6-K

SECTION 2: FURTHER EXPLANATION OF THE RESTRUCTURING -- PART A

Headcount in the Core businesses has been reduced by approximately 3,000 since the end of September 2002 and at the end of December 2002, was approximately 16,000. At that time, a further 1,400 leavers had been identified and announcements made in this respect, giving an identified headcount target for the Core businesses of around 14,600. Once the L450 million operating cost target has been achieved and the Group's headcount reduction plans have been completed, the Group expects to employ approximately 14,000 employees in its Core businesses.

CASH

Cash generation will continue to be one of the Group's key business priorities post-Restructuring. In particular, the Group is targeting (i) to reach operating cash breakeven before exceptional cash costs during the financial year ending 31 March 2004, and (ii) to generate sufficient total cash in order to pay down 30 per cent. of the New Junior Notes within 12 to 24 months following implementation of the Restructuring, to pay down 50 per cent. of the New Junior Notes within 15 to 27 months following implementation of the Restructuring and to pay down 100 per cent. of the New Junior Notes within 18 to 30 months following implementation of the Restructuring.

The Group expects to retain a total cash balance of approximately L602 million upon completion of the Restructuring. Of this amount, approximately L96 million will represent net cash outflows to break even, approximately L112 million will be trapped cash, approximately L197 million is expected to be available to the Group to fund its normal working capital needs, approximately L30 million will represent cash in transit and approximately L167 million is expected to be retained for the cash collateralisation of performance bonds. See Part D.4 of this Section for more details on post-Restructuring retained cash.

Cash to Breakeven and Operating Cash Flow

The funds expected to be available to the Group include an amount derived from the approximately L96 million projected net cash outflow to allow the Group to fund the business to the point at which it reaches operating cash breakeven before exceptional cash costs. This net outflow includes approximately L27 million of cash which the Group expects to generate from disposals of certain non-core assets. Approximately L55 million has already been received by the Group (including proceeds from Ultramast Limited (L41 million), the sale of the Group's Italian-based private mobile network business, OTE SpA, also known as TETRA (L2 million) and other disposals totalling L12 million) which, under the terms of the Corp Scheme and the New Notes, will be available to fund its working capital requirements.

The Group also intends to continue to improve management of the working capital cycle. Specific programmes are already in place to minimise the time during which cash is tied up in work in progress, to improve utilisation of inventory by better aligning the purchase of new inventory with forecast sales demand and to focus on debtor collection and overdue debts.

Once the Group completes its on-going operational restructuring initiatives, including its headcount reduction plans, the Group expects the level of exceptional restructuring cash costs to reduce significantly.

Paydown of New Junior Notes

The Group expects to generate cash to pay down the New Junior Notes primarily

Edgar Filing: MARCONI PLC - Form 6-K

from the proceeds of the disposal of OPP and North American Access, and other asset disposals not allocated to working capital requirements, as described above, as well as from the release of restricted cash balances relating to performance bonding.

The North American Access Business may be sold prior to 1 May 2003, in which event, the net proceeds of the disposal will be applied to increase the cash element of the Corp Scheme Consideration (and the aggregate principal amount of the New Junior Notes will be decreased by 10/11ths of that amount).

SITE RATIONALISATION AND CLOSURES

Since March 2002, the Group has further rationalised its remaining supply chain facilities in the UK, US, Germany and Italy.

55

I. EXPLANATORY STATEMENT (IN COMPLIANCE WITH SECTION 426 OF THE COMPANIES ACT 1985)

SECTION 2: FURTHER EXPLANATION OF THE RESTRUCTURING -- PART A

It has also closed its outsourced printed circuit board (PCB) assembly and manufacturing facility in Liverpool and merged these activities with the facility managed by Jabil Circuit, Inc. (Jabil) in Coventry, and closed its facility in Ireland and transferred these manufacturing operations to Pittsburgh (US).

In addition, Marconi has closed its SONET manufacturing facility in Montreal (Canada) as a result of the Group's decision to cease further development of this technology, and has reduced the number of production facilities for its outside plant and power equipment from nine to seven with the closure of two plants in Wisconsin and Illinois (US).

In total, these site rationalisations and closures have resulted in a total reduction of 6,305 employees from the Core businesses between April and November 2002 as the businesses have been reduced/adjusted to align cost with the current and expected business volumes.

Today, the Group's principal operating sites are Coventry, Beeston, Chorley, Camberley, Liverpool, London, Stafford and Wellingborough (UK); Florida, Pennsylvania, Ontario, Georgia, Mississippi, North Carolina, Illinois, Texas and Montreal (US & Canada); Genoa, Marcianise and Pisa (Italy); Backnang, Offenburg, Frankfurt and Radeberg (Germany); Madrid (Spain); Melbourne and Sydney (Australia); Beijing, Guilin and Hong Kong (China); Darulam and Kuala Lumpur (Malaysia); Auckland (New Zealand); New Delhi (India); Riyadh (Saudi Arabia); Dubai (United Arab Emirates); Springs (South Africa); Sao Paulo and Votorantim (Brazil); and Naucalpan de Juarez and Huixquilucan Edo de Mexico (Mexico).

OUTSOURCING

Marconi Communications and Jabil Circuit, Inc. (Jabil) entered into an agreement on 11 January 2001 to transfer certain manufacturing operations to Jabil. The transfer was completed in the UK, Italy and the US during 2001. The planned transfer of the Group's facility in Offenburg (Germany) did not proceed. Under the terms of the agreement, approximately 1,800 Group employees in Bedford, Texas (US), Liverpool and Coventry (UK) and Marcianise (Italy) transferred to Jabil. Following the business transfers, Jabil and its subsidiaries entered into agreements with Marconi Communications and other members of the Group to provide electronics manufacturing and repairs services until June 2005 on an exclusive

basis.

The operations outsourced under this agreement comprise the assembly and manufacture of PCBs used in the production of the Group's optical networking and broadband access equipment. The Group continues to perform the final assembly stages where the optical layer and power supply are applied to the PCBs. It also configures and tests the products according to the customers' specification and then packages and delivers the products to customers.

The majority of the Group's PCB assembly and manufacture for its broadband switching and routing equipment is already outsourced to Jabil (Florida) and Sollectron (Texas). The Group has retained control of the manufacture of its fixed wireless access equipment in Germany.

Since the outsourcing to Jabil was implemented, Marconi Communications and Jabil have regularly reviewed their arrangements with a view to improving the efficiency of their respective operations. For example, the transferred plant at Bedford, Texas (US) was closed during 2002. On 22 January 2003, Marconi Communications and Jabil agreed to a further rationalisation of Jabil's UK operations which is intended to deliver improved pricing for the Group. The Group will contribute towards the costs of securing these improvements. As part of these arrangements, Marconi Communications and Jabil have entered into new agreements governing the provision of electronics manufacturing and repair services by Jabil, which will provide for more flexible and competitive pricing and are currently expected to take effect from June 2003. Under these new agreements, Jabil will continue to provide services to the Group until at least June 2005 (the expiry date of the original service agreements), and to June 2007 for certain repair services. Jabil will continue, subject to meeting certain performance and capacity requirements, as the exclusive supplier for products and services covered by the agreements.

Marconi Communications and Jabil will continue to review their arrangements from time to time and, where further improvement plans are agreed, Marconi Communications may contribute to the costs of securing those improvements.

56

I. EXPLANATORY STATEMENT
(IN COMPLIANCE WITH SECTION 426 OF THE COMPANIES ACT 1985)

SECTION 2: FURTHER EXPLANATION OF THE RESTRUCTURING -- PART A

In addition to the arrangements with Jabil, Marconi Communications has established strategic relationships with a number of contract electronic manufacturers (CEMs), OEMs and component commodity suppliers. Examples of CEMs with whom Marconi Communications has established strategic relationships include Sollectron Corporation, Sanmina/SCI and Teradyne. Examples of the OEMs include Hewlett-Packard, Siemens, Paradyne Corporation and Avaya. Finally, examples of component commodity suppliers include Bookham Technology, Corning Incorporated, Highwave, Intel Corporation, Molex, Motorola, NEC Electronics and Toshiba.

As part of the Group's overall manufacturing strategy, the Group is currently considering further potential outsourcing opportunities in its supply chain, logistics organisations and in the field of information technology. The Group intends to retain control of functions only where it possesses key competencies. Other functions, such as the manufacturing of non-complex products, will continue to be outsourced where suitable partners can be identified.

A discussion of certain risks associated with outsourcing is set out in Part F of this document.

Edgar Filing: MARCONI PLC - Form 6-K

A.8 CURRENT APPLICATION OF CRITICAL ACCOUNTING POLICIES

Corp and plc prepare their financial statements and accompanying notes in accordance with UK GAAP. One of the notes to the financial statements included in this document describes the significant accounting policies used in their preparation. The preparation of such financial statements requires Corp and plc to make estimates, judgements, and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosure of contingent assets and liabilities. Corp and plc base their estimates on historical experience and various other assumptions that they believe are reasonable under the circumstances, the results of which form the basis for making judgements about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. Corp and plc believe that the following are some of the more critical judgement areas in the application of their accounting policies that currently affect their financial position and results of operations.

The development and selection of these critical accounting estimates has been discussed with Corp's and plc's audit committees.

REVENUE RECOGNITION

Revenue is recognised when all of the following conditions are satisfied: (i) there is persuasive evidence that an arrangement exists; (ii) delivery has occurred or services have been rendered; (iii) the fee is fixed or determinable; and (iv) it is probable that the debtor will be converted into cash.

It is common for the Group's sales agreements to cover the delivery of several products and/or services. These range from arrangements where a contract covers the delivery and installation of equipment to more complex arrangements, which also include training of customer personnel, sale of software and other support services. Revenue from contracts with multiple element arrangements, such as those including installation and commissioning services, is recognised as each element is earned based on objective evidence of the relative fair values of each element and when there are no undelivered elements that are essential to the functionality of the delivered elements.

Revenues and estimated profits on long-term contracts are recognised under the percentage-of-completion method of accounting using a cost-to-cost methodology. Significant judgement is required in determining progress toward completion and in estimating revenues and costs. Profit estimates are revised periodically based on changes in facts in the underlying contract. When estimates of total contract revenues and costs indicate a loss, a provision for the entire amount of the contract loss is recognised in the period in which the loss becomes foreseeable. Advance payments received from contracts are recorded as a liability unless there is a right of set-off against the value of work undertaken.

57

I. EXPLANATORY STATEMENT (IN COMPLIANCE WITH SECTION 426 OF THE COMPANIES ACT 1985)

SECTION 2: FURTHER EXPLANATION OF THE RESTRUCTURING -- PART A

IMPAIRMENT OF LONG-LIVED ASSETS

The Group reviews the carrying value of other fixed assets and assets to be

Edgar Filing: MARCONI PLC - Form 6-K

disposed of, including other intangible assets, whenever indicators of impairment exist. Indicators of impairment include (but are not limited to):

- a. a significant adverse change in the extent or manner in which a long-lived asset or asset group is being used or in its physical condition;
- b. a current-period operating or cash flow loss combined with a history of operating or cash flow losses or a projection or forecast that demonstrates continuing losses associated with the use of a long-lived asset or asset group; and
- c. a current expectation that, more likely than not, a long-lived asset or asset group will be sold or otherwise disposed of significantly before the end of its previously estimated useful life.

These tests for impairment require significant judgements in determining estimates of future cash flows and the resulting value in use of the relevant fixed asset. Estimations of the present value of future cash flows contain inherent uncertainty and include estimates of market size and market share information, growth rates, product demand and technological development, costs of labour and supplier purchases, working capital requirements, and discount rates to be applied to future cash flows.

If the carrying value of a fixed asset is considered impaired, an impairment charge is recorded for the amount by which the carrying value of the fixed asset exceeds the higher of its net realisable value or its value-in-use. Changes in estimates of future cash flows can affect the determination of the net realisable value or its value-in-use of the relevant fixed asset.

CONTINGENT LIABILITIES

Corp and plc are subject to legal proceedings and other claims arising in the ordinary course of business. Various claims and proceedings have been or may be instituted or asserted against Corp and plc relating to class shareholder actions and the conduct of their businesses, including those pertaining to patents, environmental, safety and health, employment and contract matters. Corp and plc are required to assess the likelihood of any adverse judgements or outcomes to these matters, as well as potential ranges of probable losses. A determination of the amount of reserves required, if any, for these contingencies is based on a careful analysis of each individual issue with, where appropriate, the assistance of outside legal counsel to formulate best estimates of the expected outcome and settlement. The outcome of litigation cannot be predicted with certainty and some lawsuits, claims or proceedings may be disposed of unfavourably compared to the amounts estimated.

PENSION AND OTHER POST-RETIREMENT BENEFITS

Pension and other post-retirement benefits' costs and obligations are dependent on actuarial assumptions used in calculating such amounts. These assumptions include discount rates, health care cost trend rates, benefits earned, interest cost, expected return on plan assets, mortality rates, and other factors. While Corp and plc believe that the assumptions used are appropriate, the assumptions used may differ materially from actual results due to changing market and economic conditions, higher or lower withdrawal rates or longer or shorter life spans of participants. These differences may result in a significant impact on the amount of future pension or post retirement benefits expense and the resulting liability.

PRODUCT WARRANTIES

Provisions for estimated expenses related to product warranties are made at the

time products are sold. These estimates are established using historical information on the nature, frequency, and average cost of warranty claims. The Group actively studies trends of warranty claims and takes action to improve equipment quality and minimise warranty claims. Actual claims incurred could differ from the original estimates, requiring adjustments to the reserve. If Corp and plc were to experience an increase in warranty claims compared with their historical experience, or if costs of servicing warranty claims were greater than the expectations on which the accrual had been based, the Groups' gross margins could be adversely affected.

58

I. EXPLANATORY STATEMENT
(IN COMPLIANCE WITH SECTION 426 OF THE COMPANIES ACT 1985)

SECTION 2: FURTHER EXPLANATION OF THE RESTRUCTURING -- PART A

A.9 CURRENT TRADING AND PROSPECTS

CURRENT TRADING

Overall conditions in the telecommunications market remained tough during the third quarter of the financial year ending 31 March 2003. Trading levels in EMEA in the third quarter remained stable despite the continuing difficult market environment. The Group is now beginning to observe some slowing of business in the Middle East as a result of the current political environment. The North American market continues to be characterised by further tightening of capital expenditure by a number of large telecommunications operators, particularly towards the end of their financial years in December 2002. In Central and Latin America (CALA), the market was relatively stable during the quarter although capital expenditure amongst major operators in the region remained at a low level. In Asia-Pacific (APAC), while the market remains buoyant in Australia, conditions in the Chinese market are more difficult as a result of delays in capital expenditure due to the reorganisation of key customers, delay to the roll-out of certain network build projects and increased pricing pressure on new business.

Despite the difficult market environment, the Group continued to make significant progress during the third quarter of the financial year ending 31 March 2003 towards its targets to improve operating performance in the Core business. In particular compared to the previous quarter, further cost savings achieved during the period led to an approximate 0.5 percentage point increase in Core gross margin (before exceptional items) to 22.1 per cent. and an approximate L85 million deduction in Core operating cost run-rate (before goodwill amortisation and exceptional items) to around L550 million at 31 December 2002. Headcount reductions are a major driver of the Group's cost reduction initiatives. At 31 December 2002, the Group had just over 16,000 employees in its Core business, down from just over 19,000 at 30 September 2002.

The Group's improved operating performance combined with further progress in all areas of working capital management, led to a significant improvement in adjusted operating cash flow, with the Group recording an operating cash inflow (before exceptional items) of L72 million during the quarter. Non-operating and exceptional cash outflows (excluding tax) of L88 million relating mainly to the Group's ongoing operational and financial restructuring processes and interest paid were partially offset by a net L45 million tax repayment received during the period. In total during the third quarter, the Group generated cash of L29 million before use of liquid resources and financing.

The Group was awarded a number of important business wins during the period.

Edgar Filing: MARCONI PLC - Form 6-K

These included the first European sale of the Group's BXR-48000 multi-service switch-router to a large financial institution and the first sale of the Group's recently launched Softswitch to Jersey Telecom. In addition, since the beginning of the new calendar year 2003, the Group has announced two major new business wins from Telecom Italia: a euro 80 million (approximately L50 million) frame contract for the supply of the Access Hub and a new 2-year frame contract estimated at approximately euro 15 million (approximately L10 million) to build an optical backbone network architecture based on the Group's next generation digital cross-connect, the MSH2K.

PROSPECTS

Upon completion of the Restructuring, Corp and plc expect the Group to be better-positioned to compete effectively in the areas of the broader telecommunications equipment market on which it has chosen to focus.

The market for telecommunications equipment and services remains difficult. During the first three quarters of the financial year ending 31 March 2003 the annualised rate of Core sales has declined by around 10 per cent. from approximately L2 billion in the first quarter to approximately L1.8 billion in the third quarter. Corp and plc do not expect that the Group will benefit from a seasonal uplift in Core sales during the fourth quarter of the financial year compared to the level recorded in the third quarter (L456 million), contrary to the seasonal pattern of customer demand in previous years. Despite this difficult business environment Corp and plc believe that the previously announced cost reduction initiatives currently being implemented will enable the Group to make further progress during the final quarter of the financial year ending 31 March 2003 towards its near term financial objectives to reduce costs and to achieve operating cash breakeven before exceptional cash costs.

Furthermore, Corp and plc believe that market volumes are likely to contract further during the financial year ending 31 March 2004 and do not expect to benefit from significant market share gains. As a result, the Group

59

I. EXPLANATORY STATEMENT (IN COMPLIANCE WITH SECTION 426 OF THE COMPANIES ACT 1985)

SECTION 2: FURTHER EXPLANATION OF THE RESTRUCTURING -- PART A

believes that Core sales could decline by up to a further 5 per cent. during the financial year ending 31 March 2004 compared to the annualised third quarter trading levels (L1.8 billion).

In December 2002, the Group outlined its Core operating model and confirmed its targets to achieve a gross margin run-rate in the range of at least 24 to 27 per cent. of Core sales and an operating expenditure run-rate in the range of 21 to 24 per cent. of Core sales during the financial year ending 31 March 2004. The Group now believes that it will be able to reduce the Core operating cost base to an annual run rate below L450 million during the next financial year ending 31 March 2004 and thereby reduce its breakeven level of sales to below L1.7 billion per annum. An illustration of the effect of the Corp Scheme and the Capital Reduction on the 30 September 2002 consolidated balance sheet of Corp is contained in Appendix 2.

Although the Group's principal markets remain difficult, Corp and plc expect them to recover, at some stage, as end customer demand for fixed or mobile broadband services increases. While Corp and plc cannot predict with any level of certainty the occurrence, timing or extent of any recovery, they believe that

Edgar Filing: MARCONI PLC - Form 6-K

the favourable longer-term dynamics of the telecommunications market should enable the Group to improve margin and grow profitably.

A.10 DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

DIRECTORS OF CORP

The current members of the Board are:

Name	Position	Age
----	-----	---
John Francis Devaney	Chairman	56
Michael William John Parton	Chief Executive Officer	48
Michael John Donovan	Chief Operating Officer	49
Christopher Charles Holden	Interim Chief Financial Officer	54
Michael Kent Atkinson	Non-Executive Director	57
Werner Karl Koepf	Non-Executive Director	61

The following individuals have agreed to become members of the Board on Listing of the New Shares, the New Notes and the Warrants:

Name	Position	Age
----	-----	---
Ian McMaster Clubb	Non-Executive Director	62
Kathleen Ruth Flaherty	Non-Executive Director	51

DIRECTORS OF PLC

The current members of the Board are:

Name	Position	Age
----	-----	---
John Francis Devaney	Chairman	56
Michael William John Parton	Chief Executive Officer	48
Michael John Donovan	Chief Operating Officer	49
Christopher Charles Holden	Interim Chief Financial Officer	54
Michael Kent Atkinson	Non-Executive Director	57
Derek Charles Bonham	Non-Executive Director	59
Werner Karl Koepf	Non-Executive Director	61

60

I. EXPLANATORY STATEMENT (IN COMPLIANCE WITH SECTION 426 OF THE COMPANIES ACT 1985)

SECTION 2: FURTHER EXPLANATION OF THE RESTRUCTURING -- PART A

FURTHER PARTICULARS OF THE DIRECTORS OF CORP AND PLC AND OF THE INDIVIDUALS WHO

Edgar Filing: MARCONI PLC - Form 6-K

HAVE AGREED TO BECOME DIRECTORS OF CORP

John Francis Devaney was appointed Chairman of the board of directors of Corp and plc on 16 December 2002. He is also chairman of the nomination committee. He stepped down in September 2002 as chairman of EXEL plc, and was a non-executive director of HSBC Bank plc from 1994 to 2000 and British Steel (now known as Corus UK Limited) from 1998 to 1999. He was executive chairman of Eastern Electricity Ltd (now known as Eastern Energy Management Ltd) until 1998 and prior to that executive chairman of Kelsey-Hayes Corporation. Mr Devaney was until recently, chairman of Liberata plc, and is founder and chairman of BizzEnergy Ltd. He is also a director and past chairman of EA Technology Limited.

Michael William John Parton was appointed to the board of directors of plc in January 2000 and became a director of Corp in November 2001. Mr Parton was appointed Chief Executive Officer of plc in September 2001. He has held a number of finance appointments in ICL plc (1977 to 1980), GEC-Marconi Ltd (1980 to 1986) and STC Telecommunications Ltd (1986 to 1991). He joined GEC in 1991 as Finance Director of GPT (now known as Marconi Communications Limited), GEC's telecommunications joint venture with Siemens, and was appointed Managing Director of GPT's public networks group in 1995, Managing Director of GEC's industrial group in 1997 and Chief Executive Officer of Marconi Communications in July 1998.

Michael John Donovan was appointed to the board of directors of plc in January 2000 and became a director of Corp in November 2001. Mr Donovan was Chief Executive Officer of Marconi Systems and Marconi Capital and in September 2001 was appointed Chief Operating Officer of plc. He previously held a number of executive management positions in the Rover Group (1976 to 1991), Vickers plc (1991 to 1994) and British Aerospace Plc (now known as BAE SYSTEMS plc) (1994 to 1998). Mr Donovan became Chief Executive Officer of GEC's industrial electronics group in 1998 and is based in the US.

Christopher Charles Holden was appointed to the board of plc and Corp in November 2002. Mr Holden was appointed Group Financial Controller in the summer of 2002 and as interim Chief Financial Officer of Corp and plc in November 2002. He became a partner with Arthur Andersen's auditing practice in 1983, having joined the firm in 1971. During his period with the firm, he held a number of senior international roles. He holds a BSc (Eng) in Metallurgical Engineering from Imperial College of Science and Technology, University of London, and is a Fellow of the Institute of Chartered Accountants of England and Wales.

Michael Kent Atkinson was appointed non-executive director of Corp and plc in December 2002. He is also chairman of the audit committee. Previously he served as group finance director at Lloyds TSB Group plc between 1994 and June 2002, and remains on that board as a non-executive director. Mr Atkinson spent his early career in Latin America and the Middle East and held various senior management roles internationally and in the UK for 24 years before becoming Lloyds TSB Group plc's finance director. Mr Atkinson is also the senior non-executive director of Coca-Cola HBC S.A. (Athens) and chairman of its audit committee and will join the board of Cookson Group plc on 1 April 2003 as a non-executive director and chairman of its audit committee.

Derek Charles Bonham was appointed to the Board of plc in April 2001. Mr Bonham was appointed interim Chairman of plc in September 2001. He stood down from the chairmanship of plc on 16 December 2002 and remains a non-executive director of plc. He is currently chairman of Cadbury Schweppes plc, CamAxys Group Plc and Imperial Tobacco Group plc and was chief executive (from 1992) and deputy chairman (from 1993) of Hanson plc until 1997. He is a past member of the Financial Accounting Standards Advisory Council (USA) and served on the Accounting Standards Committee (UK).

Edgar Filing: MARCONI PLC - Form 6-K

Werner Karl Koepf was appointed as a non-executive director of Corp and plc in December 2002. He was CEO of Compaq Computer Corporation for the EMEA region until 2002 and is a director of PXP Software AG (formerly Pixelpark CEE Holding AG) as well as an adviser to venture capital company Techno Venture Management GmbH. He has held a range of senior management positions with some of the world's leading technology companies, including Texas Instruments, Siemens and European Silicon Structures S.A.

Ian McMaster Clubb has over 25 years experience in a range of senior financial and management roles. He is chairman of First Choice plc, Shanks Group plc and Platinum Investment Trust plc. He is also a non-executive director of oil industry services company, Expro International plc. He was group finance director at BOC Group

61

I. EXPLANATORY STATEMENT (IN COMPLIANCE WITH SECTION 426 OF THE COMPANIES ACT 1985)

SECTION 2: FURTHER EXPLANATION OF THE RESTRUCTURING -- PART A

plc (1991-1994) and deputy chief executive and group finance director at British Satellite Broadcasting Ltd (1989-1991).

Kathleen Ruth Flaherty is a US based global telecommunications executive with over twenty years' experience in the communications industry. She has spent seventeen years with MCI Communications Corporation, latterly as senior vice president, global product architecture and engineering. Previously (1995-1997) she spent two years on secondment from MCI to BT, during which time she was BT's marketing director for National Business Communications. Between 1998 and 2001, she was in Brussels and New York as president and chief operating officer of Winstar International, a fixed wireless communications company.

SENIOR MANAGEMENT

In addition to the Executive Directors, the current members of the senior executive management team are:

Name	Position	Age
----	-----	---
David Clive Beck	Director of Communications	40
Geoffrey William Doy	Chief Executive Officer, Sales and Marketing	54
Mary Angela Skelly	Company Secretary and Head of Legal	42
Damian Hugh Reid	Chief Strategy Officer	40
Neil David Sutcliffe	Chief Human Resources Officer	41
Michael Francis Surrey	EVP Finance, Operations and Group Controller	36
Patricia Dooley	EVP Product Engineering	32

All members of the senior executive management team are employees of Corp save for Geoffrey Doy, who is employed by MCI.

David Clive Beck was appointed Director of Communications of plc in February 2002 having previously been Managing Director of Bell Pottinger Financial, part of the Chime Communications Group, where he held a number of positions over 15

Edgar Filing: MARCONI PLC - Form 6-K

years.

Geoffrey William Doy was appointed Chief Executive Officer, Sales and Marketing of plc in September 2001. He was appointed Chief Executive Officer of Marconi Wireless in April 2001. He held a number of positions in the IT and communications industries with Software Sciences Limited from 1983 to 1988, Artemis International from 1988 to 1993 and Gemini Consulting Inc. from 1995 to 1998 before joining Metapath Software International Inc. in August 1998.

Mary Angela Skelly was appointed Company Secretary in July 2002. She was formerly a director and group company secretary of The Albert Fisher Group plc (in administrative receivership).

Damian Hugh Reid was appointed Chief Strategy Officer of plc in September 2001 having previously served as Senior Vice President, Corporate Finance of plc. He joined GEC in 1998. Mr. Reid is a non-executive director of Atlantic Telecom Group PLC (in liquidation).

Neil David Sutcliffe was appointed Chief Human Resources Officer of plc in March 2002, in addition to his appointment in September 2001 as Chief Executive Officer of Marconi Capital. He was previously Chief Executive Officer of Marconi Services and has held a number of senior appointments in Marconi Communications and GPT Ltd. Prior to his joining GPT Ltd in 1992, he was a manufacturing consultant at Coopers and Lybrand from 1988 to 1992 and a systems engineer with British Aerospace plc (now known as BAE SYSTEMS plc) from 1984 to 1988.

Michael Francis Surrey was appointed EVP Finance -- Operations and Group Controller for plc in November 2002 with responsibility for all aspects of the Group's performance monitoring and management reporting systems. He joined GEC in 1992 and has held a broad range of financial management positions with the Group. Mr Surrey holds a degree in accounting and economics from the University of Manchester and is a member of the Institute of Chartered Accountants of England and Wales.

Patricia Dooley was appointed as EVP Product Engineering for Marconi's European portfolio in October 2002 with responsibility for product line management, technical product strategy and product development. The

62

I. EXPLANATORY STATEMENT (IN COMPLIANCE WITH SECTION 426 OF THE COMPANIES ACT 1985)

SECTION 2: FURTHER EXPLANATION OF THE RESTRUCTURING -- PART A

portfolio covers Optical Networks, ETSI Access, Fixed Wireless and Voice Switching products. She joined GEC in 1987 as an engineering apprentice and has held a number of management and senior management positions in the Group. She holds an Ordinary National Diploma and Higher National Diploma in telecommunications and electrical engineering and post-graduate certificate in software engineering.

EMPLOYEES

The table below sets out the average number of people (full time equivalents) employed by the Group in the previous three financial years and the six months ended 30 September 2002:

Edgar Filing: MARCONI PLC - Form 6-K

	2000	2001	2002	30 September 2002
	----	----	----	-----
	(in thousands)			
Average number of employees				
Employees by business				
Network Equipment	20	24	19	13
Network Services	5	9	8	6
Other	1	1	--	--
	----	----	----	-----
Capital	26	34	27	19
	11	3	3	3
	----	----	----	-----
Continuing operations	37	37	30	22
Discontinued operations	12	15	15	3
	----	----	----	-----
Group employees	49	52	45	25
Share of joint venture employees	4	4	3	--
	----	----	----	-----
Group and share of joint ventures	53	56	48	25
	----	----	----	-----
Employees by location				
United Kingdom	20	22	17	8
The Americas	16	17	12	6
Rest of Europe	11	13	15	9
Africa, Asia and Australasia	6	4	4	2
	----	----	----	-----
	53	56	48	25
	=====	=====	=====	=====

During the year and six months ended 30 September 2002, the Group took a number of steps to reduce its workforce as the Group restructured its cost base in response to the deterioration in trading conditions it experienced. At the end of December 2002, the Group employed approximately 16,000 employees in its Core business.

SHARE INCENTIVE PLANS

The Group currently operates various share incentive plans, providing participants with the right to acquire shares in plc at specified prices or, where certain objectives are achieved, at no cost (the latter are known as nil-cost options). Certain options, including some of the nil-cost options are already exercisable. The holders of such options can acquire plc Shares prior to the plc Shareholders Record Time. As a result of the Restructuring, more of the options will become exercisable. However, this will be after the plc Shareholders Record Time, when plc Shares will have no value.

Due to plc's current share price the majority of options granted to participants under the Plans are now underwater (that is, shares in plc are worth less than participants would have to pay to acquire them under the Plans). It is therefore assumed that holders of those options, which are currently exercisable, will not exercise them. Of those options where the plc Shares subject to them are worth more than the price that participants must pay for them, it is only those optionholders who can and do exercise their options prior to the plc Shareholders

Edgar Filing: MARCONI PLC - Form 6-K

SECTION 2: FURTHER EXPLANATION OF THE RESTRUCTURING -- PART A

Record Time who will receive New Shares and Warrants. After the Restructuring, all remaining options over plc Shares will be valueless. Details of the Group's existing share incentive plans are contained in Part D.10 of this Section.

Conditionally on the later of the First Initial Distribution under the Corp Scheme being initiated, and the Effective Date of the Corp Scheme, Corp has adopted two employee share option plans, the Corp Senior Management Share Option Plan and the Corp Employee Share Option Plan. Summaries of the plans are contained in Part D.10 of this Section.

CORP CORPORATE GOVERNANCE

Corp supports high standards of corporate governance. Corp intends to comply with the requirements of the Combined Code following the Restructuring.

Following Listing of the New Shares, the New Notes and the Warrants, Corp's Board will comprise the Chairman, three Executive Directors (including the Chief Executive Officer) and four Non-Executive Directors. Corp regards all Non-Executive Directors as independent and free from any business or other relationship which could materially interfere with the exercise of their independent judgement. The Board has established audit, remuneration, nomination and executive committees.

The audit committee will comprise a chairman and will have at least two other members each of whom will be appointed by the Board and who will be Non-Executive Directors of Corp. The audit committee will be chaired by Kent Atkinson; its other members will be Ian Clubb and Werner Koepf. It will meet formally at least twice a year. Its duties will include reviewing the scope, plan and results of any audit. It will meet regularly with management, as well as with internal and external auditors to review the effectiveness of internal controls, as well as matters raised in regular reports to the committee. It will review financial announcements and annual reports prior to their submission to the Board. Corp's auditors will be able to attend meetings and have the opportunity to raise matters or concerns in the absence of Executive Directors and management.

The remuneration committee will comprise at least three Non-Executive Directors. The remuneration committee will be chaired by Ian Clubb; its other members will be Kent Atkinson, Kathleen Flaherty and Werner Koepf. The committee will meet formally at least twice a year. The committee will make recommendations to the Board on the broad policy to be adopted for executive remuneration, including the remuneration of Executive Directors and the Chairman. It will determine the total individual remuneration package for individual Executive Directors and certain other senior executives including, where appropriate, bonuses, pensions and incentive scheme entitlements and the terms of individual Executive Directors' service agreements.

The nomination committee will comprise the Chairman and each of the Non-Executive Directors. The nomination committee will be chaired by John Devaney and its other members will be Kent Atkinson, Ian Clubb, Kathleen Flaherty and Werner Koepf. The committee will meet to review Board structure, size, composition and balance, to make recommendations to the Board on any adjustments that are deemed necessary and to nominate candidates to fill board vacancies.

Following the recent publication of the Higgs "Review of the Role and Effectiveness of Non-Executive Directors" and the Smith Report "Audit Committees

Edgar Filing: MARCONI PLC - Form 6-K

-- Combined Code Guidance", Corp intends to review those areas of its corporate governance which are impacted by the Review and the Report. This will include the structures and terms of reference of its committees, in order to ensure the Corp's continued future compliance with the requirements of the Combined Code.

In particular, Corp believes that it should move to a position where the majority of its Board are independent Non-Executive Directors. Although Corp does not envisage that any further non-executives will be appointed to the Board before the Listing of the New Shares, the New Notes and the Warrants, Corp will continue to look for suitable candidates to join the Board as independent Non-Executive Directors, where they can bring appropriate experience or industry knowledge. A process is already in place to identify further suitable candidates. Following a further appointment which it expects will be made within three months of the Effective Date, Corp will at all times strive to ensure that it maintains a majority of independent Non-Executive Directors on its Board by within

64

I. EXPLANATORY STATEMENT (IN COMPLIANCE WITH SECTION 426 OF THE COMPANIES ACT 1985)

SECTION 2: FURTHER EXPLANATION OF THE RESTRUCTURING -- PART A

three months of ceasing to have such a majority, appointing additional independent Non-Executive Directors or reducing the size of the Board.

Corp's executive committee comprises such Executive Directors and senior executives of the Corp Group as the Chief Executive Officer recommends and the Board approves. The committee normally meets monthly and is chaired by Michael Parton. Its other members are Michael Donovan, Christopher Holden, David Beck, Geoffrey Doy, Mary Skelly, Damian Reid, Neil Sutcliffe, Michael Surrey and Patricia Dooley. The committee approves the Corp Group's business plan, budget and strategies in areas including technology, people, information technology and corporate communications prior to submission to the Board for approval. It also approves day-to-day matters of a routine nature.

The business risk sub-committee of the executive committee comprises the members of the executive committee and meets at least four times a year. It establishes and monitors risk management goals and objectives, embeds a risk monitoring and assessment process throughout the Corp Group and regularly reports on the same to the Board. The sub-committee also liaises with the audit committee to ensure a sound system of internal control and reports to the audit committee, at least annually, with an update on the Corp Group's risk management system.

Corp will also be subject to applicable corporate governance requirements under US law (including the Sarbanes-Oxley Act of 2002 and regulations adopted by the SEC thereunder) and, after the listing of its ADRs becomes effective, NASDAQ rules.

A.11 FINANCIAL INFORMATION AND CORP'S DISCUSSION AND ANALYSIS OF ITS FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Financial information for the three years and six months ended 30 September 2002 in relation to Corp is set out in Appendix 1.

An unaudited pro forma consolidated balance sheet in relation to Corp is set out in Appendix 2, showing figures as at 30 September 2002 to illustrate the position as if the Restructuring and the Capital Reduction had then taken place, based on certain assumptions set out in that Appendix.

Edgar Filing: MARCONI PLC - Form 6-K

Financial information for the two years and six months ended 30 September 2002 in relation to plc is set out in Appendix 3.

plc's quarterly report for the three months ended 31 December 2002 was published on 18 March 2003. That report, which is unaudited, is set out in Part A of Appendix 4. An illustrative financial analysis with respect to the year ending 31 March 2005 and information on cash to be retained by the Group immediately following the Restructuring were also published on 18 March 2003. These are set out in Part B of Appendix 4.

A discussion of the Corp Group's financial condition and results of operations for the three years and six months ended 30 September 2002 is at Appendix 5.

65

I. EXPLANATORY STATEMENT (IN COMPLIANCE WITH SECTION 426 OF THE COMPANIES ACT 1985)

SECTION 2: FURTHER EXPLANATION OF THE RESTRUCTURING -- PART B

B. BACKGROUND TO AND REASONS FOR THE RESTRUCTURING

The trading statement made by plc on 17 May 2001 in relation to the Group's results for the year ended 31 March 2001 highlighted the fact that conditions in the telecommunications equipment sector had experienced a downturn since the end of 2000. On 4 July 2001, plc issued a profits warning noting that market conditions during the three months to June 2001 had been much tougher than expected, and that there had been a marked deterioration in the short-term outlook for the Group (in particular, that sales were expected to be down by 15 per cent. and operating profit before exceptional items by 50 per cent. compared with the previous financial year). Immediately prior to the announcement, plc suspended trading in its shares for a day. On 6 July 2001, plc announced the resignation of John Mayo as Deputy Chief Executive of plc.

An operational review of the Group was commenced shortly thereafter, the outcome of which included sharper focus on the Core carrier-class network communications business and a disposal programme in relation to certain non-Core businesses and assets.

plc issued a second profits warning on 4 September 2001. The 4 September 2001 trading statement, which indicated that a first half operating loss of L227 million was expected, also announced a change in senior management (namely the resignations of Sir Roger Hurn and Lord Simpson as Chairman and Chief Executive respectively of plc, and the appointment of Derek Bonham as interim Chairman and Michael Parton as Chief Executive), a decision to halt dividend payments for the financial year ending 31 March 2002 and the implementation of further cost reduction measures.

In October 2001, in view of the deterioration in the Group's financial condition and the need to procure medium term financing for the Group, Corp and plc entered into negotiations with the Syndicate Banks for the refinancing of Corp's then existing E4.5 billion and (undrawn) E3 billion revolving credit facilities (due to mature in March 2003 and May 2002 respectively) (referred to in this Part B as the "EXISTING SYNDICATED FACILITIES"). By mid-March 2002, Corp and plc had largely agreed the terms of a L1.95 billion facility agreement with the then Syndicate Banks in order to refinance the existing syndicated facilities. However, market conditions had continued to deteriorate and, following further reviews of the Group's then business plan in the second half of March 2002, the boards of Corp and plc reached the view that the refinancing proposal would no

Edgar Filing: MARCONI PLC - Form 6-K

longer provide the Group with an appropriate capital structure and, accordingly, that they were unable to enter into the proposed new L1.95 billion facility. On 22 March 2002, plc made an announcement to this effect and announced also that Corp and plc had agreed to cancel the undrawn commitments under the existing syndicated facilities (as the E3 billion facility was undrawn, this resulted in the complete cancellation of this facility) and to place on demand the drawn portion of the E4.5 billion facility (approximately L2.2 billion).

Over subsequent weeks, the Group developed a revised Business Plan, which was then presented to representatives of the Syndicate Banks and to the Informal Committee of Bondholders. In parallel, Corp and plc commenced tripartite discussions with those representatives with a view to Corp and plc formulating a Restructuring proposal. As part of that negotiation process, in April/May 2002 Corp and plc agreed to certain restrictions on financial and corporate activities during the Restructuring process, in the form of undertakings given by Corp and plc (in relation to each member of the Group) in favour of the Syndicate Banks and members of the Informal Committee of Bondholders respectively. These undertakings, which were modified and renewed on 28 March 2003, are aimed at preservation of the "status quo" over the period of the Restructuring negotiations and while the Schemes are pending. The undertakings contain a number of carve outs designed to preserve operational (but not strategic) flexibility and to facilitate the implementation of the Restructuring. The undertakings will terminate automatically on the Effective Date of the Corp Scheme.

With effect from 1 April 2002, and also as part of the undertakings, Corp agreed to increase the margin above LIBOR on Corp's drawings under the Bank Facility to 2.25 per cent. per annum.

As part of the undertakings, Corp agreed to deposit L850 million of the Group's cash balance into certain accounts held with banks independent of the Syndicate Banks, and agreed to restrictions on withdrawals of cash from those accounts. The Lockbox Accounts, into which the L850 million was deposited on 3 May 2002, are held in the name of Highrose Limited, a special purpose subsidiary of Corp.

66

I. EXPLANATORY STATEMENT (IN COMPLIANCE WITH SECTION 426 OF THE COMPANIES ACT 1985)

SECTION 2: FURTHER EXPLANATION OF THE RESTRUCTURING -- PART B

On 29 August 2002, the Group announced that following good faith negotiations with the Co-ordination Committee and the Informal Committee of Bondholders, it had concluded non-binding indicative Heads of Terms setting out principles for the Restructuring of Corp and plc.

On 13 September 2002, as detailed further in Part D.1 of this Section, the Group announced the grant of interim security over the Lockbox Accounts, in favour of the Group's Bank Creditors and Secured Bondholders and Barclays Bank PLC, as the only ESOP Derivative Bank which committed to support the Restructuring prior to 15 October 2002. Although withdrawals from the Lockbox Accounts to fund the Group's working capital requirements since May 2002 have reduced the balance of the Lockbox Accounts, significant disposal proceeds have been paid into the Lockbox Accounts, as required under the undertakings. At the date of the granting of the interim security, the balance held in the Lockbox Accounts was approximately L866 million. As at 27 March 2003, the balance held in the Lockbox Accounts was approximately L770.7 million.

On 16 December 2002, plc announced modifications to the non-binding indicative

Edgar Filing: MARCONI PLC - Form 6-K

Heads of Terms and amendments to the interim security over the Lockbox Accounts. The interim security was further amended on 28 March 2003 (see Part D.1 of this Section).

Provision has been made for the interim security to be released prior to the Corp Scheme Meeting (in circumstances tied to the prospects of the Corp Scheme being successfully implemented (as described more fully in Part D.1 of this Section)). If the interim security has not been released prior to the Corp Scheme Meeting, neither Corp nor plc will proceed with their respective Schemes and the interim security will remain in place in any subsequent insolvency proceedings, meaning that the Bank Creditors, Secured Bondholders and Barclays Bank PLC (as the only ESOP Derivative Bank that committed to support the Restructuring prior to 15 October 2002) would rank ahead of all unsecured creditors of Corp with respect to the cash held in the Lockbox Accounts. If the interim security is released and the Corp Scheme Meeting proceeds, the choice facing all Corp Scheme Creditors will be the same: either the Corp Scheme will be approved and implemented, or the Corp Scheme will be rejected and in the inevitable insolvency proceeding which would follow such rejection the interim security would no longer be in place.

The Syndicate Banks and the Informal Committee of Bondholders have indicated that they will not be prepared to release the interim security prior to the Corp Scheme Meeting unless, immediately before such release, Corp has confirmed to the Prospective Supervisors that Corp remains satisfied that the reserves built into the Corp Scheme are sufficient to meet distributions to all Corp Scheme Creditors and that Corp remains of the opinion that its statement as to the Corp Group's working capital contained in Part D.21 of this Section remains valid, and the Prospective Supervisors have confirmed to Corp that they have no reason to disagree with Corp's view that the reserves built into the Corp Scheme are sufficient to meet distributions due to be made to all Corp Scheme Creditors.

On 18 March 2003, plc announced that documentation in relation to the proposed Restructuring had been filed with the Court and provided an update on certain aspects of the Restructuring. On 26 March 2003 and 24 March 2003 respectively the required consents were received to certain pre-completion steps for the Restructuring from the requisite majorities of the Syndicate Banks and the members of the Informal Committee of Bondholders.

On 26 March 2003, Corp and plc entered into a definitive agreement with the Group's ESOP Derivative Banks for a settlement of their ESOP derivative related claims against the Group. Under the terms of the settlement, which is conditional upon the Corp Scheme becoming effective, Corp will pay a total of L35 million to the ESOP Derivative Banks in full and final settlement of their ESOP related claims against the Group.

On 28 March 2003, the undertakings agreed by Corp and plc in April and May 2002 were renewed and modified. As a result of that modification, on the release of the interim security the "Lockbox" provisions of the undertakings will govern withdrawals of cash from the Lockbox Accounts (see Part D.1 of this Section).

67

I. EXPLANATORY STATEMENT (IN COMPLIANCE WITH SECTION 426 OF THE COMPANIES ACT 1985)

SECTION 2: FURTHER EXPLANATION OF THE RESTRUCTURING -- PART B

Since August 2001, in view of the deterioration in the Group's financial condition, there have been the following credit rating downgrades in respect of the Group:

Edgar Filing: MARCONI PLC - Form 6-K

Standard & Poor's

6 August 2001, BBB+ to BBB-
5 September 2001, BBB- to BB
21 Jan 2002, BB to B+
22 March 2002, B+ to B-
4 April 2002, B- to CC

Moody's

10 August 2001, A3 to Baa2
7 September 2001, Baa2 to Ba1
15 October 2001, Ba1 to Ba3
15 January 2002, Ba3 to B1
26 March 2002, B1 to Caa3

Corp and plc believe that there are only two possible outcomes of the Group's current financial difficulties, which are the reorganisation of their liabilities through the proposed Schemes or the placing of the companies into administration or liquidation. As discussed in Part C.10 of this Section, Appendix 6 contains an insolvency analysis providing a detailed analysis of the position of Corp and plc should they be subject to insolvency proceedings (and the assumptions, caveats, limitations and uncertainties on which such analysis is based).

68

I. EXPLANATORY STATEMENT (IN COMPLIANCE WITH SECTION 426 OF THE COMPANIES ACT 1985)

SECTION 2: FURTHER EXPLANATION OF THE RESTRUCTURING -- PART C

C. PROPOSED RESTRUCTURING

C.1 OVERVIEW

The Restructuring will be effected through two schemes of arrangement under the Act. A scheme of arrangement is a court-supervised procedure under English law through which a company may enter into a compromise or arrangement with its creditors to effect a restructuring of its financial obligations.

The Corp scheme of arrangement will involve all creditors of Corp at the Record Date, excluding certain categories of creditors, but including the Syndicate Banks and Bondholders to whom the Group's primary financial indebtedness is owed. The plc scheme of arrangement will involve all creditors of plc at the Record Date, excluding certain categories of creditors, the liabilities to some of which are to be novated to Corp (with effect from the Effective Date of the Corp Scheme), but including the Syndicate Banks and Bondholders. Creditors whose claims are to be compromised through the Schemes are referred to as "SCHEME CREDITORS" (but see "Definitions and Interpretation" on page 12 for a further explanation of this term) and the claims of these creditors are referred to as "SCHEME CLAIMS". Assuming the English Court makes an order sanctioning the Schemes, Corp and plc will apply, before the Schemes become effective, for permanent injunction orders under Section 304 of the US Bankruptcy Code (the "BANKRUPTCY CODE") to give effect to their respective Schemes.

Through the Restructuring, Corp will become the new parent holding company of the Group. All of plc's assets (net of a reserve to meet plc's Ongoing Costs) will be distributed to its creditors over time in accordance with the plc Scheme, following which it is intended that plc will be liquidated or dissolved.

Edgar Filing: MARCONI PLC - Form 6-K

C.2 TERMS OF THE RESTRUCTURING

CORP SCHEME

The Corp Scheme will compromise approximately L4.0 billion of externally held financial indebtedness, comprising principally the Bank Facility and the Bonds. In addition, the Corp Scheme will compromise certain other claims and contingent claims, including those discussed under "Summary of key actual and contingent claims" below.

In exchange for the compromise of their Scheme Claims, Corp's Scheme Creditors will receive a distribution, pro rata in proportion to their Admitted Scheme Claims, of a package of cash and new equity and debt securities issued by Corp. This package of cash and securities is referred to as the "SCHEME CONSIDERATION". The Corp Scheme Consideration is to comprise the following:

- a. CASH: L340 million cash;
- b. NEW SENIOR NOTES: the euro equivalent (calculated at the Currency Rate) of L450 million in aggregate principal amount of new guaranteed senior secured notes due April 2008 to be issued by Corp denominated in euro and/or US dollars, subject to elections made in Claim Forms and Account Holder Letters, with interest payable quarterly in cash at a rate of 8 per cent. per annum;
- c. NEW JUNIOR NOTES: the sum of US\$300 million plus the US dollar equivalent (calculated at the Currency Rate) of L117.27 million in aggregate principal amount of new guaranteed junior secured notes due October 2008 to be issued by Corp denominated in US dollars, with interest payable quarterly in cash at a rate of 10 per cent. per annum or, at Corp's option, in kind (by issuing additional New Junior Notes) at a rate of 12 per cent. per annum; and
- d. NEW SHARES: 995,000,000 ordinary shares, representing 99.5 per cent. of Corp's issued ordinary share capital immediately following implementation of the Restructuring. Elections may be made in Claim Forms and Account Holder Letters to have all or any portion of the New Shares deliverable pursuant to the Schemes delivered in the form of ADRs.

The cash element of the distribution to Corp's Scheme Creditors will be increased by the net proceeds of any asset disposals, other than L82 million of excluded asset disposal proceeds, received on or after 1 December 2002 and before 1 May 2003, and the aggregate principal amount of the New Junior Notes will be decreased by

69

I. EXPLANATORY STATEMENT (IN COMPLIANCE WITH SECTION 426 OF THE COMPANIES ACT 1985)

SECTION 2: FURTHER EXPLANATION OF THE RESTRUCTURING -- PART C

10/11ths of the sterling amount by which the cash element is increased (such calculation to reduce the L117.27 figure referred to in c. above).

PLC SCHEME

The plc Scheme will compromise approximately L3.9 billion of externally held liabilities of plc as guarantor in respect of financial indebtedness, comprising

Edgar Filing: MARCONI PLC - Form 6-K

principally the Bank Facility and the Bonds. In addition, the plc Scheme will compromise other claims and contingent claims, including those discussed under "Summary of key actual and contingent claims" below.

In exchange for the compromise of their Scheme Claims, plc's Scheme Creditors will receive a distribution, pro rata to their Admitted Scheme Claims, of all plc's assets (net of a reserve for plc's Ongoing Costs). These assets will principally comprise a portion of the Scheme Consideration to be distributed by Corp pursuant to the Corp Scheme, which plc will receive as a result of a repayment of capital in specie by plc's wholly-owned subsidiary Ancrane, one of the Scheme Creditors of Corp.

ELECTION TO RECEIVE AMERICAN DEPOSITARY RECEIPTS

Elections may be made in Claim Forms and Account Holder Letters to have all or any portion of the New Shares deliverable pursuant to the Schemes delivered in the form of ADRs. Any person who elects to receive New Shares in the form of ADRs will receive all future distributions of New Shares to which such person may be entitled pursuant to the Schemes in the form of ADRs. As described below, no depositary fees will be payable at any time in connection with the initial issuance of ADRs pursuant to the Schemes and any UK stamp duty or SDRT payable in this respect will be met by Corp.

ADRs will be issued pursuant to the Schemes in reliance on the exemption from Securities Act registration provided by Section 3(a)(10) thereof (or, in the case of plc Shareholders, in transactions not subject to such registration). Following their initial issuance, such ADRs may be sold in ordinary secondary market transactions without restriction under the Securities Act (subject to the restrictions applicable to "affiliates" described in Part D.16 of this Section). In addition, a registration statement on Form F-6 will be filed with the SEC in relation to the ADRs. It is currently expected that this registration statement will be effective prior to the Effective Date of the Corp Scheme. Once this registration statement is effective, outstanding Corp Shares may be deposited into the ADR programme in exchange for ADRs. Such ADRs may then be sold in ordinary secondary market transactions without restriction under the Securities Act.

Corp will apply to list the ADRs on NASDAQ and will use its reasonable endeavours to effect this NASDAQ listing as soon as practicable following the Effective Date of the Corp Scheme. It is currently expected that the NASDAQ listing will become effective during the third calendar quarter of 2003. Persons who are considering making an election to receive New Shares in the form of ADRs should note that, unless and until the NASDAQ listing becomes effective, although ADRs will be free to trade over-the-counter, development of a liquid trading market for the ADRs will be inhibited, which is likely to have a material adverse effect on the value of the ADRs.

A summary of the material terms of the ADRs is set out in Appendix 16. Information as to responsibility for fees and taxes in connection with ADRs is contained in Part D.15 of this Section.

NEW SHARES AND WARRANTS TO BE ISSUED TO PLC SHAREHOLDERS

As part of the Restructuring, plc Shareholders on the register as at the plc Shareholders Record Time will receive 5 million New Shares, representing 0.5 per cent. of Corp's issued ordinary share capital immediately following implementation of the Restructuring, along with up to 50 million Warrants to subscribe for additional shares equal to an aggregate of up to 5 per cent. of Corp's issued ordinary share capital at that date. Each existing plc Shareholder will receive at least one New Share. Warrant entitlements will be rounded down to the nearest whole Warrant and each Warrant will entitle its holder to subscribe one Corp Share (subject to adjustment in the event of certain

Edgar Filing: MARCONI PLC - Form 6-K

corporate actions). The exercise price of the Warrants will be 150p per share (again subject to adjustment in the event of certain corporate actions). An ordinary share price of 150p implies a post Restructuring market capitalisation of Corp of approximately L1.5 billion. The Warrants will expire four years

70

I. EXPLANATORY STATEMENT (IN COMPLIANCE WITH SECTION 426 OF THE COMPANIES ACT 1985)

SECTION 2: FURTHER EXPLANATION OF THE RESTRUCTURING -- PART C

after the Restructuring becomes effective if not exercised. The conditions of the Warrants are set out in Appendix 12.

New Shares and Warrants will be given to plc Shareholders under the Corp Scheme. The New Shares are to be issued in return for the compromise and release of Scheme Claims against Corp by the Corp Scheme Creditors. The New Shares and Warrants to be given to plc Shareholders who hold their plc Shares in CREST will be credited to the same CREST accounts. plc Shareholders who hold a plc share certificate, are aged under 18 or have a registered address outside the UK, Channel Islands, Isle of Man or Ireland will receive a certificate in respect of their New Shares and, if applicable, Warrants. The New Shares and, if applicable, Warrants to be given to plc Shareholders who hold a plc share certificate, are aged under 18 or have a registered address outside the UK, Channel Islands, Isle of Man or Ireland will be held in a nominee account on their behalf operated by Corp's registrars.

Pursuant to the Corp Scheme, New Shares will be issued to The Bank of New York, as depositary (the "PLC ADR DEPOSITARY") in respect of the existing American depositary receipt programme relating to the plc Shares (the "PLC ADR PROGRAMME"), in common with other plc Shareholders. In accordance with the deposit agreement for the plc ADR programme, plc and the plc ADR Depositary have consulted with respect to these New Shares, and have agreed that the plc ADR Depositary will arrange for persons who hold plc Shares in the form of American depositary receipts ("PLC ADRS") to receive their interest in respect of this distribution in the form of ADRs representing Corp Shares. No depositary fees will be payable in connection with the initial issuance of these ADRs. SDRT, however, will be payable in this connection at a rate of 1.5 per cent. of the market value of the New Shares deposited into the Corp ADR programme. The plc ADR Depositary will, on behalf of the holders of plc ADRs, sell any New Shares relating to their fractional ADR entitlements together with such number of additional New Shares to which they would be entitled as may be necessary to cover the amount of SDRT that is due. A summary of the material terms of the ADRs is set out in Appendix 16.

Also pursuant to the Corp Scheme, Warrants will be issued to the plc ADR Depositary in common with other plc Shareholders. In accordance with the deposit agreement for the plc ADR programme, plc and the plc ADR Depositary have consulted with respect to these Warrants, and have determined that it is unlikely that a liquid market for Warrants will develop in the United States, and that it would be unreasonably costly to seek to distribute Warrants directly to holders of plc ADRs. Accordingly, at an appropriate time, the plc ADR Depositary will sell any such Warrants it has received and will distribute the net proceeds of such sale to holders of plc ADRs, all in accordance with the deposit agreement for the plc ADR programme.

C.3 TERMS OF THE NEW SENIOR NOTES AND THE NEW JUNIOR NOTES

Set out below is a summary of the principal terms of the New Notes comprising

Edgar Filing: MARCONI PLC - Form 6-K

part of the Scheme Consideration. See Appendix 8 for the detailed terms of the New Notes and for definitions of terms used in this Part C.3 that are not otherwise defined in part V.

Principal Amount and
Currency

The New Senior Notes will have an aggregate principal amount of the equivalent (calculated at the Currency Rate) of L450 million. Elections may be made in Claim Forms delivered under each Scheme and in Account Holder Letters to elect for all, but not part of, the New Senior Notes to be received by Scheme Creditors and Designated Recipients to be denominated in euros or US dollars. No New Senior Notes denominated in US dollars will be issued unless, based on all Claim Forms received before 5:00 p.m. (London time) on 17 April 2003 and all Account Holder Letters delivered before 5:00 p.m. (New York City time) on 17 April 2003, elections have been made which would, if both Schemes become effective, result in an aggregate of at least the US dollar equivalent (calculated at the Currency Rate) of euro 250 million (less the Relevant Deduction) of New Senior Notes denominated in US dollars being required to be issued in the First Initial Distribution under both Schemes. No New Senior Notes denominated in euro will be issued unless, based on all Claim Forms received before 5:00 p.m. (London time) on 17 April 2003 and all Account

71

I. EXPLANATORY STATEMENT (IN COMPLIANCE WITH SECTION 426 OF THE COMPANIES ACT 1985)

SECTION 2: FURTHER EXPLANATION OF THE RESTRUCTURING -- PART C

Holder Letters delivered before 5:00 p.m. (New York City time) on 17 April 2003, elections have been made which would, if both Schemes become effective, result in an aggregate of at least euro 250 million (less the Relevant Deduction) of New Senior Notes denominated in euro being required to be issued in the First Initial Distribution under both Schemes.

The New Junior Notes will have an initial aggregate principal amount equal to the sum of US\$300 million plus the US dollar equivalent (calculated at the Currency Rate) of L117.27 million, unless the cash element of the distribution to Corp Scheme Creditors is increased by the net proceeds of any asset disposals (in which event, the initial aggregate principal amount of the New Junior Notes will be decreased by 10/11ths of the sterling amount by which the cash element is increased (such calculation to reduce the L117.27 million figure referred to above)). The New Junior Notes will be denominated in US dollars.

Interest

The New Senior Notes will bear interest from their

Edgar Filing: MARCONI PLC - Form 6-K

issue date at a per annum rate of 8 per cent. payable quarterly in cash on each 15 January, 15 April, 15 July and 15 October, commencing 15 July 2003. On the first interest payment date for the New Senior Notes, Corp will pay, in addition to accrued interest on the outstanding principal amount of the New Senior Notes, an amount per New Senior Note equal to the amount of interest that would have accrued on such New Senior Note if such New Senior Note had been outstanding for the period from 1 May 2003 to the issue date of the New Notes.

The New Junior Notes will bear interest from their issue date at a per annum rate of 10 per cent. payable quarterly in cash or, at Corp's option, at a per annum rate of 12 per cent. payable quarterly in kind (by issuing additional New Junior Notes to the holders of New Junior Notes) on each 31 January, 30 April, 31 July and 31 October, commencing 31 July 2003. On the first interest payment date for the New Junior Notes, Corp will pay, in addition to accrued interest on the outstanding principal amount of the New Junior Notes, an amount per New Junior Note equal to the amount of interest that would have accrued on such New Junior Note if such New Junior Note had been outstanding for the period from 1 May 2003 to the issue date of the New Notes.

Maturity

The New Senior Notes will mature on 30 April 2008.

The New Junior Notes will mature on 31 October 2008.

Optional Redemption

All of the outstanding New Notes may be redeemed at Corp's option in whole, but not in part, at any time at a redemption price in cash equal to the greater of (i) 110 per cent. of their principal amount, and (ii) a make-whole amount equal to the sum of the present values of remaining scheduled payments of principal and interest, using a discount rate that is 50 basis points above the yield on US treasuries of similar maturity to the New Senior Notes and New Junior Notes, as applicable, plus, in each case, accrued and unpaid interest.

Mandatory Redemption

The New Notes are subject to mandatory early redemption in certain circumstances. The New Notes must be redeemed prior to their stated maturity in whole or in part using the proceeds from the Mandatory Redemption Escrow Account, which is an escrow account to be established for redemption of the New Notes into which Corp will be required to deposit, from time to time:

- releases to, or upon the order or instructions of, Corp or its subsidiaries of certain cash collateral security for performance bonding (as described in more detail in Part D.4 of this Section); and
- all net proceeds of asset sales received on or after 1 May 2003, other than up to L82 million of net proceeds from disposals of certain exempt specified assets and, if there are no New Junior Notes outstanding, proceeds reinvested in the non-US core business within specified time periods.

Corp will apply amounts in the Mandatory Redemption Escrow Account to redeem first the New Junior Notes and then, under certain circumstances, the New Senior Notes, in each case at a redemption price in cash of 110 per cent. of their principal amount plus accrued and unpaid interest.

In addition, in the event of either a Change of Control of Corp or the merger, consolidation or sale of all or substantially all the assets of Corp and its subsidiaries, taken as a whole, all of the New Notes must be redeemed in whole, but not in part, at a redemption price in cash equal to the greater of (i) 110 per cent. of their principal amount, and (ii) a make-whole amount equal to the sum of the present values of remaining scheduled payments of principal and interest, using a discount rate that is 50 basis points above the yield on US treasuries of similar maturity to the New Senior Notes and New Junior Notes, as applicable, plus, in each case, accrued and unpaid interest.

Covenants

The New Senior Notes and the New Junior Notes will be issued under indentures that will contain certain restrictive covenants. The restrictive covenants will include, among other things:

- restrictions on indebtedness, guarantees, sale and leaseback transactions and the issuance of preferred stock;
- restrictions on dividends, distributions, investments and other restricted payments;
- restrictions on acquisitions;
- restrictions on liens;
- restrictions on derivative transactions;
- restrictions on transactions with affiliates (including Ringfenced Entities);
- restrictions on the issuance and sale of equity

Edgar Filing: MARCONI PLC - Form 6-K

- interests in Corp's subsidiaries;
- restrictions on asset sales; and
- restrictions on mergers, consolidations and sales of all or substantially all assets.

Each of the covenants will be subject to exceptions and qualifications.

In addition, under the indenture governing the New Senior Notes (but not the New Junior Notes), beginning as of 30 September 2005 the Group will be required to meet financial covenants with respect to a minimum ratio of consolidated EBITDA to consolidated finance charges and a maximum ratio of consolidated indebtedness to consolidated EBITDA, in each case

73

I. EXPLANATORY STATEMENT (IN COMPLIANCE WITH SECTION 426 OF THE COMPANIES ACT 1985)

SECTION 2: FURTHER EXPLANATION OF THE RESTRUCTURING --PART C

calculated with respect to the consolidated Group (but excluding the Ringfenced Entities if any New Junior Notes are outstanding).

The indentures will provide for customary grace periods and remedies. When the New Senior Notes and the New Junior Notes are simultaneously outstanding, however, the indentures will provide for longer grace periods and require a larger percentage of the noteholders to take enforcement action in the case of certain non-payment covenant defaults.

Purchase of New Notes

The indentures governing the New Notes will provide that Corp and its subsidiaries may purchase outstanding New Notes only after the second scheduled Senior Note Interest Payment Date or Junior Note Interest Payment Date, as the case may be, and then only if (a) no Default or Event of Default under the New Senior Note indenture (in the case of the New Senior Notes) or the New Junior Note indenture (in the case of the New Junior Notes) has occurred and is continuing; (b) interest on the immediately two preceding Junior Note Interest Payment Dates was paid in cash (rather than in kind); and (c) Corp has not given notice of an intention to pay interest on the next Junior Note Interest Payment Date in kind.

US Ringfencing

The covenants in the indentures governing the New Notes will restrict the financial, operational and other dealings that the Non-Ringfenced Entities can have with the Ringfenced Entities. The covenants for the New Notes will also require Corp to

separate the North American Access Business, BBRB Business and OPP Business into separate subsidiaries (or groups of subsidiaries) within the US Ringfencing no later than the second anniversary of the issue date of the New Notes. Moreover, the Non-Ringfenced Entities will generally be prohibited from providing funding for any of the Ringfenced Entities and, following the separation of the three principal businesses within the US Ringfence, the North American Access Business, BBRB Business and OPP Business will generally be prohibited from providing funding to each other. See Part A.2 of this Section for a description of the US Ringfencing.

Guarantees and Security

Corp's obligations under the New Notes will be guaranteed by, inter alios, Corp's principal operating subsidiaries. With limited exceptions, the Guarantor coverage must include on an ongoing basis (i) subsidiaries that together account for at least 80 per cent. and (ii) each subsidiary that individually accounts for more than 5 per cent., in each case, of the total assets, total external assets, total external sales and (commencing as of 31 March 2005) EBITDA of Corp and its subsidiaries. Corp and the Guarantors will, with limited exceptions, grant security over substantially all of their respective assets to secure their respective obligations under the New Notes and the guarantees thereof as well as the Performance Bonding Facility.

Payment Priorities

Corp, the Guarantors and the trustees for the New Notes, among others, will enter into a Security Trust and Intercreditor Deed that will establish the relative priorities among the New Senior Notes, New Junior Notes, the Performance Bonding Facility and certain intra-Group liabilities with respect to the obligations of Corp and the Guarantors.

Following the occurrence of a payment Default and/or an acceleration of the maturity of the New Senior Notes, all proceeds from enforcement of the security granted by Corp and the Guarantors (where such Guarantors

I. EXPLANATORY STATEMENT
(IN COMPLIANCE WITH SECTION 426 OF THE COMPANIES ACT 1985)

SECTION 2: FURTHER EXPLANATION OF THE RESTRUCTURING -- PART C

are providers of security) to secure their respective obligations under the New Notes and the guarantees thereof and the Performance Bonding Facility will be applied as follows:

- first, to the fees and expenses of the trustees and other agents;

- second, to the lenders providing the Performance Bonding Facility;
- third, to the repayment of the New Senior Notes; and
- fourth, to the repayment of the New Junior Notes.

Payment and Security
Enforcement Blocks

Under the terms of the Security Trust and Intercreditor Deed and the indentures for the New Notes, no payments may be made on the New Junior Notes (other than payments of interest in kind) and no redemptions of the New Junior Notes from amounts contained in the Mandatory Redemption Escrow Account may be made (subject to limited exceptions) (i) upon the occurrence of a Default under the New Senior Notes and the delivery of notice of such Default by the Senior Note Trustee to the Security Trustee for a period lasting until the earlier of (a) the expiration of 179 days after the date of such notice, (b) the date on which such Default is no longer continuing, (c) the date on which the holders of a majority of the principal amount of the New Senior Notes consent, or (d) the payment in full of all obligations under the New Senior Notes and the New Senior Note indenture, or (ii) upon the occurrence of a payment Default or acceleration of the New Senior Notes following an Event of Default under the New Senior Notes or the New Senior Note indenture until the earlier of (a) the date on which the payment Default has been remedied or waived and, if the New Senior Notes have been accelerated, the acceleration has been rescinded, (b) the date on which the holders of a majority of the principal amount of the New Senior Notes consent, or (c) the payment in full of all obligations under the New Senior Notes and the New Senior Note indenture.

The Security Trust and Intercreditor Deed further provides that in the event of a default under the New Senior Notes, the holders of the New Junior Notes may not accelerate the New Junior Notes during the 179-day or shorter period referred to in clause (i) of the previous sentence. In addition, under the terms of the Security Trust and Intercreditor Deed, the holders of the New Junior Notes may not take enforcement action against any security securing the New Junior Notes without the consent of the holders of the New Senior Notes or unless all liabilities arising under the New Senior Notes have been discharged in full.

The Security Trust and Intercreditor Deed further provides that if a payment default occurs under the Performance Bonding Facility, the lenders thereunder may require the obligors to provide full cash collateral to cover all outstanding liabilities but may not accelerate the liabilities

Edgar Filing: MARCONI PLC - Form 6-K

under the Performance Bonding Facility or take the other enforcement action for 180 days unless the New Senior Notes have been accelerated.

Security Numbers

The CUSIP for the New Senior Notes denominated in euro (if any are issued) will be G58129AB6.
The CUSIP for the New Senior Notes denominated in US dollars (if any are issued) will be G58129AA8.
The CUSIP for the New Junior Notes will be G58129AD2.

Further details of the security and intercreditor arrangements affecting the New Notes are set out in Appendix 10.

75

I. EXPLANATORY STATEMENT (IN COMPLIANCE WITH SECTION 426 OF THE COMPANIES ACT 1985)

SECTION 2: FURTHER EXPLANATION OF THE RESTRUCTURING -- PART C

C.4 SUMMARY OF KEY ACTUAL AND CONTINGENT CLAIMS

Schedule 3 to the Corp Scheme in part II contains a list of Scheme Creditors who may have a Scheme Claim. The aggregate amount (in sterling) of claims listed in Schedule 3 in part II is approximately L5.193 billion. The fact that a claim is listed in Schedule 3 at a certain amount does not mean that the particular claim will be Admitted at that, or any other, amount. There are three principal areas of actual and contingent claims listed in Schedule 3 to the Corp Scheme:

- a. BANK FACILITY AND BOND DEBT: Corp is indebted as at the Record Date to:
 - (i) the Syndicate Banks pursuant to the terms of the Bank Facility in the principal sums of US\$2,226,600,000 and L650,000,000, together with accrued but unpaid interest of US\$40,271,358 and L18,199,947;
 - (ii) the relevant Bondholders pursuant to the terms of the 2005 Eurobonds in the principal sum of E500,000,000 together with accrued but unpaid interest of E12,559,932;
 - (iii) the relevant Bondholders pursuant to the terms of the 2010 Eurobonds in the principal sum of E1,000,000,000 together with accrued but unpaid interest of E28,469,178;
 - (iv) the relevant Bondholders pursuant to the terms of the 2010 Yankee Bonds in the principal sum of US\$900,000,000 together with accrued but unpaid interest of US\$31,687,500; and
 - (v) the relevant Bondholders pursuant to the terms of the 2030 Yankee Bonds in the principal sum of US\$900,000,000 together with accrued but unpaid interest of US\$34,218,750;
- b. INDIRECT CLAIMS BY PLC: these comprise claims under inter-company loan balances and through ownership (via Ancrane) of some of the indebtedness listed in (ii) to (v) above (E324,603,000 and US\$261,101,000 of the principal sum is owed to Ancrane). Corp and plc currently anticipate that these claims (inclusive of accrued but unpaid interest) will amount to approximately L776 million in

Edgar Filing: MARCONI PLC - Form 6-K

aggregate; and

- c. OTHER THIRD-PARTY AND ASSOCIATED COMPANY CLAIMS: these are expected to include claims under various loans, guarantees, and a US class action and other lawsuits, as well as other potential claims.

In light of the detailed due diligence that has been undertaken in relation to its financial indebtedness, Corp acknowledges that the principal amount of the claims of the Syndicate Banks and the claims in respect of the Bonds set out in a. above are due and owing and anticipates that these claims, in each case together with interest accruing pursuant to the terms of the Bank Facility or the terms of the relevant Bonds, as appropriate, for the period up to, and including, the Record Date, will be Admitted in the amounts set out in Schedule 3 to the Corp Scheme in part II.

Schedule 3 to the plc Scheme in part III contains a list of Scheme Creditors who may have a Scheme Claim. The aggregate amount (in sterling) of claims listed in Schedule 3 in part III is approximately L4.68 billion. The fact that a claim is listed in Schedule 3 at a certain amount does not mean that the particular claim will be Admitted at that, or any other, amount. There are two principal areas of actual and contingent claims listed in Schedule 3 to the plc Scheme:

- a. GUARANTEES OF CORP'S BANK FACILITY AND BOND DEBT: plc has guaranteed the indebtedness of Corp listed in paragraph a. above; and
- b. OTHER THIRD-PARTY CLAIMS: these are expected to include claims under various loans, guarantees, and a US class action and other lawsuits, as well as other potential claims.

In light of the detailed due diligence that has been undertaken in relation to its financial indebtedness, plc acknowledges that the principal amount of the claims of the Syndicate Banks and the claims in respect of the Bonds under the guarantees referred to in a. above are due and owing and anticipates that these claims, in each case together with interest accruing pursuant to the terms of the Bank Facility or the terms of the relevant Bonds,

76

I. EXPLANATORY STATEMENT (IN COMPLIANCE WITH SECTION 426 OF THE COMPANIES ACT 1985)

SECTION 2: FURTHER EXPLANATION OF THE RESTRUCTURING -- PART C

as appropriate, for the period up to, and including, the Record Date, will be Admitted in the amounts set out in Schedule 3 to the plc Scheme in part III.

Claims that would be barred by statute or claims that are otherwise unenforceable in England and Wales or which arise under a contract which is void or, being voidable, has duly been avoided, are not liabilities for the purposes of the Schemes.

C.5 COMPLETION OF THE RESTRUCTURING

As discussed in more detail in Part B of this Section, if the interim security is not released prior to the Corp Scheme Meeting, neither Corp nor plc will proceed with its respective Scheme (see Part D.1 of this Section for further detail on the circumstances in which the interim security is expected to be released).

Each of the Schemes becoming effective will be dependent on, among other things,

Edgar Filing: MARCONI PLC - Form 6-K

securing the necessary support of the Scheme Creditors in the relevant Scheme Meeting to be held as part of the scheme of arrangement process, as well as the sanction of the English Court and the granting of a permanent injunction order by the US Bankruptcy Court. No assurance can be given that Corp and plc will be able to satisfy the conditions to completion of the Restructuring (described in more detail below), or that circumstances will not arise that otherwise make it impossible to proceed with the Restructuring. Certain risks related to a failure to implement or a delay in implementing the Restructuring, risks arising from implementation of the Restructuring, operating risks and risks related to ownership of the New Shares, the New Notes and the Warrants are set out in Part F of this Section, Risk Factors.

While the Corp Scheme will not be conditional upon the plc Scheme becoming effective, the plc Scheme will be conditional on the Corp Scheme becoming effective. Any order approving the plc Scheme will not be delivered to the Registrar of Companies (which delivery would make the plc Scheme effective) until an order approving the Corp Scheme has been similarly delivered.

The Schemes will not be conditional on the Listing of the New Shares, the New Notes and/or the Warrants. However, it is expected that the New Shares, New Notes and Warrants will be listed on the Effective Date of the Corp Scheme. Corp will use its reasonable endeavours to effect the Listing of the New Shares, the New Notes and the Warrants as soon as possible on or after the Effective Date of the Corp Scheme. (See details of risks arising from implementation of the Restructuring in Part F.2).

The Schemes will not be conditional on the approval of plc Shareholders. The Co-ordination Committee and the Informal Committee of Bondholders with whom Corp and plc negotiated the Heads of Terms indicated that they would not be prepared to support a Restructuring that requires plc Shareholder approval on the grounds that, considering the financial condition of the Group and the economic interest of plc Shareholders, such a vote would be inappropriate. Corp and plc believe that if the Syndicate Banks and the Informal Committee of Bondholders withdraw their support for the Restructuring, Corp and plc will be forced to commence insolvency proceedings. On this basis, Corp and plc approached the UKLA for a waiver of the requirement to seek plc Shareholder approval in connection with the Restructuring. The UKLA has granted this waiver.

The New Shares to be allotted pursuant to the Corp Scheme will be paid up by the release of, or agreement not to commence or continue prohibited proceedings in respect of, both liquidated and unliquidated Scheme Claims. The Act requires the consideration for an allotment of shares partly paid up by the release of liabilities for unliquidated sums to be independently valued prior to allotment, and accordingly Corp has engaged BDO Stoy Hayward to prepare and deliver a report complying with the provisions of the Act before the New Shares are allotted.

CONDITIONS TO EFFECTIVENESS OF THE SCHEMES

In order to ensure that certain conditions are satisfied before the Schemes can come into effect, Corp and plc will not deliver a copy of any Court order sanctioning the Schemes for registration to the Registrar of Companies in England and Wales until the relevant conditions are satisfied.

Corp will not take the necessary steps to make the Corp Scheme effective unless and until: (a) Corp has, following the passing of a unanimous Board resolution to approve the same, provided confirmation in writing to

Edgar Filing: MARCONI PLC - Form 6-K

SECTION 2: FURTHER EXPLANATION OF THE RESTRUCTURING -- PART C

the Prospective Supervisors (for the sole benefit of the Prospective Supervisors) prior to each of (i) the release of the interim security granted by Corp through its special purpose subsidiary Highrose Limited, (ii) the Corp Scheme Meeting, (iii) the hearing to sanction the Corp Scheme and (iv) the Effective Date, to the effect that Corp remains satisfied that the reserves built into the Corp scheme are sufficient to ensure the same level of distribution will be made to all Corp Scheme Creditors and that Corp remains of the opinion that its statement as to the Corp Group's working capital contained in Part D.21 of this Section remains valid; (b) the Prospective Supervisors of the Corp Scheme have provided confirmation in writing to Corp (for Corp's sole benefit) on the day of, but prior to, each of events (i) to (iv) above to the effect that they have no reason to disagree with Corp's view that the reserves built into the Corp Scheme are sufficient to meet distributions due to be made to all Corp Scheme Creditors; (c) a permanent injunction order of the US Bankruptcy Court under Section 304 of the Bankruptcy Code has been granted in respect of the Corp Scheme; and (d) all conditions precedent (other than those relating to the Corp Scheme becoming effective) set out in the Working Capital Facility and the Performance Bonding Facility are satisfied or waived by the facility agents. Corp will undertake to the Court to file the Court order approving the Corp Scheme with the Registrar of Companies as soon as the conditions set out above are satisfied provided such conditions are satisfied on or before 19 June 2003.

plc will not take the necessary steps to make the plc Scheme effective unless and until: (a) plc has, following the passing of a unanimous Board resolution to approve the same, provided confirmation in writing to the Prospective Supervisors (for the sole benefit of the Prospective Supervisors) prior to each of (i) the release of the interim security granted by Corp through its special purpose subsidiary Highrose Limited, (ii) the plc Scheme Meeting, (iii) the hearing to sanction the plc Scheme and (iv) the Effective Date, to the effect that plc remains satisfied that the reserves built into the plc Scheme are sufficient to ensure the same level of distribution will be made to all plc Scheme Creditors; (b) the Prospective Supervisors of the plc Scheme have provided confirmation in writing to plc (for plc's sole benefit) on the day of, but prior to, each of events (i) to (iv) above to the effect that they have no reason to disagree with plc's view that the reserves built into the plc Scheme are sufficient to meet distributions due to be made to all plc Scheme Creditors; (c) a permanent injunction order of the US Bankruptcy Court under Section 304 of the Bankruptcy Code is granted in respect of the plc Scheme; and (d) a copy of the Court's order sanctioning the Corp Scheme has been delivered for registration to the Registrar of Companies in England and Wales. plc will undertake to the Court to file the Court order approving the plc Scheme with the Registrar of Companies as soon as the conditions set out above are satisfied provided such conditions are satisfied on or before 19 June 2003.

Corp will not pursue a permanent injunction order of the US Bankruptcy Court unless the English Court makes an order sanctioning the Corp Scheme. plc will not pursue a permanent injunction order of the US Bankruptcy Court unless the English Court makes orders sanctioning both the Corp Scheme and the plc Scheme.

If a Scheme has not been made effective on or before 19 June 2003, the Scheme will be withdrawn and not made effective.

WITHDRAWAL OF SCHEMES

As a result of the extensive due diligence undertaken by Corp and plc and having taken account of the results of the advertising process, Corp and plc are

Edgar Filing: MARCONI PLC - Form 6-K

satisfied that the Reserve Claims Segment in respect of each of the Corp and plc Schemes will be sufficient to ensure the same level of distribution will be made to all plc Scheme Creditors. In addition the Prospective Supervisors have confirmed that they have no reason to disagree with that view.

In order for the Schemes to proceed the Scheme Companies must indicate that they remain satisfied that the Reserve Claim Segment under each Scheme will be sufficient to meet distributions due to be made in respect of Reserve Claims in accordance with the terms of the Schemes. If each Scheme Company remains so satisfied, each Scheme Company will give written confirmations on certain key dates set out below.

78

I. EXPLANATORY STATEMENT (IN COMPLIANCE WITH SECTION 426 OF THE COMPANIES ACT 1985)

SECTION 2: FURTHER EXPLANATION OF THE RESTRUCTURING -- PART C

Board meetings of each Scheme Company will be held at 5.00 pm on the calendar day before each of the following key dates:

- a. the Release Date;
- b. the date of the Scheme Meetings;
- c. the date of the commencement of the Court sanction hearing; and
- d. the Effective Date,

(each of a. to d. above being a "CONFIRMATION DATE").

The Board meetings will consider whether the Board can pass the Confirmatory Resolution and whether the relevant Scheme Company is able to deliver the Scheme Company Confirmation to the Prospective Supervisors confirming that the relevant Scheme Company remains satisfied that the level of reserves built into each of the Schemes will be sufficient to ensure the same level of distribution will be made to all relevant Scheme Creditors and, in the case of Corp, that the statement as to the Corp Group's working capital contained in Part D.21 of this Section remains valid. On receipt of the Scheme Company Confirmation, the Prospective Supervisors will be required to consider whether, based on the information available to them at that time, they are able to confirm in writing that they have no reason to disagree with the relevant Scheme Company's view that the level of reserves built into each of the Schemes will be sufficient to ensure the same level of distribution will be made to all relevant Scheme Creditors by delivering the Supervisor's Confirmation to the relevant Scheme Company by 7.00 a.m. on each Confirmation Date.

Unless the relevant Scheme Company receives the Prospective Supervisor's Confirmation by 7.00 a.m. on each Confirmation Date, the relevant Scheme Company will not proceed with the proposed Scheme and the relevant Scheme will be withdrawn.

If the Corp Scheme is withdrawn then the plc Scheme will also be withdrawn, but the Corp Scheme will not be withdrawn only because the plc Scheme is withdrawn.

C.6 MECHANICS OF THE RESTRUCTURING

OVERVIEW OF THE SCHEMES

Edgar Filing: MARCONI PLC - Form 6-K

As mentioned above, the Schemes are Court sanctioned compromises under section 425 of the Act between each of Corp and plc and their respective Scheme Creditors. These creditors comprise all of the creditors of Corp and plc with the exception of certain "Excluded Creditors" (the identity of the Excluded Creditors and the basis upon which their claims are to be excluded are set out in Appendix 9). No allotment and issue or transfer of securities (or the cash proceeds of sale thereof) or cash will be made to any person where prohibited by any applicable law or regulation.

The Court gave directions on 24 March 2003 for Scheme Meetings of Scheme Creditors of Corp and plc to be convened respectively for 10.00 a.m. and 10.15 a.m. (or as soon as possible thereafter following the conclusion or adjournment of the first meeting) on 25 April 2003. Notices convening the Scheme Meetings for these times are set out in part VI, Sections A and B of this document. The Scheme Meetings will take place at the Institute of Civil Engineers, 1 Great George Street, London SW1.

To become effective, the Schemes must be approved by Scheme Creditors at a Scheme Meeting. The Schemes each require the approval of a majority in number representing three-fourths in value of the Scheme Creditors present and voting (in person or by proxy) at each Scheme Meeting. The Schemes must then receive the sanction of the Court. It is currently anticipated that the Court hearing to sanction the Schemes will take place on 12 to 13 May 2003.

The Schemes are set out in full in parts II and III of this document.

VOTING ON THE SCHEMES

Scheme Creditors are entitled to attend and vote at the Scheme Meetings either in person or by proxy. Although the Eurobond Trustee and The Bank of New York are both Corp Scheme Creditors and the Eurobond Trustee and

79

I. EXPLANATORY STATEMENT (IN COMPLIANCE WITH SECTION 426 OF THE COMPANIES ACT 1985)

SECTION 2: FURTHER EXPLANATION OF THE RESTRUCTURING -- PART C

the Yankee Bond Trustee are both plc Scheme Creditors, none of them has any economic interest in the Bonds in respect of which they are the trustee or the depositary, as the case may be. Bondholders in respect of Eurobonds and Yankee Bonds represented by a global Eurobond or a global Yankee Bond, as the case may be, are not Scheme Creditors. Accordingly, certain creditors have requested Corp to exchange the global Yankee Bonds for definitive Yankee Bonds and the global Eurobonds for individual global Eurobonds, in each case with a view to ensuring that Definitive Holders in whose names Yankee Bonds are registered or who become the bearers by attornment of the Eurobonds after such exchange can attend and vote at the Corp Scheme Meeting, and have requested plc to extend the benefit of its guarantees of the Eurobonds and the Yankee Bonds to the Definitive Holders of such Bonds with a view to ensuring that the Definitive Holders can attend and vote at the plc Scheme Meeting in respect of such Bonds. Corp, plc and, in the case of the request to exchange Eurobonds, the Eurobond Trustee, have each agreed to these requests.

Definitive Holders of Bonds who wish to attend and/or vote at the Scheme Meetings must ensure that this is specified in the Account Holder Letter delivered by their Account Holder. Further instructions are set out in Appendix 28.

Edgar Filing: MARCONI PLC - Form 6-K

Only the votes of Scheme Creditors voting at the Scheme Meetings in person or by proxy can be taken into account for the purpose of establishing whether the requisite approval for the Schemes has been obtained.

In order to attend and vote at the Scheme Meetings Scheme Creditors (other than Definitive Holders) must complete and lodge a Form of Proxy (as summarised below). Further instructions are set out in Appendix 27.

Definitive Holders may arrange for forms of proxy to be completed on their behalf by Bondholder Communications by ensuring that their Account Holder gives appropriate instructions on their behalf in the Account Holder Letter. Further instructions are set out in Appendix 28.

VOTING BY PROXY

Scheme Creditors (other than Definitive Holders)

Set out at Appendix 29 is a form of Form of Proxy for use by Scheme Creditors (other than Definitive Holders) in voting on the Schemes. The relevant Form of Proxy should be completed in accordance with the instructions set out on it, indicating the value of the Scheme Claim, including interest accruing on it, if any, for the period up to and including the Record Date. See below for an explanation of the value of a Scheme Creditors' Claim for voting purposes.

Corp and plc may require details of any Scheme Creditors' entitlement to Scheme Claims in order to establish their entitlement to vote. Instructions to this effect are set out on the Forms of Proxy.

Scheme Creditors (other than Definitive Holders) are requested to complete the relevant Form of Proxy in accordance with the instructions set out on it and return it to KPMG LLP, 8 Salisbury Square, London EC4Y 8BB, England, UK, for the attention of Philip Wallace, by 12 noon (London time) on 24 April 2003 (although it is recommended that they be received by 5.00 p.m. (London time) on 17 April 2003). If for any reason this cannot be done, Forms of Proxy may be handed in at the registration desk at the relevant Scheme Meeting and Scheme Creditors are urged to do so no later than one hour before the scheduled time of the relevant Scheme Meeting. Thereafter Scheme Creditors (other than Definitive Holders) may lodge completed Forms of Proxy with the chairman of the relevant Scheme Meeting at that Scheme Meeting. Forms of Proxy may be returned by fax (to fax number +44 (0)20 7694 3011 marked for the attention of Philip Wallace and Richard Heis).

The lodging of a Form of Proxy in advance of the Scheme Meeting does not prevent a Scheme Creditor from revoking such proxy and delivering a new Form of Proxy on the date of the Scheme Meeting or revoking such proxy and attending in person.

Please read the instructions on the Forms of Proxy carefully before completing it. Failure to complete the Form of Proxy in accordance with those instructions may result in your vote being disallowed.

80

I. EXPLANATORY STATEMENT (IN COMPLIANCE WITH SECTION 426 OF THE COMPANIES ACT 1985)

SECTION 2: FURTHER EXPLANATION OF THE RESTRUCTURING -- PART C

Definitive Holders

Each Definitive Holder who wishes authority to be given to Bondholder Communications to appoint a proxy to attend a Scheme Meeting on his behalf will

Edgar Filing: MARCONI PLC - Form 6-K

be required to ensure that his Account Holder gives the appropriate instructions in the Account Holder Letter on his behalf.

Account Holder Letters should be returned to Bondholder Communications by 5:00 p.m. (New York City time) on 17 April 2003. Failure to deliver an Account Holder Letter to Bondholder Communications by the time and date specified above does not preclude the relevant Definitive Holder from voting at the Scheme Meetings provided that the Definitive Holder or his proxy can establish his entitlement by producing a copy of the Account Holder Letter or form of proxy (which should be obtained from Bondholder Communications), as the case may be, to the registration desk or the chairman of the relevant Scheme Meeting.

Detailed instructions explaining the action to be taken by persons with interests in Bonds are set out in Appendix 28 of this document.

SCHEME MEETINGS AND COURT HEARING

An opportunity will be given at the Scheme Meetings for Scheme Creditors (including Definitive Holders) to ask any questions and to raise any issues they may have in relation to the Schemes. Provided that the Schemes are approved by the Scheme Creditors at the Scheme Meetings by the requisite statutory majority, Scheme Creditors are also entitled to attend the hearing of the Scheme Companies' applications to the Court to sanction the Schemes which is expected to be heard on 12 to 13 May 2003. Scheme Creditors will be notified of the precise dates of the subsequent steps at the Scheme Meetings to the extent they are then known, and notice of the hearing will be published in certain national daily newspapers, which are expected to be The Times and the international editions of the Wall Street Journal, the Financial Times and the International Herald Tribune. Scheme Creditors who wish to raise any issues in advance of the Scheme Meetings or the Court hearing are encouraged to contact KPMG whose details are set out in Appendix 23.

VALUE OF A SCHEME CREDITOR'S SCHEME CLAIM FOR VOTING PURPOSES

For the purpose of valuing a Scheme Claim for voting purposes, all Scheme Claims will be converted to sterling at the Voting Rate (which should not be confused with the Scheme Rate, which is used for valuing Scheme Claims to be Admitted under the Schemes). The amount of the Scheme Claim admitted by the relevant Scheme Company for voting purposes does not (of itself) constitute an admission of the existence or amount of any liability of the relevant Scheme Company, and will not bind the relevant Scheme Company, the Supervisors or Scheme Creditors. The value of a Scheme Claim for voting purposes will be taken net of any applicable set-off or cross-claim.

The chairman of each Scheme Meeting may, for voting purposes only, reject a Scheme Claim in whole or in part if he considers that it does not constitute a fair and reasonable assessment of the relevant sums owed to the relevant Scheme Creditor by the relevant Scheme Company or if the relevant creditor has not complied with the voting procedures described above. If a claim is for an unliquidated amount or for an amount the quantum of which has not been ascertained and the chairman is able to place a minimum value on a Scheme Claim he will admit it at that value. If a Scheme Claim is disputed in its entirety, whether it is liquidated or unliquidated, the chairman will not admit it. The chairman's decision will be final. The chairman will, however, advise the relevant Scheme Creditor of his decision to reject such Scheme Creditor's claim for voting purposes before the Scheme Meeting if he considers it to be practicable and, in any event, at or after the Scheme Meeting, and report his decision to the Court.

The Corp Scheme Meeting will be chaired by Corp's Chairman, John Devaney. Corp's Chief Executive Officer, Michael Parton, will act as his deputy chairman.

Edgar Filing: MARCONI PLC - Form 6-K

The plc Scheme Meeting will be chaired by plc's Chairman, John Devaney. plc's Chief Executive Officer, Michael Parton, will act as his deputy chairman.

81

I. EXPLANATORY STATEMENT (IN COMPLIANCE WITH SECTION 426 OF THE COMPANIES ACT 1985)

SECTION 2: FURTHER EXPLANATION OF THE RESTRUCTURING -- PART C

C.7 SCHEME CLAIMS AND DISTRIBUTION MECHANICS

SCHEME CLAIMS

The Schemes will apply to all Liabilities of Corp and plc as at the Record Date other than the Excluded Claims.

In the context of making Scheme Claims, the term "SCHEME CREDITOR" in so far as the Bonds are concerned means only the Eurobond Trustee and the Yankee Bond Trustee and does not include any other person with an interest in Bonds.

No assignment or transfer of a Scheme Claim (which, in this context in relation to the Bonds, means the claims of the Eurobond Trustee and the Yankee Bond Trustee only) after the Record Date will be recognised for the purposes of determining entitlements under the Schemes, provided that where Corp or plc has received from the relevant parties notice in writing of such assignment or transfer the Supervisors, may, in their sole discretion and subject to the production of such other evidence as they may require and to any other terms and conditions which they may consider necessary or desirable, agree to recognise such assignment or transfer for the purposes of determining entitlements under the Schemes or attendance at any meeting of Scheme Creditors convened after the Effective Date. No assignee or transferee of a Scheme Claim following the Record Date will be entitled to vote at the Scheme Meetings or, save as described above, participate in the relevant Scheme. This paragraph does not affect the trading of Bonds which may be freely traded in the period prior to the date at which Custody Instructions are issued in respect of the relevant Bonds (further details of which are set out in Appendix 28).

Any assignor or transferor of a Scheme Claim should provide a copy of this document and any other document issued with or appended to it to any assignee or transferee before the relevant Scheme Claim is assigned or transferred to the assignee or transferee.

Corp and plc placed advertisements in The Times and the international editions of the Financial Times, the Wall Street Journal and the International Herald Tribune on Thursday, 19 September 2002. These advertisements explained that Corp and plc proposed to restructure their debt through schemes of arrangement under section 425 of the Act and requested anyone who might have a claim against Corp or plc (or both) to contact KPMG by no later than 5.00 p.m. London time on Friday, 11 October 2002 with details of their claim (whether an actual claim or a contingent one). These advertisements were repeated on 30 January 2003 requesting anyone who might have a claim against Corp or plc (or both) to contact KPMG without delay with details of their claim (whether an actual claim or a contingent one).

Corp and plc have written to those of their Known Creditors whose Scheme Claims will be compromised by the proposed schemes of arrangement, with the exception of certain financial creditors with Known Claims who have been represented in negotiations with Corp and plc regarding the development of the Restructuring, creditors for unclaimed interest and redemptions of loan notes issued by Corp

Edgar Filing: MARCONI PLC - Form 6-K

whose potential claims are easily quantified and are provided for in full, and those whose addresses Corp and plc have been unable to ascertain. These letters requested the recipients to respond to KPMG within 21 days of the date of the letter submitting details of any claims (whether actual or contingent claims) that they have against Corp or plc or both.

With the exception of two clearly frivolous claims, this process identified only one claim against plc, and no claims against Corp, in each case which had not previously been identified by the due diligence undertaken by Corp and plc. The one claim identified is disputed by plc, but is provided for in full in the plc Scheme.

EXCLUDED CREDITORS

The Schemes provide for certain types of creditor to be excluded from the Schemes. These creditors will be unaffected by the Schemes and are expected to be paid in the ordinary course.

FURTHER DETAILS OF THE TYPES OF CLAIMS BEING EXCLUDED FROM THE SCHEMES, AND THE REASONS WHY SUCH CLAIMS ARE BEING EXCLUDED, ARE SET OUT IN APPENDIX 9.

The claims of certain creditors have been excluded from the Corp Scheme for a variety of reasons, as follows:

- a. that Corp will continue to carry on business as the holding company of a very substantial group of companies, comprising some 300 subsidiaries, with an aggregate turnover, in the six months ended

82

I. EXPLANATORY STATEMENT (IN COMPLIANCE WITH SECTION 426 OF THE COMPANIES ACT 1985)

SECTION 2: FURTHER EXPLANATION OF THE RESTRUCTURING -- PART C

31 December 2002, of approximately L1.5 billion and it is necessary to exclude such claims to ensure the continuing viability of the restructured Group -- those categories which are attributable (in whole or in part) to the continuation of the restructured Group are categories 1, 2, 3, 4, 5, 6, 7, 8, 11, 15 and 16;

- b. that the only type of scheme which Corp's principal financial creditors are prepared to support is a scheme which involves an immediate distribution calculated by reference to specific reserves; and an immediate distribution which consists of the whole amount to which, when calculated by reference to those specific reserves, an admitted scheme creditor is entitled -- the categories which are attributable (in whole or in part) to the nature of the proposed Scheme are categories 2, 3, 4, 5, 9, 17 and 18;
- c. that certain claims would be preferential if Corp were to be wound up -- the categories which are attributable (in whole or part) to the preferential nature of the claims comprised in them are categories 1, 2 and 10;
- d. that certain claims would, or might, be incapable of being compromised by means of a scheme -- the category which is attributable (in whole or part) to the inability to compromise obligations is category 2;

Edgar Filing: MARCONI PLC - Form 6-K

- e. that certain claims would, unless excluded, form a separate class which it would be impractical to consult on that basis -- the categories which are attributable (in whole or in part) to impractical class problems are categories 9 and 14;
- f. that there are certain claims which it would be uneconomic to include -- the categories which are attributable (in whole or in part) to the costs of including them are categories 13 and 14; and
- g. that certain claims relate to parties who are assisting in the consideration, negotiation and/or implementation of the Corp Scheme -- the category which is attributable (in whole or in part) to the implementation of the Corp Scheme is category 12.

The plc Scheme seeks to exclude the following types of claim:

- a. contracts that will be novated to Corp or claims that will be settled -- the categories which are attributable (in whole or in part) to this are categories 1 and 9;
- b. claims that would be preferential if plc were to be wound up -- the categories which are attributable (in whole or in part) to the preferential nature of the claims comprised in them are categories 2 and 3;
- c. claims that would, or might, be incapable of being compromised by means of a scheme -- the category which is in part attributable to this being incapable of compromise is category 2;
- d. claims that would, unless excluded, form a separate class which it would be impractical to consult on that basis -- the category which is attributable to impractical class problems is category 4;
- e. claims which it would be uneconomic to include -- the category which is attributable to the cost of including them is category 8; and
- f. claims that relate to parties who are assisting in the consideration, negotiation and/or implementation of the plc Scheme -- the categories which are attributable (in whole or in part) to assisting in the implementation of the plc Scheme are categories 5, 6, 7 and 9.

(Further explanation of the reasons for excluding these categories of claims is set out in Appendix 9).

The following obligations of plc have been novated to Corp (conditionally upon the Corp Scheme becoming effective) and will be excluded from the Corp Scheme:

- a. a guarantee provided to Finmeccanica SpA as the purchaser of certain Italian subsidiaries sold by the Group in 2002;

83

I. EXPLANATORY STATEMENT (IN COMPLIANCE WITH SECTION 426 OF THE COMPANIES ACT 1985)

SECTION 2: FURTHER EXPLANATION OF THE RESTRUCTURING -- PART C

- b. certain agreements between plc and BAE in respect of the merger of the Group's former defence business with BAE; and

Edgar Filing: MARCONI PLC - Form 6-K

- c. a licence agreement dated 1 December 1999 between Lemelson Medical, Education and Research Foundation, Limited Partnership and plc.

In addition, the service contracts and letters relating to retirement benefits (including FURBS) of Michael Parton and Michael Donovan have been novated to Corp unconditionally.

These obligations will also be excluded from the compromise to be effected by the Corp Scheme and will therefore be unaffected by the Corp Scheme.

CLAIMS WHICH HAVE THE BENEFIT (IN WHOLE OR IN PART) OF INSURANCE

Corp Scheme

The Corp Scheme excludes liabilities of Corp to third parties which are covered by a Corp Insurance Policy or which would be covered by a Corp Insurance Policy but for:

- a. any excess, deductible or limit of liability applicable under any Corp Insurance Policy to any such liability; or
- b. any insurer failing to satisfy any Corp Insurance Policy claim in full when payable when the insurer is in liquidation or provisional liquidation or administration under the Insolvency Act 1986 or subject to any scheme of arrangement entered into by it under section 425 of the Act (or any equivalent or analogous proceeding or arrangement in any other jurisdiction, including any proceeding under chapter 11 of the Bankruptcy Code); or
- c. the Corp Insurance Policy or any claim under it being void or avoided by any insurer,

being liabilities of Corp in respect of which the third party would have rights against the insurer under that insurance by virtue of Section 1 of the 1930 Act in the event that any of the events set out in section 1(1)(b) of the 1930 Act occurred with respect to Corp.

For further details see Appendix 9.

ANY CREDITOR WHO IS IN ANY DOUBT AS TO WHETHER THEIR CLAIM MAY BE EXCLUDED UNDER THIS CATEGORY SHOULD SUBMIT A CLAIM FORM IN THE CORP SCHEME WITHOUT DELAY.

plc Scheme

Liabilities of plc to third parties which are covered by any contract of liability insurance will be treated as a Scheme Claim. However, in the circumstances explained in the next paragraph, such a Scheme Claim may be partially (or wholly) covered by a contract of liability insurance and plc may recover sums from its insurers (or from a compensation scheme which makes a payment to plc where the relevant insurer has become insolvent) in respect of all or part of that claim. Any such sums recovered will be held on trust for the relevant plc Scheme Creditor.

The right to receive such sums recovered by plc applies in circumstances in which, and to the extent that, plc's rights against the insurer in respect of the liability constituted by the Scheme Claim would be transferred to and vest in the Insured Scheme Creditor pursuant to the 1930 Act in the event of a winding up order against plc.

The rationale for treating these claims in this way is that the liabilities are covered (in whole or in part) by a third party insurer in circumstances where

Edgar Filing: MARCONI PLC - Form 6-K

plc's rights against the insurer in respect of its liability to the third party concerned would be transferred in whole or part to, and vest in, the third party by virtue of the 1930 Act if plc were to enter into an insolvency proceeding under the Insolvency Act 1986.

Rights equivalent to those which third parties would have under the 1930 Act are provided in the Scheme in order to ensure that creditors who would be protected by the 1930 Act would not be better off by plc entering into an insolvency proceeding under the Insolvency Act 1986 and so constitute a separate class of creditors.

84

I. EXPLANATORY STATEMENT (IN COMPLIANCE WITH SECTION 426 OF THE COMPANIES ACT 1985)

SECTION 2: FURTHER EXPLANATION OF THE RESTRUCTURING -- PART C

The only claim of which plc is currently aware and which is covered by insurance in circumstances in which an additional payment might potentially become payable would be any liability that plc may be held to have in respect of the Tri-Star Claim.

If liability in respect of the relevant Scheme Claim is established and such liability appears to the Supervisors to be wholly or partly covered by a plc Insurance Policy, the Supervisors will:

- a. notify the relevant Scheme Creditor of the extent to which it appears that the claim is covered by a plc Insurance Policy (an "Insured Scheme Claim"); and
- b. at the expense of the relevant Scheme Creditor, use reasonable endeavours to enforce for the benefit of the relevant Scheme Creditor all rights of recovery against an insurer in relation to that Insured Scheme Claim.

A Distribution of Scheme Consideration in respect of that Insured Scheme Claim will only be payable once the outcome of such enforcement is known and only to the extent that the net proceeds of enforcement against the insurer held on trust for the relevant Scheme Creditor are less than the amount which appears to the Supervisors to be an Insured Scheme Claim.

FOR THE AVOIDANCE OF DOUBT CREDITORS OF PLC WHO MAY HAVE RIGHTS UNDER THE 1930 ACT SHOULD SUBMIT A CLAIM FORM FOR THE FULL AMOUNT OF THEIR CLAIM WITHOUT DELAY.

KNOWN CLAIMS AND RESERVE CLAIMS

During the Restructuring negotiations it became clear that the principal financial creditors of Corp and plc would only support schemes of arrangement that established a first fixed dividend to be payable to all Scheme Creditors by way of an Initial Distribution on the Effective Date of the Schemes.

In order to set the level of that Initial Distribution, Corp and plc have undertaken extensive due diligence to identify all creditors of Corp and plc. The advertising process undertaken by Corp and plc before launching the Schemes sought to ensure that as far as possible all Scheme Creditors were identified and have been included in the schedule of all Known Claims. The provisions set out in the schedule of Known Claims have been set at 100 per cent. or, where the extent of the liability is unclear, on an estimated worst-case scenario basis. In addition to the Known Claims both Schemes include reserves that the Scheme

Edgar Filing: MARCONI PLC - Form 6-K

Companies are satisfied will cover any other Scheme Claims that had not been identified by the Record Date (the "RESERVE CLAIMS") and the Prospective Supervisors have confirmed that they have no reason to disagree with this view.

However, as outlined above, neither Scheme Company will proceed with its Scheme if either:

- a. the relevant Scheme Company does not deliver the Scheme Company Confirmation to the Prospective Supervisors on the calendar day prior to each Confirmation Date confirming that the relevant Scheme Company remains satisfied that the level of reserves will be sufficient to ensure the same level of distribution will be made to all relevant Scheme Creditors and, in the case of Corp, that its statement as to the Corp Group's working capital contained in Part D.21 of this Section remains valid; or
- b. the relevant Scheme Company does not receive the Prospective Supervisor's Confirmation by 7:00 a.m. on each Confirmation Date.

The Known Claims against Corp and plc as at the Record Date are listed in Schedule 3 to the Corp Scheme and Schedule 3 to the plc Scheme respectively, set out in parts II and III of this document respectively. The fact that a claim has been provided for in the list of Known Claims at a certain amount does not mean that the particular claim will be Admitted as a Scheme Claim at that, or any other, amount. In particular, where the claim is currently in dispute or the subject of litigation proceedings, the amount included in the Schedules only represents what the relevant Scheme Company considers to be the maximum amount of the claim, which may be disputed in whole or in part and in no way constitutes any admission by the Scheme Company, the Prospective Supervisors, the Supervisors or KPMG that a person with such a claim is a Scheme Creditor or that a liability is owed to any person in respect of any claim or right.

85

I. EXPLANATORY STATEMENT (IN COMPLIANCE WITH SECTION 426 OF THE COMPANIES ACT 1985)

SECTION 2: FURTHER EXPLANATION OF THE RESTRUCTURING -- PART C

At the Court hearing to sanction the relevant Scheme, the relevant Scheme Company will present to the Court a schedule of Scheme Claims compiled by the Prospective Supervisors which will set out the details of the Scheme Creditors with Known Claims which are proposed to be Admitted by the Supervisors on the Effective Date and which, in accordance with the terms of the relevant Scheme, will receive their Initial Distribution through the First Initial Distribution.

THE KNOWN CLAIMS SEGMENT AND THE RESERVE CLAIMS SEGMENT

In relation to each of the Corp and plc Schemes a portion of the Scheme Consideration (the "KNOWN CLAIMS SEGMENT") will initially be set aside to meet the Initial Distribution payable to the Known Creditors in respect of Admitted Known Claims. The remaining portion of the Scheme Consideration (the "RESERVE CLAIMS SEGMENT") will initially be set aside to meet the Initial Distribution payable to the Reserve Creditors in respect of Admitted Reserve Claims. Save as set out below, Reserve Creditors will not be entitled to participate in the distribution to be made out of the Known Claims Segment and will only be entitled to be paid their entitlement to the Scheme Consideration out of the Reserve Claims Segment.

The quantum of Reserve Claims that could be met out of the Reserve Claims

Edgar Filing: MARCONI PLC - Form 6-K

Segment in each of the Corp Scheme and the plc Scheme is greater than the actual quantum of Known Claims that are expected to be Admitted in that Scheme after deducting or discounting Known Claims in respect of:

- a. financial creditors;
- b. landlords;
- c. intra-group creditors; and
- d. one disputed claim for a large but unspecified amount that has already been tried by a judge in the US and ruled against on all counts, but is pending appeal.

Given the level of due diligence that has been undertaken, Corp and plc are satisfied that they have identified the claims of all financial creditors, landlords and intra-group claims and all disputed claims which have no merit. Accordingly, the level of the reserves would be sufficient to cover more than a 100 per cent. increase in the level of other claims against each Scheme Company.

It is currently anticipated that the Known Claims Segment and the Reserve Claims Segment for each of the Schemes will, at the Effective Date, comprise the elements of Scheme Consideration as set out in the tables below (assuming no increase in the cash element of the Corp Scheme Consideration but that the plc Scheme becomes effective on the same day as the Corp Scheme). These figures, which are for illustrative purposes only, assume that each of the Known Claims is Admitted to the relevant Scheme in the full sterling amount listed in Schedule 3 to the relevant Scheme, calculated by applying, where necessary for currency conversion, the Voting Rate.

CORP SCHEME

	Known Claims Segment	Reserve Claims Segment
	-----	-----
Cash	L 333,360,148	L 8,024,527
Principal amount of New Senior Notes (sterling equivalent)	L 441,505,803	L 10,627,771
Principal amount of New Junior Notes (sterling equivalent)	L 302,103,439	L 7,272,127
Number of New Shares available for Corp Scheme Creditors	976,218,386	23,499,184

86

I. EXPLANATORY STATEMENT (IN COMPLIANCE WITH SECTION 426 OF THE COMPANIES ACT 1985)

SECTION 2: FURTHER EXPLANATION OF THE RESTRUCTURING -- PART C

PLC SCHEME

	Known Claims Segment	Reserve Claims Segment
	-----	-----

Edgar Filing: MARCONI PLC - Form 6-K

Cash	L44,235,292	L2,361,519
Principal amount of New Senior Notes (sterling equivalent)	L68,159,845	L3,638,741
Principal amount of New Junior Notes (sterling equivalent)	L46,638,851	L2,489,834
Number of New Shares available for plc Scheme Creditors	150,708,991	8,045,661

For the purposes of calculating the above table Known Claims that are denominated in a currency other than sterling and New Junior Notes that will be issued by reference to a US dollar amount have been converted at the Voting Rate. The final calculations as to Known Claims will be made at the Scheme Rate (which will be set five Business Days before the Effective Date). The final calculations as to the principal amounts of the New Senior Notes and the New Junior Notes will be made at the Currency Rate (which will be set the Business Day before the Corp Scheme Meeting).

The calculation of the Known Claims Segment and the Reserve Claims Segment under the plc Scheme is based upon Ancrane's aggregate claims under the Corp Scheme of approximately L776 million being Admitted (which is expected to occur) and the sum of L7,000,000 being set aside from the cash element of the Corp Scheme Consideration received via Ancrane on account of plc's Ongoing Costs.

If a Known Claim is rejected or reduced by the Supervisors in either Scheme then that portion of the Known Claims Segment that would have been used to satisfy that Known Claim (or part thereof) had it been Admitted will be added to the Reserve Claims Segment, unless (in the case of the Corp Scheme only) that Known Claim (or part thereof) is greater than L250,000,000, in which case the relevant portion of the Known Claims Segment will be distributed promptly to all Admitted Scheme Creditors.

If a Known Claim is Admitted in an amount higher than the amount set out in Schedule 3 to the Corp Scheme or the plc Scheme set out in parts II and III of this document respectively, the excess over the amount set out in the Schedules to the Corp Scheme and plc Scheme set out in parts II and III of this document respectively will be treated as an Admitted Reserve Claim.

THE WAITING PERIOD

The segregation of the Known Claims Segment and the Reserve Claims Segment will continue for a period of twelve months from the Effective Date or such shorter period as the Supervisors may determine in accordance with the terms of the Schemes, known as the "WAITING PERIOD". On the expiry of the Waiting Period, all Scheme Consideration remaining in both the Known Claims Segment and the Reserve Claims Segment that has not been distributed to satisfy Known Claims or Reserve Claims (as the case may be) will be held by the Supervisors to meet any Scheme Claims which have not been Admitted or to make Further Distributions to all Scheme Creditors as described below. Accordingly, only Scheme Claims which are Admitted during the Waiting Period will be met out of either the Known Claims Segment or the Reserve Claims Segment (as the case may be).

If at any stage after the Effective Date the Supervisors receive notice of a Reserve Claim which:

- a. if it is immediately Admitted in whole or in part would result in the Supervisors considering that the Reserve Claims Segment of the relevant Scheme will not be sufficient to meet the distributions that are likely to be payable to all Reserve Creditors in respect of Admitted Reserve Claims of that Scheme; and
- b. the Supervisors cannot immediately determine whether or not, or the extent to which, that Reserve Claim should be Admitted,

Edgar Filing: MARCONI PLC - Form 6-K

the Supervisors may consider that Reserve Claim for a period of up to 30 Business Days from the date on which that claim is submitted. On, or prior to, the expiry of this period, the Supervisors will confirm to the relevant Scheme Company and the Creditors' Committee constituted under the terms of the relevant Scheme whether or

87

I. EXPLANATORY STATEMENT (IN COMPLIANCE WITH SECTION 426 OF THE COMPANIES ACT 1985)

SECTION 2: FURTHER EXPLANATION OF THE RESTRUCTURING -- PART C

not they consider that the Reserve Claims Segment will not be sufficient to ensure that all Reserve Creditors receive the same level of distribution as those creditors participating in the First Initial Distribution in respect of Admitted Reserve Claims of that Scheme. If, after such consideration, the Supervisors are not satisfied that the Reserve Claims Segment will be sufficient to meet distributions that are likely to be payable to all Reserve Creditors in respect of Admitted Reserve Claims of that Scheme, the Supervisors will be required to bring the Waiting Period to an end. No distributions will be made under the relevant Scheme whilst such a Reserve Claim is being considered by the Supervisors.

Following the expiry or termination of the Waiting Period all remaining Scheme Consideration will be held by the Supervisors:

- a. to make pro rata distributions in accordance with normal English liquidation principles to all Admitted Scheme Creditors who had not received their Initial Distribution at the time that the Waiting Period terminated until they have received the same rateable distribution which other Admitted Scheme Creditors have already received; and
- b. to make Further Distributions to all Scheme Creditors with Admitted Scheme Claims in accordance with normal English liquidation principles.

THE INITIAL DISTRIBUTION

In relation to each of the Schemes each Admitted Scheme Creditor will be entitled to receive a proportion of the Scheme Consideration by way of an Initial Distribution calculated in accordance with the following formula:

AC
--- X KCS where
KC

AC = the quantum of the relevant Scheme Creditors' Admitted Scheme Claim in the relevant Scheme.

KC = the aggregate quantum of the Known Claims of the relevant Scheme.

KCS = the elements of Scheme Consideration forming the Known Claims Segment of the relevant Scheme.

Subject to the expiry or earlier termination of the relevant Waiting Period,

Edgar Filing: MARCONI PLC - Form 6-K

Known Claims will be paid out of the Known Claims Segment and Reserve Claims will be paid out of the Reserve Claims Segment of the relevant Scheme.

Any Scheme Claim which at the Record Date is not immediately due and payable but would be legally due and payable on an insolvent liquidation of the relevant Scheme Company shall be treated for the purposes of Distributions under the Schemes as immediately due and payable as at the Record Date (and hence not a debt payable at a future time).

Any Scheme Claim that is denominated in a currency other than sterling will be converted into sterling at the Scheme Rate.

WORKED EXAMPLES

CORP SCHEME

Accordingly, a Scheme Creditor with an Admitted Scheme Claim of L1,000,000 against Corp would be entitled to receive (assuming no increase in the cash element but that the plc Scheme becomes effective on the same day as the Corp Scheme) an Initial Distribution out of the Known Claims Segment (or the Reserve Claims Segment, as appropriate) in the Corp Scheme of approximately:

	1,000,000	
	-----	X KCS
	5,192,831,052	
=	0.000192573	X KCS

88

I. EXPLANATORY STATEMENT (IN COMPLIANCE WITH SECTION 426 OF THE COMPANIES ACT 1985)

SECTION 2: FURTHER EXPLANATION OF THE RESTRUCTURING -- PART C

Rounding down fractional entitlements, the Corp Scheme Creditor would be entitled to receive:

0.000192573	X L333,360,148	cash	= L64,196	cash
0.000192573	X L441,505,803*	New Senior Notes	= L85,022*	New Senior Notes
0.000192573	X L302,103,439*	New Junior Notes	= L58,177*	New Junior Notes
0.000192573	X 976,218,386	New Shares	= 187,993	New Shares

* equivalent principal amount

If the plc Scheme does not become effective on the same day as the Corp Scheme (or at all) the Corp/plc distribution model described under the Heading "Circulation of Scheme Consideration and payments on a modelled basis" below will not have been applied, and accordingly each of the numbers set out above will be reduced by between approximately 0.41 per cent. and 0.47 per cent.

For the purposes of calculating the above table Known Claims that are denominated in a currency other than sterling and New Junior Notes that will be issued by reference to a US dollar amount have been converted at the Voting Rate. The final calculations as to Known Claims will be made at the Scheme Rate

Edgar Filing: MARCONI PLC - Form 6-K

(which will be set five Business Days before the Effective Date). The final calculations as to the principal amounts of the New Senior Notes and the New Junior Notes will be made at the Currency Rate (which will be set the Business Day before the Corp Scheme Meeting).

PLC SCHEME

Similarly, a Scheme Creditor with an Admitted Scheme Claim of L1,000,000 against plc would be entitled to receive (assuming no increase in the cash element of the Corp Scheme Consideration but that the plc Scheme becomes effective on the same day as the Corp Scheme) an Initial Distribution out of the Known Claims Segment (or the Reserve Claims Segment, as appropriate) in the plc Scheme of:

	1,000,000	
=	-----	X KCS
	4,682,928,026	
=	0.000213542	X KCS

Rounding down fractional entitlements, the plc Scheme Creditor would be entitled to receive approximately:

0.000213542	X L44,235,292	cash	= L9,446	cash
0.000213542	X L68,159,845*	New Senior Notes	= L14,554*	New Senior Notes
0.000213542	X L46,638,851*	New Junior Notes	= L9,959*	New Junior Notes
0.000213542	X 150,708,991	New Shares	= 32,182	New Shares

* equivalent principal amount

If the plc Scheme does not become effective on the same day as the Corp Scheme the Corp/plc distribution model described under the heading "Circulation of Scheme Consideration and payments on a modelled basis" below will not have been applied, and accordingly each of the numbers set out above will be reduced by approximately 8.51 per cent.

For the purposes of the above calculations, Known Claims that are denominated in a currency other than sterling and the New Junior Notes that will be issued by reference to a US dollar amount, have been converted at the Voting Rate. The final calculations as to Known Claims will be made at the Scheme Rate (which will be set five Business Days before the Effective Date). The final calculations as to the principal amounts of the New Senior Notes and the New Junior Notes will be made at the Currency Rate (which will be set the Business Day before the Corp Scheme Meeting).

I. EXPLANATORY STATEMENT
(IN COMPLIANCE WITH SECTION 426 OF THE COMPANIES ACT 1985)

SECTION 2: FURTHER EXPLANATION OF THE RESTRUCTURING -- PART C

The First Initial Distribution

Edgar Filing: MARCONI PLC - Form 6-K

The Corp Scheme provides for a First Initial Distribution to be made on the Effective Date to all Scheme Creditors whose Scheme Claims have been submitted to the Prospective Supervisors by the First Claim Date and whose claims have been approved to be Admitted by the Prospective Supervisors by 8.00 a.m. on the first day of the Court hearing to sanction the Corp Scheme.

At the time of making the First Initial Distribution in respect of Known Claims the Supervisors will set aside from the Known Claims Segment the proportion of the Scheme Consideration that would be payable to Known Creditors in respect of which a Claim Form either has not been Submitted or where a Claim Form has been Submitted but which has not been Admitted by the Supervisors by the date of the First Initial Distribution. Similarly, at the time of making the First Initial Distribution in respect of Reserve Claims the Supervisors will set aside from the Reserve Claims Segment the proportion of the Scheme Consideration that would be payable to Reserve Creditors in respect of which a Claim Form has been Submitted but which has not been Admitted by the Supervisors by the date of the First Initial Distribution. If such claims are subsequently Admitted, in whole or in part, the relevant Scheme Creditors will receive the portion of the Scheme Consideration held on account of their claims by way of an Initial Distribution as soon as practicable after the Scheme Claim is Admitted. If a Known Claim is rejected or reduced by the Supervisors in either Scheme then that portion of the Known Claims Segment that would have been used to satisfy that Known Claim (or part thereof) had it been Admitted will be added to the Reserve Claims Segment, unless (in the case of the Corp Scheme only) that Known Claim (or part thereof) is greater than L250,000,000, in which case the relevant portion of the Known Claims Segment will be distributed to all Admitted Scheme Creditors pro rata to their entitlements under the Corp Scheme, all in accordance with the terms of the Corp Scheme.

SCHEME CREDITORS WILL NOT BE ENTITLED TO DISTURB ANY PREVIOUS DISTRIBUTION FOR ANY REASON, INCLUDING BY REASON THAT SUCH SCHEME CREDITORS HAVE NOT PARTICIPATED IN IT.

As mentioned above, if, contrary to expectations, at any time after the First Initial Distribution the Supervisors are no longer satisfied that the Reserve Claims Segment will be sufficient to meet the distributions to be made to all Reserve Creditors, then the Waiting Period for that Scheme will be brought to an end and all Further Distributions to Scheme Creditors will be made on a strictly pari passu basis.

ADMISSION AND COMPROMISE OF SCHEME CLAIMS

In order to claim their entitlement to Scheme Consideration, Scheme Creditors will be required to submit a duly completed Claim Form. A form of Claim Form is set out in Appendix 30. The relevant Claim Form should be completed in accordance with the instructions set out in Appendix 27. No person (other than the Trustees) with an interest in Bonds is required to submit Claim Forms but Account Holders will be required to deliver Account Holder Letters to Bondholder Communications before 5.00 p.m. (New York City time) on 17 April 2003 in accordance with the instructions set out in Appendix 28 so that Scheme Consideration (other than cash comprised in the First Initial Distribution and attributable to Bondholders in respect of Eurobonds) can be distributed to Designated Recipients in the First Initial Distribution. The Claim Forms in respect of the Bonds will be submitted by the respective Trustees.

Once completed the relevant Claim Form should be submitted to the Prospective Supervisors, 8 Salisbury Square, London EC4Y 8BB, England, UK, for the attention of Philip Wallace and Richard Heis, or, following the Effective Date, to the Supervisors (at the address shown in Appendix 23).

Scheme Creditors are encouraged to submit their Claim Forms as soon as possible (ideally, Claim Forms should be submitted at the same time as Forms of Proxy).

Edgar Filing: MARCONI PLC - Form 6-K

Once a Scheme Creditor has submitted a duly completed Claim Form the Claim Form will be reviewed by the Prospective Supervisors and, subject to the relevant Scheme becoming effective, its claim will be adjudicated by the Supervisors (see "Procedure for the admission and rejection of claims" below).

Provided the relevant Scheme becomes effective all Scheme Claims will be fully and completely released on the earlier of the date on which a Scheme Claim is Admitted and is the subject of a Distribution Notice, the Final Distribution Date and the Termination Date. In consideration of the release of its Scheme Claim the relevant

90

I. EXPLANATORY STATEMENT (IN COMPLIANCE WITH SECTION 426 OF THE COMPANIES ACT 1985)

SECTION 2: FURTHER EXPLANATION OF THE RESTRUCTURING -- PART C

Scheme Creditor will become entitled to be paid and issued with its entitlement to Scheme Consideration in accordance with the terms of the relevant Scheme.

The claims of Bondholders will be dependent upon the relevant Trustee submitting a Claim Form to the Supervisors in respect of the relevant Bond issue and the Supervisors Admitting that Claim.

SUPERVISORS

The Schemes provide for the appointment of Supervisors who will be responsible for evaluating the claims of Scheme Creditors and generally administering the Schemes. The Supervisors must be individuals qualified to act as insolvency practitioners within the meaning of the Insolvency Act 1986. The Supervisors are entitled to exercise their functions and powers jointly and severally. In carrying out their functions and exercising their powers, under the Schemes, the Supervisors will be entitled to consult with the Creditors' Committee.

Prior to the Schemes becoming effective, the Prospective Supervisors have undertaken to use reasonable endeavours to determine promptly whether and if so, the extent to which, a Scheme Claim which has been submitted in a duly completed Claim Form will be listed in the Prospective First Initial Distribution Notice. On a Scheme becoming effective Scheme Claims listed in the Prospective First Initial Distribution Notice for that Scheme will be Admitted by the Supervisors, giving rise to an entitlement to a First Initial Distribution. More detail concerning the procedure for admitting Scheme Claims is set out below under the heading "Procedure for the admission and rejection of claims".

The Schemes require the Supervisors, on and from the Effective Date, to use reasonable endeavours to determine promptly whether and if so, the extent to which, a Submitted Scheme Claim will be Admitted and, if so, to promptly Admit that Scheme Claim.

Corp and plc have entered into a letter agreement appointing Philip Wallace and Richard Heis as the first Supervisors in accordance with the terms of the Schemes. The curricula vitae of the Supervisors appear in Appendix 23. The terms of the letter agreement are summarised in Appendix 24.

The material interests of the Supervisors are set out in Appendix 23.

PROCEDURE FOR THE ADMISSION AND REJECTION OF CLAIMS

Edgar Filing: MARCONI PLC - Form 6-K

The Supervisors will adjudicate Scheme Claims to decide whether or not they should be Admitted. If and to the extent that the Supervisors are satisfied with the information provided by a Scheme Creditor on a Claim Form the Supervisors will admit the Scheme Claim as an Admitted Scheme Claim and notify the Scheme Creditor accordingly. If the Supervisors are not satisfied with the information provided by a Scheme Creditor on a Claim Form the Supervisors are entitled to call for additional evidence to be provided in support of the Scheme Claim. Creditors with disputed Scheme Claims will receive their entitlement to the Scheme Consideration to the extent and in the amount that the dispute is resolved in their favour and their Scheme Claim is Admitted.

If and to the extent that the Supervisors are not satisfied that the Scheme Claim should be Admitted they will reject the Scheme Claim and notify the Scheme Creditor accordingly. If a Scheme Creditor is dissatisfied with the decision of the Supervisors with respect to its Scheme Claim it may either commence or continue proceedings against the relevant Scheme Company to secure the determination of the quantum of its Scheme Claim or elect by notice in writing to the Supervisors that the existence or quantum of its Scheme Claim be referred for adjudication to an independent third party. If such proceedings have not previously been commenced, any proceedings to determine the amount of a Scheme Claim must be commenced or a notice to elect for adjudication made within 40 Business Days following receipt by the Scheme Creditor of the notice of rejection. If no such proceedings are commenced or election for adjudication made within that 40 Business Day period, the relevant Scheme Company will be released from all liability in relation to that Scheme Claim (or part thereof) which has been rejected and no further proceedings in relation to that Scheme Claim will be permitted.

The Schemes do not affect the right of a Scheme Creditor to bring proceedings against Corp or plc only to establish the existence or amount of his Scheme Claim, as appropriate, in the courts of any jurisdiction or according to any law (subject to any other provisions determining governing law and jurisdiction, whether contained in any contract between either Corp and/or plc and the Scheme Creditor or otherwise) provided that the

91

I. EXPLANATORY STATEMENT (IN COMPLIANCE WITH SECTION 426 OF THE COMPANIES ACT 1985)

SECTION 2: FURTHER EXPLANATION OF THE RESTRUCTURING -- PART C

Scheme Creditor has first given the Supervisors five Business Days' prior notice in writing of its intention to bring proceedings and, if the Scheme Creditor wishes to bring proceedings upon receipt of a notice from the Supervisors rejecting its Scheme Claim, those proceedings must be brought within 40 Business Days following receipt by the Scheme Creditor of the notice of rejection. The exercise of all other rights and remedies of Scheme Creditors against the relevant Scheme Companies in respect of Scheme Claims are prohibited by the Schemes.

The Prospective Supervisors will undertake a review of all Claim Forms submitted prior to the Effective Date to determine whether the Scheme Claims can be properly Admitted on the Effective Date and, provided the relevant Claim Form was submitted prior to the First Claim Date, whether the relevant Scheme Claim will be included in the First Initial Distribution.

THE ESCROW TRUSTEE AND THE DISTRIBUTION AGENT

The Schemes also provide for the appointment of an Escrow Trustee who will hold

Edgar Filing: MARCONI PLC - Form 6-K

the Scheme Consideration on trust for the Scheme Creditors and a Distribution Agent who will be responsible for the distribution of the Scheme Consideration to the Scheme Creditors with Admitted Scheme Claims. Corp and plc have entered into an agreement appointing Corp SPV as the first Escrow Trustee and The Bank of New York as the first Distribution Agent in accordance with the terms of the Schemes and subject to the relevant Scheme becoming effective. A copy of the agreement is set out in Appendix 7.

On the issue by the Supervisors of the notice in respect of the First Initial Distribution, Corp will transfer, issue and allot the Scheme Consideration together with the plc Shareholder Stock to or to the order of the Escrow Trustee to be held on trust for the Corp Scheme Creditors and the plc Shareholders respectively. The Distribution Agent will hold the New Notes and any cash comprised in the Scheme Consideration as custodian for the Escrow Trustee. The New Shares will be registered in the name of the Escrow Trustee or its nominee. The Scheme Consideration (together with any income accrued on it in accordance with the Escrow and Distribution Agreement) will be distributed by the Distribution Agent (acting on the instructions of the Supervisors and the Escrow Trustee) to, and at the direction of, the Scheme Creditors with Admitted Scheme Claims (taking into consideration the cost of making the distribution and the amount of Scheme Consideration to be distributed) as soon as practicable after the relevant Scheme Claim has been Admitted, together with any interest accrued and principal repaid on New Notes, any interest accrued on any cash balances and dividends paid on New Shares in respect of that portion of Scheme Consideration.

The Escrow and Distribution Agreement contains a direction by the Eurobond Trustee and the Yankee Bond Trustee to the effect that any Scheme Consideration attributable to the Bonds should be distributed in accordance with the directions contained in the Account Holder Letters to be submitted to Bondholder Communications by Account Holders. To the extent that Account Holder Letters are not received by 5.00 p.m. (New York City time) on 17 April 2003 and accordingly any Scheme Consideration attributable to the Scheme Claims made by the Trustees is not distributed in the First Initial Distribution, the Escrow Trustee will continue to hold such undistributed Scheme Consideration in accordance with the directions of the relevant Trustee. The Eurobond Trustee has directed that any Scheme Consideration attributable to its Scheme Claim which has not been distributed by the end of the Waiting Period should be held by the Escrow Trustee pending the Eurobond Trustee obtaining instructions from the holders of the relevant Eurobonds (by way of an Extraordinary Resolution) or, if appropriate, directions from the Court.

The Escrow Trustee has undertaken not to exercise any voting rights attaching to the New Shares or the New Notes while they are held in escrow as referred to above.

The arrangements under which the Escrow Trustee holds the Scheme Consideration on trust for Scheme Creditors are expected to constitute a bare trust, in which case the Escrow Trustee will be required to deduct tax at the basic rate (currently 22 per cent.) from any interest or dividends received in respect of the Scheme Consideration before paying the remainder to Scheme Creditors as part of their distribution. If the arrangements are, for any reason, held not to constitute a bare trust, there may be additional taxes payable by the Escrow Trustee in respect of the Scheme Consideration that does not form part of the First Initial Distribution. Corp has agreed to set aside certain amounts to be paid towards any tax liability of the Escrow Trustee. Any additional amounts will, in the first instance, be met out of the Reserve Claims Segment or, after the expiry of the Waiting

Edgar Filing: MARCONI PLC - Form 6-K

SECTION 2: FURTHER EXPLANATION OF THE RESTRUCTURING -- PART C

Period, out of the combined Reserve Claims Segment and Known Claims Segment. If the Supervisors terminate the Waiting Period on the grounds that the Reserve Claims Segment may not be sufficient to meet the claims of all Reserve Creditors, any tax costs will cease to be met out of the Reserve Claims Segment, and any distributions made thereafter will be made subject to a withholding on account of all taxes which would be payable by the Escrow Trustee in respect of that distribution. Corp has agreed to indemnify the Escrow Trustee against any tax liability which cannot be met as described above. The Escrow Trustee has agreed to seek confirmation from the Inland Revenue (as soon as reasonably practicable after the Effective Date of the Corp Scheme and, in any event, before the end of the Waiting Period) that the arrangements will be taxed as a bare trust. Pending any confirmation from the Inland Revenue to the contrary, or any indication by the Inland Revenue that such confirmation will not be given until a later date (such as the submission of a tax return by the Escrow Trustee), the Escrow Trustee will operate the arrangements on the basis that they constitute a bare trust.

CIRCULATION OF SCHEME CONSIDERATION AND PAYMENTS ON A MODELLED BASIS

Corp has the benefit of a Scheme Claim of L146,587,439 against plc. Accordingly, Corp will submit a Claim Form pursuant to the plc Scheme and, if the plc Scheme becomes effective and Corp's claim is Admitted (which Corp expects to be the case), Corp will become entitled to receive its pro rata entitlement in respect of its Admitted Scheme Claim in the First Initial Distribution under the plc Scheme.

Corp has agreed to distribute its entitlement to receive Scheme Consideration under the plc Scheme (or, should the plc Scheme not become effective, its entitlement to any sum of money or property to which it becomes entitled to as a result of its claim against plc) to Corp Scheme Creditors by way of additional Corp Scheme Consideration. Similarly plc has agreed to distribute any of this additional Scheme Consideration it would be entitled to receive from Corp via Ancrane to all plc Scheme Creditors (which will in turn include Corp). To prevent the continued circulation of an ever decreasing amount of additional Scheme Consideration, Ancrane and the Prospective Supervisors of both Schemes (in each case the same two persons) have agreed that, if both Schemes become effective and, as anticipated, the First Initial Distributions under the Schemes are payable on the same date, the Supervisors will agree a distribution model (the "CORP/PLC MODEL") simulating successive distributions under the Corp Scheme and the plc Scheme of amounts distributed to Corp out of the plc Scheme in order to produce a net amount of additional Scheme Consideration available for distribution to Admitted Scheme Creditors under the Corp Scheme and the plc Scheme respectively. For this purpose, no Scheme Consideration will be paid from Corp to Ancrane and arrangements will be made for all Bonds held by Ancrane to be blocked.

It is currently anticipated that the amount of any additional Scheme Consideration payable to Admitted Scheme Creditors as a result of this circulation of Scheme Consideration will be paid to Admitted Scheme Creditors when they receive their Initial Distribution.

Similar provisions may apply for any Further Distributions made at the same time under each of the Schemes. For example, this may occur at the end of the Waiting Period.

The ability of Ancrane to make a repayment of capital in specie to plc has been facilitated by Ancrane having become an unlimited company on 25 March, 2003.

Edgar Filing: MARCONI PLC - Form 6-K

Pursuant to the terms of the Scheme Implementation Deed, prior to the Corp Scheme Meeting, Ancrane will effect a reduction of its existing share capital (including its share premium account) and will make a repayment of capital in specie to plc of its assets (other than L100), including any receipt of, or right that it may have to receive, any Corp Scheme Consideration and any plc Scheme Consideration.

TREATMENT OF DE MINIMIS CLAIMS

The Schemes provide for the claims of all Scheme Creditors who are owed in aggregate less than L5,000 to be excluded from the Schemes. Accordingly it is expected that all such creditors will be paid in full if and when such claims arise. As indicated above, in the context of submitting Scheme Claims the only Scheme Creditors that will be recognised in relation to the Bonds are the two Trustees. Accordingly Account Holders who hold less than L5,000 in principal amount of the Bonds of any series for any Bondholder should still submit an Account Holder Letter in respect of that holding.

93

I. EXPLANATORY STATEMENT (IN COMPLIANCE WITH SECTION 426 OF THE COMPANIES ACT 1985)

SECTION 2: FURTHER EXPLANATION OF THE RESTRUCTURING -- PART C

C.8 MEETINGS, FINAL TERMINATION, RELEASE AND GOVERNING LAW

CREDITORS' COMMITTEE AND FURTHER MEETINGS OF SCHEME CREDITORS

Each of the Schemes provides for a Creditors' Committee of representatives of the Scheme Creditors (which expression, in this context, includes Definitive Holders) to be appointed to monitor the implementation of the relevant Scheme, the actions of the Supervisors and the calling of meetings of Scheme Creditors. Each Creditors' Committee will comprise a minimum of three and a maximum of seven members. The members of the Creditors' Committee will be appointed as described below. The Creditors' Committee will meet at least once every 12 months during the continuation of the Schemes and will receive a report on the progress of the relevant Scheme from the Supervisors.

A Scheme Creditor or Definitive Holder who is willing to act as a member of the Creditors' Committee may propose itself to act as a member of the Creditors' Committee by ensuring that the appropriate box on the Claim Form or Account Holder Letter, as the case may be, is ticked. On the Effective Date, the Supervisors will, to the extent possible, appoint up to seven members of the Creditors' Committee selected from those Scheme Creditors and Definitive Holders who have proposed themselves to act, representing a proper balance of interests of Scheme Creditors as a whole. If fewer than three Scheme Creditors and Definitive Holders propose themselves to act as a member of the Creditors' Committee, then on and from the Effective Date the Creditors' Committee will consist of as many members as have proposed themselves to act. In accordance with the terms of the Scheme those members, if any, will endeavour to fill the vacancy or vacancies to ensure that the Creditors' Committee has a minimum of three members within 28 days of the Effective Date. If those members do not succeed in appointing the necessary number of further members of the Creditors' Committee, resulting in a Creditors' Committee consisting of fewer than three members by 28 days after the Effective Date, the Supervisors will thereafter use reasonable endeavours to appoint the necessary number of further members within the following 14 days as interim committee members to serve on the Creditors' Committee until the necessary number of further permanent members are appointed.

Edgar Filing: MARCONI PLC - Form 6-K

Meetings of Scheme Creditors will be held at least once every 12 months during the continuation of the Schemes unless the Supervisors and the Creditors' Committee otherwise agree. The Supervisors can call a meeting of Scheme Creditors for any purpose they think necessary in order to keep Scheme Creditors informed about the progress of the Schemes or to obtain their input as regards the function of the Schemes. The Creditors' Committee may convene a meeting of Scheme Creditors to remove or appoint either or both Supervisors or for any other purpose they think fit. In addition, five Scheme Creditors with Scheme Claims in aggregate in excess of fifteen per cent. of all Scheme Claims, or any 20 or more Scheme Creditors may convene a meeting of Scheme Creditors.

FINAL TERMINATION PROVISIONS

As soon as reasonably practical after the making of the final distributions under each of the Schemes or the Supervisors' determination that any further distribution of Scheme Consideration would be uneconomic (i.e. if the costs of making the distribution would exceed the value of the Scheme Consideration to be distributed (or the proceeds of sale of that Scheme Consideration)), the relevant Supervisors will serve a termination notice on the relevant Scheme Company and the members of the relevant Creditors' Committee.

With effect from the date of the termination notice,

- a. Scheme Creditors, the Creditor's Committee, the relevant Scheme Company, the Supervisors, the Eurobond Trustee, the Yankee Bond Trustee, the Escrow Trustee, the Distribution Agent, the Registrars and Bondholder Communications will have no further rights or obligations under the Scheme except that the compromise of Scheme Claims pursuant to the terms of the Scheme will continue to have effect; and
- b. the Supervisors (and any former Supervisors) and the members of the Creditors' Committee (and any former members) will be discharged from any liability for their respective acts, omissions and conduct pursuant to or under the Schemes other than any liability arising from their respective

94

I. EXPLANATORY STATEMENT (IN COMPLIANCE WITH SECTION 426 OF THE COMPANIES ACT 1985)

SECTION 2: FURTHER EXPLANATION OF THE RESTRUCTURING -- PART C

misfeasance, breach of duty or wilful default or, in the case of the Supervisors, their negligence or that of a partner in or employee of KPMG.

RELEASE OF CO-ORDINATION COMMITTEE AND THE INFORMAL COMMITTEE OF BONDHOLDERS

Under the Corp Scheme and the plc Scheme the Co-ordination Committee, the Informal Committee of Bondholders and their past and present members and their legal and financial advisers will be released from any Liability which they or any of them may have to a Scheme Creditor, Corp, plc, the Supervisors, the Escrow Trustee, the Distribution Agent, the Eurobond Trustee, the Yankee Bond Trustee, Bondholder Communications and the ESOP Derivative Banks.

GOVERNING LAW AND JURISDICTION

The Schemes will be governed by and construed in accordance with English law.

Edgar Filing: MARCONI PLC - Form 6-K

The Court will have exclusive jurisdiction to hear and determine any suit, action or proceeding and to settle any dispute which may arise out of the Explanatory Statement or any provision of the Schemes, or any action taken or omitted to be taken under the Schemes or in connection with the administration of the Schemes. For such purposes, Scheme Creditors irrevocably submit to the jurisdiction of the Court, subject to the proviso that in relation to the determination of any Scheme Claim the validity of other provisions determining governing law and jurisdiction as between either Corp and/or plc and any of its Scheme Creditors, whether contained in any contract or otherwise, will not be affected.

C.9 EFFECT OF SECURITIES LAW RESTRICTIONS UNDER THE SCHEMES

GENERAL PRINCIPLES OF THE SCHEMES

Securities will not be distributed pursuant to the Schemes to or to the order, or for the account or benefit, of any person where such distribution would be prohibited by any applicable law or regulation, or so prohibited except after compliance with conditions or requirements that are unduly onerous. Where any determination is (or has been) required as to whether any such conditions or requirements are "unduly onerous", such determination will be (or has been) made by Corp (in connection with distributions pursuant to the Corp Scheme) or plc (in connection with distributions pursuant to the plc Scheme), as the case may be, with the advice of legal counsel and having due regard for the number of Scheme Creditors, Bondholders and/or plc Shareholders that are or may be located in the relevant jurisdiction, the value of the securities to which such persons are or may be entitled pursuant to the Schemes, the extent to which the requirements of the laws and regulations of such jurisdiction as applied to the Schemes are uncertain, the nature and extent of the risks or penalties associated with any violation of those legal or regulatory requirements and the costs, administrative burden and timing implications of taking such action (if any) as might permit distributions of securities to be made in that jurisdiction (including pursuant to any available exemptions) in accordance with applicable legal and regulatory requirements. Any reference in the discussion that follows to whether distribution of securities would be prohibited except after compliance with conditions or requirements that are "unduly onerous" should be construed accordingly.

To the extent that securities that would otherwise be deliverable pursuant to the Schemes cannot be delivered because of a legal or regulatory prohibition described above, the persons that would otherwise be entitled to receive such securities will receive cash instead, as follows:

- a. in the case of Scheme Creditors (other than the Trustees) and Designated Recipients, the Distribution Agent will sell or procure the sale of such securities on the best terms reasonably obtainable at the time of sale and will pay the net cash proceeds of such sale (after deduction of all applicable expenses including any currency conversion costs) to the relevant person in full satisfaction of such person's rights in respect of such securities under the relevant Scheme. Any such sale will be deemed to have been undertaken at the request of the relevant person, and none of Corp, plc, the Escrow Trustee, the Distribution Agent, the Registrars, the Supervisors or any other person will be responsible for any loss arising from the terms or the timing of such sale. If the relevant securities are not listed on a securities exchange, however, the relevant person will receive a sum in cash which is substantially equivalent in value to such securities, such sum to be

Edgar Filing: MARCONI PLC - Form 6-K

(IN COMPLIANCE WITH SECTION 426 OF THE COMPANIES ACT 1985)

SECTION 2: FURTHER EXPLANATION OF THE RESTRUCTURING -- PART C

determined by agreement between Corp or plc, as the case may be, and the Supervisors or by adjudication in accordance with the provisions of the relevant Scheme; and

- b. in the case of plc Shareholders, the Registrars will use reasonable endeavours to sell or procure the sale of such securities on the best terms reasonably obtainable at the time of sale and will pay the net cash proceeds of such sale (if any) to the relevant plc Shareholder in sterling (after deduction of all applicable expenses including any currency conversion costs) in full satisfaction of the rights of such plc Shareholder in respect of such securities under the Corp Scheme. Any such sale will be deemed to have been undertaken at the request of the relevant person, and none of Corp, plc, the Escrow Trustee, the Distribution Agent, the Registrars, the Supervisors or any other person will be responsible for any loss arising from the terms or the timing of such sale or any failure to procure a purchaser for such securities.

Any determination made by Corp or plc with respect to legal or regulatory prohibitions on the distribution of securities pursuant to the Schemes will be (or has been) made solely with regard to such laws and regulations as are generally applicable to persons located in the relevant jurisdiction. Such determinations will not take account of any legal or regulatory restrictions that may be applicable to a particular Scheme Creditor, Bondholder, Designated Recipient or plc Shareholder by virtue of any business or other activity conducted by such person in such jurisdiction, or the regulatory status or other relevant legal attributes of such person. Scheme Creditors, Bondholders, Designated Recipients and plc Shareholders are strongly advised to consult their professional advisers as to whether any laws or regulations which may be applicable to them may give rise to any liability or penalty, or require them to obtain any government or other consents or to pay any taxes or duties, as a result of the implementation of the Schemes. None of Corp, plc, the Escrow Trustee, the Distribution Agent, the Supervisors, Bondholder Communications, the Registrars, the Informal Committee of Bondholders, the Co-ordination Committee, their respective directors or any other parties involved in the Restructuring accept any responsibility for any liabilities (including but not limited to consequential liabilities) incurred by Scheme Creditors, Bondholders, Designated Recipients or plc Shareholders as a result of the implementation of the Schemes in respect of laws or regulations applicable to them (except that UK stamp duty or SDRT payable in connection with the issuance of ADRs will be met by Corp to the extent described herein).

JURISDICTIONS IN WHICH DISTRIBUTION OF SECURITIES IS NOT RESTRICTED

Corp and plc have determined that the distribution of securities pursuant to the Schemes in the following jurisdictions is not currently prohibited by any applicable law or regulation requiring compliance with conditions or requirements that are unduly onerous:

- a. United Kingdom;
- b. Bahamas;
- c. British Virgin Islands;
- d. Canada (provinces of Alberta, British Columbia, Ontario and Quebec);

- e. Cayman Islands;
- f. Guernsey;
- g. Jersey;
- h. Netherlands Antilles; and
- i. United States (with respect to federal securities law and, except as described below, with respect to state securities law).

The above-mentioned jurisdictions are sometimes referred to collectively in the discussion that follows as "UNRESTRICTED JURISDICTIONS."

96

I. EXPLANATORY STATEMENT
(IN COMPLIANCE WITH SECTION 426 OF THE COMPANIES ACT 1985)

SECTION 2: FURTHER EXPLANATION OF THE RESTRUCTURING -- PART C

The Schemes will provide that persons located in Unrestricted Jurisdictions will not be prohibited from receiving distributions of securities pursuant to the Schemes by virtue of any legal or regulatory prohibition of general application under the laws or regulations of such jurisdictions.

Notwithstanding the foregoing, securities will not be distributed pursuant to the Schemes to or to the order, or for the account or benefit, of any person in any Unrestricted Jurisdiction if at any time there has been a change of law or regulation since 27 March 2003 (the latest practicable date prior to the date of this document) in such jurisdiction, such that distribution of securities pursuant to the Schemes to a person in such jurisdiction would be prohibited, or so prohibited except after compliance with conditions or requirements that are unduly onerous.

JURISDICTIONS IN WHICH DISTRIBUTION OF SECURITIES IS RESTRICTED

Corp and plc have determined that the distribution of securities pursuant to the Schemes in the following jurisdictions would be prohibited by applicable law or regulation, or so prohibited except after compliance with conditions or requirements that are unduly onerous, unless the conditions of one or more applicable exemptions from such laws or regulations can be met:

- a. France;
- b. Italy; and
- c. the US states of Arizona, California, Colorado, Connecticut, Illinois, Ohio and Vermont.

Accordingly, the Schemes will provide that persons located in the above jurisdictions will be prohibited from receiving distributions of securities pursuant to the Schemes, and will receive cash instead as described above, unless the conditions for reliance on an available exemption have been met. Details with respect to certain relevant exemptions covering institutional or professional investors and certain other persons are set out in Part D.16 and Part D.17 of this Section.

In addition, Corp and plc have determined that any distribution of securities

Edgar Filing: MARCONI PLC - Form 6-K

pursuant to the Schemes to persons in Malaysia is currently prohibited by applicable securities laws or regulations requiring compliance with conditions or requirements that are unduly onerous, and that no exemption from this prohibition will be available. Accordingly, persons located in Malaysia will be prohibited from receiving distributions of securities pursuant to the Schemes, and will receive cash instead as described above.

France, Italy, Malaysia and the above-mentioned US states are sometimes referred to collectively in the discussion that follows as "RESTRICTED JURISDICTIONS."

Notwithstanding the foregoing, the restrictions on the distribution of securities pursuant to the Schemes with respect to any Restricted Jurisdiction will cease to apply if at any time there has been a change of law or regulation since 27 March 2003 (the latest practicable date prior to the date of this document) in such jurisdiction, such that delivery of securities pursuant to the Schemes to a person in such jurisdiction would no longer be prohibited, or so prohibited except after compliance with conditions or requirements that are unduly onerous. Any such change will not affect the rights of any person that has previously received cash instead of securities pursuant to the Schemes, as described above.

In addition, notwithstanding the foregoing, distributions of New Shares and Warrants to plc Shareholders in Restricted Jurisdictions will be restricted only to the extent described below under "Treatment of plc Shareholders in Restricted Jurisdictions."

OTHER JURISDICTIONS

With respect to any jurisdiction other than an Unrestricted Jurisdiction or a Restricted Jurisdiction named above, the general principles of the Schemes will apply as described above. Accordingly, securities will not be distributed pursuant to the Schemes to or to the order, or for the account or benefit, of any person located in a jurisdiction other than an Unrestricted Jurisdiction or a Restricted Jurisdiction if it should come to the attention of Corp or plc (as the case may be) that such distribution would be prohibited by any applicable law or regulation, or so prohibited except after compliance with conditions or requirements that are unduly onerous. Neither Corp

97

I. EXPLANATORY STATEMENT (IN COMPLIANCE WITH SECTION 426 OF THE COMPANIES ACT 1985)

SECTION 2: FURTHER EXPLANATION OF THE RESTRUCTURING -- PART C

nor plc is currently aware of any such prohibition in any jurisdiction (other than as described above with respect to Restricted Jurisdictions).

SECURITIES LAW CONFIRMATIONS IN CLAIM FORM

In connection with the legal and regulatory restrictions referred to above and in order to establish the conditions for reliance on certain relevant exemptions from these restrictions, the Claim Form will require the person completing it (other than the Trustees) to confirm that it is not submitting such Claim Form on behalf of, or requesting delivery of any securities to or for the benefit of, any person that is located in:

- a. France (other than a "qualified investor" as defined in Article L.411-2 of the French Monetary and Financial Code);

Edgar Filing: MARCONI PLC - Form 6-K

- b. Italy (other than a "professional investor" as defined in the Consolidated Financial Act Article 30, paragraph II and in CONSOB Regulation 11522/1998 Article 31, paragraph II);
- c. Malaysia;
- d. the US states of Arizona, California, Colorado, Connecticut, Illinois, Ohio or Vermont (other than a person that is eligible to receive the securities under a relevant exemption as described in Part D.16 of this Section).

Persons completing a Claim Form (other than the Trustees) should refer to Part D.17 of this Section (with respect to France, Italy and Malaysia) and to Part D.16 of this Section (with respect to Arizona, California, Colorado, Connecticut, Illinois, Ohio and Vermont) for information as to the circumstances under which they would be regarded as located in one of these jurisdictions for these purposes, and for details with respect to the various categories of eligible recipients in such jurisdictions under the exemptions referred to above and other relevant information. Such persons should also carefully consider the terms of the confirmations included in the Claim Form set out in Appendix 30.

SECURITIES LAW CONFIRMATIONS IN ACCOUNT HOLDER LETTER

In connection with the legal and regulatory restrictions referred to above and in order to establish the conditions for reliance on certain relevant exemptions from these restrictions, the Account Holder Letter will require each relevant Account Holder to confirm that it is not submitting such Account Holder Letter on behalf of, or requesting delivery of any securities to or for the benefit of, any person that is located in:

- a. France (other than a "qualified investor" as defined in Article L.411-2 of the French Monetary and Financial Code);
- b. Italy (other than, with respect to the plc Scheme, a "professional investor" as defined in the Consolidated Financial Act Article 30, paragraph II and in CONSOB Regulation 11522/1998 Article 31, paragraph II);
- c. Malaysia; or
- d. the US states of Arizona, California, Colorado, Connecticut, Illinois, Ohio and Vermont (other than a person that is eligible to receive the securities under a relevant exemption as described in Part D.16 of this Section).

Account Holders, Bondholders and Designated Recipients should refer to Part D.17 of this Section (with respect to France, Italy and Malaysia) and to Part D.16 of this Section (with respect to Arizona, California, Colorado, Connecticut, Illinois, Ohio and Vermont) for information as to the circumstances under which they would be regarded as located in one of these jurisdictions for these purposes, and for details with respect to the various categories of eligible recipients in such jurisdictions under the exemptions referred to above and other relevant information. Such persons should also carefully consider the terms of the confirmations included in the Account Holder Letter set out in Appendix 28.

I. EXPLANATORY STATEMENT (IN COMPLIANCE WITH SECTION 426 OF THE COMPANIES ACT 1985)

SECTION 2: FURTHER EXPLANATION OF THE RESTRUCTURING -- PART C

EFFECT OF SECURITIES LAW CONFIRMATIONS UNDER THE SCHEMES

The Schemes will provide that if the required confirmations are given in the form requested in a Claim Form or Account Holder Letter then, except as described below, distribution of the New Shares and New Notes to which such Claim Form or Account Holder Letter (as the case may be) relates will not be prohibited on the basis of any legal or regulatory prohibition of general application under the laws or regulations of any Restricted Jurisdiction.

Notwithstanding the foregoing, if it appears from the relevant Claim Form or Account Holder Letter that such confirmations have been given inappropriately then, except as described below with respect to Italy, New Shares and New Notes will not be distributed in respect of such Claim Form or Account Holder Letter, in which case the relevant person or persons will receive cash instead as described above. Confirmations will be deemed to have been given inappropriately if (i) information provided in or in connection with the transmittal of the Claim Form or Account Holder Letter indicates that such Claim Form has been submitted by, or such Account Holder Letter has been delivered on behalf of, or delivery of securities is being requested to or for the account or benefit of, a person that is located in a Restricted Jurisdiction and that could not be eligible to receive the securities under any relevant exemption described in this document or (ii) Corp or plc (as the case may be) obtains actual knowledge that such confirmations are false. Corp and plc reserve the right, in their sole discretion, to investigate in relation to any Claim Form or Account Holder Letter the facts relevant to the confirmations included therein. The determination as to whether confirmations have been appropriately given will be made by Corp (in connection with distributions pursuant to the Corp Scheme) or plc (in connection with distributions pursuant to the plc Scheme), as the case may be.

Except as described below with respect to Italy, if the required confirmations are not given in the form requested in a Claim Form or Account Holder Letter, then New Shares and New Notes will not be distributed in respect of such Claim Form or Account Holder Letter, in which case the relevant person or persons will receive cash instead as described above.

Notwithstanding the foregoing, to the extent that Corp or plc determines that the exemptions applicable with respect to distributions of securities to limited numbers of persons are available in Italy, securities will be distributed to the relevant persons without regard to the confirmations given in any relevant Claim Form or Account Holder Letter. Details with respect to this exemption are set out in Part D.17 of this Section.

With respect to any jurisdiction other than an Unrestricted Jurisdiction or a Restricted Jurisdiction, the general principles of the Schemes will apply (as described under "Other jurisdictions" above) notwithstanding the confirmations given in any relevant Claim Form or Account Holder Letter.

TREATMENT OF PLC SHAREHOLDERS IN RESTRICTED JURISDICTIONS

Corp has determined that distribution of securities to plc Shareholders pursuant to the Corp Scheme is currently prohibited by applicable securities laws or regulations requiring compliance with conditions or requirements that are unduly onerous (i) in Malaysia (with respect to New Shares and Warrants) and (ii) unless the exemption applicable with respect to distributions of securities to limited numbers of persons is available, in Italy (with respect to Warrants).

plc Shareholders with registered addresses in Malaysia will be prohibited from receiving distributions of New Shares and Warrants pursuant to the Corp Scheme,

and will receive cash instead as described above.

plc Shareholders with registered addresses in Italy will be prohibited from receiving distributions of Warrants pursuant to the Corp Scheme, and will receive cash instead as described above, unless Corp determines that the above-mentioned exemption is available. Details with respect to this exemption are set out in Part D.17 of this Section.

C.10 INSOLVENCY ANALYSIS

Corp and plc believe that there are only two possible outcomes of the Group's current financial difficulties, which are the reorganisation of their liabilities through the proposed Schemes or the placing of the companies into administration or liquidation. Whilst Corp and plc believe that the Schemes are more beneficial to Scheme

99

I. EXPLANATORY STATEMENT
(IN COMPLIANCE WITH SECTION 426 OF THE COMPANIES ACT 1985)

SECTION 2: FURTHER EXPLANATION OF THE RESTRUCTURING -- PART C

Creditors than insolvency proceedings, Corp and plc believe that in the event of insolvency a more advantageous realisation of Corp's and plc's assets would be effected on an administration rather than a liquidation.

Appendix 6 sets out a comparison between the position under the proposed Schemes and the hypothetical position that would be likely to face Scheme Creditors if plc and Corp were to go into administration as at 30 April 2003. The purpose of the insolvency analysis at Appendix 6 is to assist Scheme Creditors in determining whether to accept the proposals set out in this document. Scheme Creditors should read carefully the caveats, limitations and uncertainties set out in the analysis.

Corp and plc believe that the Schemes give greater certainty overall and that the certainty of the day one distribution of cash, New Notes and New Shares is a major benefit to Scheme Creditors. This certainty would not be available under insolvency proceedings or on the enforcement of security.

100

I. EXPLANATORY STATEMENT
(IN COMPLIANCE WITH SECTION 426 OF THE COMPANIES ACT 1985)

SECTION 2: FURTHER EXPLANATION OF THE RESTRUCTURING -- PART D

D. GENERAL MATTERS RELATING TO THE RESTRUCTURING

D.1 LOCKBOX ACCOUNT AND INTERIM SECURITY ARRANGEMENTS

BACKGROUND

As part of the arrangements to effect the Restructuring, Corp agreed to provide interim security (over the cash held by Highrose Limited (a special purpose subsidiary of Corp) in the Lockbox Accounts) to the Group's Syndicate Banks (in their capacities as Syndicate Banks, bilateral lenders to Corp and beneficiaries of guarantees from Corp (in such capacities "BANK CREDITORS")), the holders of

Edgar Filing: MARCONI PLC - Form 6-K

the Bonds from time to time (apart from plc's wholly owned subsidiary Ancrane) and the Trustees (together the "SECURED BONDHOLDERS") and Barclays, as the only ESOP Derivative Bank which committed to support the Restructuring prior to 15 October 2002. These interim security arrangements took effect on 13 September 2002, on which date the balance in the Lockbox Accounts was approximately L866 million. The interim security arrangements were amended on 13 December 2002 and were further amended on 28 March 2003. The interim security has been provided to the Bank Creditors and Secured Bondholders on a pari passu basis, subject to the arrangements in favour of the participating ESOP Derivative Banks (see further details in Part D.2 of this Section). As at 27 March 2003, the balance held in the Lockbox Accounts was approximately L770.7 million.

The 13 December 2002 amendments to the interim security, among other things:

- removed a provision requiring the interim security to be released if a specified percentage of Bank Creditors and Secured Bondholders had not entered into written agreements to vote in favour of the Schemes on or before 15 business days after the date on which the originating application for the Corp Scheme was filed with the Court; and
- released the undertakings which had been given on 13 September 2002 by members of the Informal Committee of Bondholders to enter into such written agreements.

These amendments were agreed in consideration of an extension of time (until 15 March 2003) to complete the Restructuring and the waiver by the Bank Creditors and Informal Committee of Bondholders of any enforcement event which may have then existed in relation to the interim security as a result of the probable inability to complete the Restructuring by 31 January 2003.

At the same time and as part of the amendment of the interim security, each of the then members of the Informal Committee of Bondholders and certain members of the current Co-ordination Committee provided letters of current intention to support the Restructuring and to vote in favour of the Schemes (which are detailed in Appendix 19 and are among the documents available for inspection). Corp and plc have not been notified of any changes in those intentions since that date.

Further amendments were made to the interim security on 28 March 2003. These amendments, among other things, removed the provision requiring the interim security to be released at any time should any Bank Creditor (or any of its affiliates) precipitate an insolvency event with respect to any material Group Company. These amendments were agreed in consideration of an extension of time (until 30 June 2003) to complete the Restructuring and the waiver by the majority Bank Creditors and the majority members of the Informal Committee of Bondholders of certain enforcement events that may then have existed in relation to the interim security as a result, among other things, of the inability to complete the Restructuring by 15 March 2003.

In addition to the extension of time to complete the Restructuring and waiver of enforcement events discussed above, on 26 March 2003 and 24 March 2003 respectively the requisite majorities of the Syndicate Banks and the members of the Informal Committee of Bondholders: (a) consented, for the purpose of the undertakings given in favour of the Syndicate Banks and the Informal Committee of Bondholders, to the entry by Corp, plc and other Group Companies into certain transactions (including those contemplated under the Scheme Implementation Deed) necessary to facilitate the Restructuring; and (b) agreed a number of additional carve-outs to those undertakings to permit Corp, plc and other Group Companies to enter into transactions contemplated in this document (provided that, subject to some exceptions, such transactions do not take effect until on or after the Effective Date of the Corp Scheme).

I. EXPLANATORY STATEMENT
(IN COMPLIANCE WITH SECTION 426 OF THE COMPANIES ACT 1985)

SECTION 2: FURTHER EXPLANATION OF THE RESTRUCTURING -- PART D

ENFORCEMENT EVENTS

The interim security will become enforceable on the occurrence of an enforcement event. These events include:

- material breach or termination of the undertakings described in Part B of this Section;
- the commencement of formal insolvency proceedings in relation to a material Group Company (as listed in the interim security);
- failure to achieve the Restructuring on the basis stated in the Heads of Terms (as varied in the manner announced on 18 March 2003) within the proposed timetable (or the likelihood of the same becoming evident);
- failure to meet the sensitised Business Plan, if such failure would have a material and adverse effect on the interests of the beneficiaries of the interim security (or the likelihood of the same becoming evident);
- that the post-Restructuring balance sheet is likely to be materially worse than contemplated by the sensitised Business Plan; or
- that the Group is unlikely to have sufficient working capital post-Restructuring, if such event would have a material and adverse effect on the interests of the beneficiaries of the interim security.

The occurrence of an enforcement event may materially prejudice the ability of Corp and plc to complete the Restructuring successfully. If the interim security were to be enforced, neither Corp nor plc would have any reasonable prospect of avoiding an insolvency proceeding.

RELEASE OF INTERIM SECURITY

The interim security is due to be released on 24 April 2003 ("RELEASE DATE"), being the date (as notified by HSBC, as trustee in respect of the interim security) falling one business day prior to the date on which the Corp Scheme Meeting will be held, unless on or within five business days prior to the Release Date, the Co-ordination Committee certifies that Bank Creditors and Secured Bondholders representing a majority in principal amount of the debt outstanding under the Bank Facility, bilateral facilities provided by Bank Creditors to Corp, bilateral guarantees given by Corp in favour of Bank Creditors and the Bonds do not believe that the requisite majority (being a majority in number representing 75 per cent. in value of Corp Scheme Creditors present and voting either in person or by proxy at the Creditors' Meeting in respect of the Corp Scheme) will approve the Restructuring. In light of discussions with the Syndicate Banks and the Informal Committee of Bondholders during the course of the Restructuring, Corp and plc currently believe that the interim security will be released on the Release Date.

If the interim security has not been released prior to the Corp Scheme Meeting neither Corp nor plc will proceed with their respective Schemes and the interim

Edgar Filing: MARCONI PLC - Form 6-K

security will remain in place in any subsequent insolvency proceedings, meaning that the Bank Creditors, Secured Bondholders and Barclays Bank PLC (as the only ESOP Derivative Bank which committed to support the Restructuring prior to 15 October 2002), would rank ahead of all unsecured creditors of Corp with respect to the cash held in the Lockbox Accounts. If the interim security is released and the Corp Scheme Meeting proceeds, the choice facing all Corp Scheme Creditors will be the same: either the Corp Scheme will be approved and implemented or the Corp Scheme will be rejected and in the inevitable insolvency proceeding which would follow such rejection the interim security would no longer be in place.

The Syndicate Banks and the Informal Committee of Bondholders have indicated that they will not be prepared to release the interim security prior to the Corp Scheme Meeting unless, immediately before such release, Corp has confirmed to the Prospective Supervisors that Corp remains satisfied that the reserves built into the Corp Scheme are sufficient to meet distributions to all Corp Scheme Creditors and that Corp remains of the opinion that its statement as to the Corp Group's working capital contained in Part D.21 of this Section remains valid, and the Prospective Supervisors have confirmed to Corp that they have no reason to disagree with Corp's view that the reserves built into the Corp Scheme are sufficient to meet distributions due to be made to all Corp Scheme Creditors.

102

I. EXPLANATORY STATEMENT (IN COMPLIANCE WITH SECTION 426 OF THE COMPANIES ACT 1985)

SECTION 2: FURTHER EXPLANATION OF THE RESTRUCTURING -- PART D

WITHDRAWALS

Prior to release of the interim security (and in the absence of any enforcement event), and after the release of the interim security (in accordance with the lockbox arrangements set out in the undertakings in favour of the Syndicate Banks and members of the Informal Committee of Bondholders (as modified and renewed)), withdrawals from the Lockbox Accounts are to be approved, in order for the Group to meet its cash flow requirements, in accordance with an agreed cash flow forecast for the period from and including March 2003 to 30 June 2003.

D.2 ARRANGEMENTS WITH ESOP DERIVATIVE BANKS

BACKGROUND

As part of the demerger of the Group's defence business at the end of 1999 involving the listing of plc as the new parent company of the Group, it was necessary to reorganise the incentive schemes to reflect the new Group structure, and a number of employee share option plans (the "ESOPs") were put in place (and detailed in the listing particulars of plc). The ESOPs entitle participating employees of certain Group Companies ("Opcos") in certain circumstances to call for shares in plc at specified exercise prices.

Marconi Employee Trust was established by a trust deed in 1999 as a vehicle for acquiring and holding plc shares to be delivered when options were exercised under the ESOPs. MET was managed by an independent trustee, Bedell Cristin Trustees Limited. plc wrote to various Opcos whose employees were to participate in the ESOPs requesting that each confirm that it would bear the costs associated with the participation by its employees in the ESOPs (such letters, "Funding Letters").

In order to hedge some of the potential cost of acquiring shares to satisfy the

Edgar Filing: MARCONI PLC - Form 6-K

Group's obligation under the ESOPs, BCTL entered into three ISDA master swap agreements ("ESOP Agreements") with the ESOP Derivative Banks (Salomon Brothers International Limited, Barclays Bank PLC and UBS AG) as counterparties. Under the ESOP Agreements, BCTL entered into certain equity swaps (as detailed in Appendix 11) which provided that in certain circumstances BCTL would be obliged to purchase plc shares in the future at prices which were fixed at the date of the contracts, and were in the region of 900 pence per share ("ESOP Derivative Transactions"). The obligations of BCTL under the ESOP Derivative Transactions were guaranteed by plc and were limited in recourse to the assets of MET held on trust by BCTL.

As the market price of the Group's shares fell, certain of the ESOP Derivative Banks exercised their rights to call for cash collateral under the ESOP Derivative Transactions. BCTL needed to be put in funds in order to satisfy its obligation to provide such cash collateral. At the request of plc, Corp made available a credit facility (the "ESOP Collateral Loan") to BCTL for the purpose of providing cash collateral to the relevant ESOP Derivative Banks.

The UBS ESOP Derivative Transaction has been terminated consensually. SBIL has purported to terminate its ESOP Derivative Transaction. The Barclays ESOP Derivative Transaction has not been terminated. plc's total current exposure under the ESOP Derivative Transactions is approximately L389 million. However, approximately L214 million, being the maximum amount of collateral payable under the ESOP Derivative Transactions, has been paid. A remaining amount of approximately L175 million remains due.

During the course of the Restructuring negotiations the ESOP Derivative Banks asserted that they may have claims against the Opcos (in addition to plc) in respect of the ESOP Derivative Transactions, such claims arising from the Funding Letter arrangements.

MOBILE ESCROW

On 2 August 2002, Marconi Bruton Street Limited, a subsidiary of Corp, disposed of its entire shareholding in Marconi Mobile Holdings S.p.A. to Finmeccanica S.p.A. for approximately E571 million. The employees of Mobile and certain of its subsidiaries had participated in the ESOPs and certain members of the Mobile group ("Mobile Opcos") had countersigned Funding Letters.

In order to ensure that the sale of Mobile was not delayed whilst the efficacy of the claims of the ESOP Derivative Banks was determined, approximately L25 million of the sale proceeds was placed in an escrow

103

I. EXPLANATORY STATEMENT (IN COMPLIANCE WITH SECTION 426 OF THE COMPANIES ACT 1985)

SECTION 2: FURTHER EXPLANATION OF THE RESTRUCTURING -- PART D

account subject to the terms of an escrow agreement between, inter alia, the ESOP Derivative Banks, HSBC Bank plc, Corp and plc, pending resolution of the dispute or a court order. That sum reflected the L18 million maximum estimated potential liability of the Mobile Opcos (prior to the release of the relevant Funding Letters required in order to implement the sale of Mobile) arising from the participation of their employees in the ESOPs plus additional headroom. Given that the investigations into the merits of the arguments were at an early stage, the additional headroom was approximately L7 million.

ESOP TERM SHEET

Edgar Filing: MARCONI PLC - Form 6-K

The fact that the ESOP Derivative Banks asserted claims against Opcos made it necessary to devise a mechanism so that the ESOP dispute was ringfenced and could not jeopardise the Corp Group once the Restructuring contemplated by the Corp Scheme had become effective. On 28 August 2002, as part of the negotiations in connection with the Restructuring, a non-binding indicative ESOP Term Sheet providing for the creation of escrow accounts pending determination of the claims of the ESOP Derivative Banks was initialled by plc, Corp, representatives of the Co-ordination Committee, the Informal Committee of Bondholders and Barclays.

The ESOP Term Sheet set out the manner in which the ESOP Derivative Banks, in exchange for agreeing prior to 15 October 2002 to support the Restructuring of Corp and plc, could take the benefit of the interim security and certain pre and post-Restructuring escrow arrangements. Up to L170 million (including the L25 million set aside under the Mobile Escrow Agreement) was to be set aside in escrow, on the Effective Date of the Corp Scheme, pending determination of the potential liabilities of Group companies to the participating ESOP Derivative Banks (those who had undertaken to support the Schemes) in relation to the ESOP Derivative Transactions. Only Barclays elected to participate in these arrangements and on 13 September 2002 Barclays, Corp and plc entered into a restructuring undertaking agreement under which Barclays undertook, subject to certain termination events, to vote in favour of the Schemes. The terms of the Barclays restructuring undertaking agreement are described in more detail in Appendix 19.

ESOP ESCROW AGREEMENT

A definitive agreement implementing the terms of the ESOP Term Sheet was entered into between plc, Corp, HSBC Bank plc and Barclays on 13 December 2002, the principal terms of which are summarised below:

a. No Restructuring

(i) If, prior to the Effective Date of the Corp Scheme, the Bank Creditors and Secured Bondholders appropriate the cash in the secured Lockbox Accounts as a result of the enforcement of the interim security, a proportionate part of the secured cash will be placed into an escrow account. This proportion will be calculated on the basis of $((83.49)/(100) \times 145/850 \times$ the credit balance of the secured cash at the time of enforcement).

(ii) In the event of an enforcement, Barclays will first have to litigate with reasonable diligence against the Opcos to determine its rights (if any) under the Funding Letters. Barclays is then entitled to abandon or settle the litigation and, following agreement or a determination by the court or arbitral tribunal as to their rights against the secured escrow cash under the terms of the ESOP Escrow Agreement, recover such amounts from the secured escrow cash on that basis.

b. Post-Restructuring

If any Opcos are sold prior to the Restructuring becoming effective ("Subsequently Sold Opcos"), an amount to cover potential claims of Barclays against the Subsequently Sold Opcos will be paid into an account subject to separate arrangements similar to the Mobile Escrow Agreement. To date two such escrow agreements have been entered into in relation to Subsequently Sold Opcos, the amount of each being less than L1 million. The terms of the ESOP Escrow

Edgar Filing: MARCONI PLC - Form 6-K

Agreement will continue to apply until Corp pays the Settlement Amount referred to below to the ESOP Derivative Banks and the escrow cash held under the terms of the Mobile Escrow Agreement and any Subsequently

104

I. EXPLANATORY STATEMENT (IN COMPLIANCE WITH SECTION 426 OF THE COMPANIES ACT 1985)

SECTION 2: FURTHER EXPLANATION OF THE RESTRUCTURING -- PART D

Sold Opco escrow agreements has been paid to Corp. Thus, the terms of the ESOP Escrow Agreement relating to the escrow to be established post-Restructuring are now in practical terms superfluous. The terms relating to the charged escrow cash may be relied upon if the Settlement Amount is not paid by Corp to the ESOP Derivative Banks.

ESOP SETTLEMENT

On 26 March 2003, Corp and plc reached definitive agreement with all the ESOP Derivative Banks to settle their ESOP derivative related claims against the Group (the "ESOP Settlement Agreement"). Under the terms of the settlement, which is conditional upon the Corp Scheme becoming effective, Corp will pay a total of L35 million to the ESOP Derivative Banks in full and final settlement of their respective ESOP related claims against the Group. The Settlement Amount will be paid from the fund of up to L170 million which was to have been set aside by Corp under the ESOP Escrow Agreement and the Mobile Escrow Agreement. The settlement has made available approximately L135 million in cash which forms part of the L340 million comprising the cash element of the Corp Scheme Consideration. Without the ESOP settlement, the L135 million sum would not have formed part of the Corp Scheme Consideration.

The Boards of Corp and plc believe that the ESOP settlement was in the best interests of Corp and plc and their respective stakeholders as a whole. In reaching this conclusion, the Boards of Corp and plc took appropriate legal advice and considered a number of relevant factors, including the merits of the claims of the ESOP Derivative Banks, the desire to reduce the cost and expense of continuing litigation, the potential saving in the interest burden from which the Group will benefit by settling the ESOP derivative dispute, the benefits for the Schemes and certainty as to the amount of the Corp Scheme cash distribution that such a settlement brings.

The principal terms of the ESOP Settlement Agreement are as follows:

- Corp will pay the Settlement Amount to the ESOP Derivative Banks (in the agreed proportions) on the Effective Date of the Corp Scheme (provided such date is on or before 31 December 2003);
- When each ESOP Derivative Bank has received its share of the Settlement Amount:
 - plc will release and waive any and all claims against the Opco's under or in relation to the Funding Letters;
 - each ESOP Derivative Bank will release and waive any and all claims against BCTL, plc and each Opco (and their respective directors and officers) under or in relation to the Funding Letters (including releases by plc thereof), the ESOP Derivative Transactions and the

Edgar Filing: MARCONI PLC - Form 6-K

plc guarantee of the ESOP Derivative Transactions;

- BCTL will release and waive any and all claims against each ESOP Derivative Bank, plc and each Opco (and their respective directors and officers) under or in relation to the Funding Letters (including releases by plc thereof), the ESOP Derivative Transactions and the plc guarantee of the ESOP Derivative Transactions; and
- plc will release and waive any and all claims against any ESOP Derivative Bank (and their respective directors and officers) under or in relation to Funding Letters (including releases by plc thereof), the ESOP Derivative Transactions and the plc guarantee of the ESOP Derivative Transactions;
- The ESOP Escrow Agreement, the Mobile Escrow Agreement and any Subsequently Sold Opco escrow agreements shall terminate and the escrow cash held under the terms of the Mobile Escrow Agreement and Subsequently Sold Opco escrow agreements shall be paid to Corp;
- The current litigation by SBIL against plc in connection with the SBIL ESOP Agreement will be discontinued with no order as to costs;
- Until the Effective Date of the Corp Scheme, the ESOP Derivative Banks may not commence or further any claims or proceedings against BCTL, plc or any Opco (or their respective directors and officers) under the Funding Letters (including releases thereof), the ESOP Derivative Transactions or

105

I. EXPLANATORY STATEMENT

(IN COMPLIANCE WITH SECTION 426 OF THE COMPANIES ACT 1985)

SECTION 2: FURTHER EXPLANATION OF THE RESTRUCTURING -- PART D

the plc guarantee of the ESOP Derivative Transactions. This standstill terminates on the occurrence of certain events set out in the ESOP Settlement Agreement, including (a) the release of Funding Letters in certain circumstances; (b) the enforcement of the interim security; (c) the Corp Scheme not obtaining the requisite approval at the Corp Scheme Meeting; (d) the Court sanction for the Corp Scheme not being obtained; (e) a demand being made for the repayment of the Bank Facility; (f) an insolvency event occurring in relation to Corp or, subject to certain limitations, plc; or (g) the Effective Date for the Corp Scheme not having occurred on or before 31 December 2003; and

- The ESOP Derivative Banks will not, subject to limited exceptions, transfer, sell or assign their rights arising from plc's guarantee of the ESOP Derivative Transactions.

If the Corp Scheme does not become effective, Corp will not be required to pay the Settlement Amount and the ESOP Escrow Agreement, the Mobile Escrow Agreements and the Subsequently Sold Opco escrow agreements will continue to apply.

All claims of the ESOP Derivative Banks under the plc guarantee of the ESOP Derivative Transactions are excluded from the plc Scheme and no distribution from the plc Scheme will be made in respect of them.

On 26 March 2003, UBS and Citibank N.A. (as the Syndicate Bank affiliate of

Edgar Filing: MARCONI PLC - Form 6-K

SBIL) entered into undertakings to exercise in certain circumstances all votes relating to certain debt claims against Corp and plc in favour of the Schemes (as detailed further in Appendix 19). The non-ESOP related debt is transferrable without restrictions. At the same time, the Barclays restructuring undertaking agreement (dated 13 September 2003) was amended to bring the transferability provisions into line with those applying to UBS and Citibank.

D.3 ARRANGEMENTS TO PRESERVE RIGHTS AT PLC LEVEL

Various concerns were raised by either or both of the Informal Committee of Bondholders and the Co-ordination Committee during the course of the Restructuring discussions concerning the maintenance of guarantee claims against plc and arrangements were put in place in order to deal with these concerns. Details of the concerns and the arrangements which were put in place are set below.

In making its decision to approve these arrangements, plc took into consideration that it was correct in principle that the rights should be preserved, in order to put the creditors concerned in the same position as if both companies had been wound up.

PRESERVING RIGHTS UNDER THE SCHEMES IN THE EVENT THAT BOTH SCHEMES ARE SUCCESSFUL

plc has guaranteed the repayment of certain primary debt obligations of Corp. In order to preserve the recoveries of creditors of Corp, who may also have the benefit of a plc guarantee ("GUARANTEE CREDITORS"):

- a. the Corp Scheme provides that no Scheme Claim under the Corp Scheme would be reduced, or in any way affected, by the compromise of any claims of that Scheme Creditor against plc pursuant to the terms of the plc Scheme; and
- b. a corresponding provision appears in the plc Scheme.

THESE PROVISIONS ARE OF GENERAL APPLICATION TO THE EXTENT THAT A CREDITOR OF ONE COMPANY HAS A GUARANTEE CLAIM IN RESPECT OF THAT CLAIM AGAINST THE OTHER COMPANY.

PRESERVING RIGHTS IN THE EVENT THAT THE CORP SCHEME IS SUCCESSFUL BUT THE PLC SCHEME FAILS

In addition, the Informal Committee of Bondholders and the Co-ordination Committee indicated that they were concerned to ensure that, even if the plc Scheme failed but the Corp Scheme was successful, guarantee creditors could maintain the ability to claim 100 per cent. of their claim in respect of the plc guarantee against plc.

The concern arose because, if the plc Scheme were to fail, plc would be placed into liquidation. In the event that a distribution was made under the Corp Scheme before a proof of debt could be submitted in a subsequent liquidation of plc, the guarantee creditors would have to give credit to the liquidator of plc for their recoveries under the Corp Scheme.

106

I. EXPLANATORY STATEMENT (IN COMPLIANCE WITH SECTION 426 OF THE COMPANIES ACT 1985)

SECTION 2: FURTHER EXPLANATION OF THE RESTRUCTURING -- PART D

Edgar Filing: MARCONI PLC - Form 6-K

The Informal Committee of Bondholders and the Co-ordination Committee indicated on a number of occasions that it was central to their support of the Restructuring that guarantee creditors be entitled to prove for the full amount of their debt in any subsequent liquidation of plc should the plc Scheme fail. In order to preserve the ability of guarantee creditors to claim the full amount of their claim against plc in these circumstances the Informal Committee of Bondholders and the Co-ordination Committee required plc to enter into a deed poll on terms proposed by the Informal Committee of Bondholders and the Co-ordination Committee. It is open to any creditor with a guarantee claim to have the benefit of the deed poll. The deed poll requires that in the event that any guarantee creditor is required to give credit to plc in a liquidation for any recoveries made under the Corp Scheme, plc will pay a further sum equal to the amount of the distribution that the relevant creditor received in the Corp scheme i.e. it is intended that a new debt obligation of plc will be created.

The deed poll does not have the effect of permitting a creditor to receive more than a 100 per cent. recovery in respect of the underlying claim.

PRESERVATION OF THE BOND GUARANTEE

Clause 4.9 of the Trust Deed provides that the guarantee given by plc in respect of the Eurobonds will terminate when Corp delivers to the Eurobond Trustee a certificate to the effect that plc has been released from its guarantees in respect of certain bank debt. Section 12.03 of the Yankee Bond Indenture states that the plc guarantee will terminate on the date that plc is released from its guarantees in respect of certain bank debt and the Eurobonds.

In order to preserve the guarantee claim of the Trustees, Corp and plc entered into a Bondholder Confirmation Letter which provided that notwithstanding the provisions of Clause 4.9 of the Trust Deed and Section 12.03 of the Yankee Bond Indenture or the receipt of a Distribution under the Corp Scheme or the cancellation of the Bonds, the guarantee of plc remains in full force and effect and is extended for the benefit of all Definitive Holders.

D.4 WORKING CAPITAL

RETAINED CASH

The Group is expected to retain approximately L602 million of cash following the Restructuring, comprising approximately:

- a. L167 million of restricted cash;
- b. L112 million of trapped cash;
- c. L197 million retained for normal working capital needs;
- d. L96 million representing net cash outflow to cash break even; and
- e. L30 million representing cash in transit and therefore not available for distribution.

"Restricted cash" is cash employed as collateral or available to be granted as collateral in connection with performance bonding arrangements. Any cash collateral releases from existing performance bonds, and any balance remaining in the Existing Performance Bond Escrow Account on the first anniversary of the Effective Date for the Corp Scheme, in an amount (when aggregated with cash collateral releases made to the security trustee under the Performance Bonding Facility between the Issue Date and the first anniversary of the Effective Date of the Corp Scheme, together with interest thereon) not exceeding the lesser of L25 million or 50 per cent. of the amount of the Performance Bonding Facility,

Edgar Filing: MARCONI PLC - Form 6-K

if Corp should cancel a portion of that facility, will be transferred to the security trustee under the Performance Bonding Facility, to collateralise performance bonds and similar instruments issued under that facility. Any excess amount will be paid into the Mandatory Redemption Escrow Account to be applied in redemption of the New Junior Notes and, once all New Junior Notes have been repaid, the New Senior Notes. On the termination or cancellation of the Performance Bonding Facility, all released collateral (other than that required to support long-dated performance bonds) will be paid into the Mandatory Redemption Escrow Account to be applied in redemption of the New Junior Notes and, once all New

107

I. EXPLANATORY STATEMENT (IN COMPLIANCE WITH SECTION 426 OF THE COMPANIES ACT 1985)

SECTION 2: FURTHER EXPLANATION OF THE RESTRUCTURING -- PART D

Junior Notes have been repaid, the New Senior Notes (as described further below). See Appendix 8 for further information on the circumstances in which restricted cash will be released.

"Trapped cash" includes (a) cash held in relation to existing insurance liabilities, (b) cash held as collateral under existing local bilateral debt facilities, (c) part of the proceeds from the disposal of Mobile in August 2002 to be held in escrow until August 2004 and (d) cash held in accounts in various jurisdictions to meet local working capital requirements (where such cash is not, for local regulatory or other reasons, easily accessible to meet wider Group working capital needs).

The "net cash outflows to cash break even" figure represents cash to be retained by the Group (net of permitted remaining disposal proceeds) needed to fund the Group through to cash break even.

WORKING CAPITAL FACILITIES

Performance Bonding Facility

In order to ensure that the Group has sufficient bonding facilities available to it following the Effective Date of the Corp Scheme HSBC Bank plc and JP Morgan Chase Bank have agreed to provide a L50 million committed revolving facility for the issuance of Performance Bonds at the request of Marconi Bonding Limited, for the purpose of supporting (directly or indirectly) obligations of members of the Group to third parties incurred in the ordinary course of the Group's trade or business. The Performance Bonding Facility is also available for the purpose of supporting any financing facilities which have been provided to members of the Group for the purpose of supporting directly obligations of members of the Group incurred in the ordinary course of the Group's trade or business (other than obligations in respect of financial indebtedness) (for example, in connection with supporting a bonding facility in a foreign currency where bonds denominated in such foreign currency are not available under the Performance Bonding Facility). The Performance Bonding Facility will permit the issue, on behalf of Corp, of a letter of credit (with a face value of up to L2 million) in favor of the plc Scheme Supervisors from time to time to support plc's Ongoing Costs (within the L50 million commitment).

The Performance Bonding Facility may be utilised at any time during the period from the Effective Date of the Corp Scheme to the date falling 18 months thereafter. Marconi Bonding Limited has the right to request an extension to such availability period (to a date falling no later than 30 months after the

Edgar Filing: MARCONI PLC - Form 6-K

Effective Date of the Corp Scheme (but without the participating banks having any obligation to agree such extension)). Performance Bonds may be issued in sterling, US dollars, Euro or (with the approval of the relevant issuing bank) any other readily available currency freely convertible into sterling. The form of the Performance Bond and identity of the beneficiary must be approved by the relevant issuing bank (having regard to that issuing bank's formal internal policies at the relevant time, and to all relevant legal and regulatory restrictions). In the case of Performance Bonds with an expiry date falling after 31 December 2010, the approval of the relevant issuing bank and the approval of the relevant banks providing the Performance Bonding Facility is required.

In addition to an issuance fee of L1,000 for each Performance Bond, a bonding fee equal to 0.50 per cent. per annum of the outstanding amount of each Performance Bond is payable quarterly in advance, for the account of the participating banks. A fronting fee equal to 0.10 per cent. per annum of the outstanding amount of each issued Performance Bond (less the issuing bank's own proportion) is payable quarterly in advance, for the account of the relevant issuing bank. An arrangement fee of L1,000,000 was payable on the date of the Performance Bonding Facility to the facility agent for distribution to the banks participating in the Performance Bonding Facility.

The obligations of each obligor under the Performance Bonding Facility are irrevocably and unconditionally guaranteed by Corp. The Performance Bonding Facility is secured by, inter alia, a charge over cash contained in certain blocked deposit accounts (the "Secured Accounts") between Marconi Bonding Limited and HSBC Bank plc as security trustee. Marconi Bonding Limited will be required, on the date of issuance of a Performance Bond, to deposit (in the currency of the relevant Performance Bond or, where such Performance Bond is issued in a currency other than sterling or Euros, US dollars) an amount equal to 50 per cent. of the maximum face value of such Performance Bond into such Secured Accounts. As further security for the obligations of Marconi Bonding Limited under the Performance Bonding Facility, Marconi Bonding Limited will ensure that additional amounts are deposited into the Secured Accounts in accordance with the terms of the New Notes. The Performance

108

I. EXPLANATORY STATEMENT (IN COMPLIANCE WITH SECTION 426 OF THE COMPANIES ACT 1985)

SECTION 2: FURTHER EXPLANATION OF THE RESTRUCTURING -- PART D

Bonding Facility contains certain events of default after the occurrence of which the agent is permitted to cancel the total commitments under the Performance Bonding Facility and/or to declare that full cash collateral in respect of each Performance Bond is immediately due and payable (including events of default relating to non-payment, failure to comply with security undertakings, failure to comply with other obligations, misrepresentation, cross default, insolvency, unlawfulness and repudiation of the Performance Bonding Facility documents).

In accordance with the Security Trust and Intercreditor Deed, the banks providing the Performance Bonding Facility will rank ahead of the Noteholders in any enforcement of the Security. The Security Trust and Intercreditor Deed also provides that the security trustee under the Performance Bond Facility and the banks may not take action to enforce the obligations of the obligors under the Performance Bonding Facility following a payment event of default thereunder until the earlier of (i) 180 days after notice to the Security Trustee under the Security Trust and Intercreditor Deed of the occurrence of such payment event of

Edgar Filing: MARCONI PLC - Form 6-K

default or (ii) the acceleration of the New Senior Notes (see Appendix 10 for further details).

US Working Capital Facility

In order to ensure that Marconi Communications, Inc. has sufficient working capital post-Restructuring, MCI has entered into a working capital facility agreement with Liberty Funding, L.L.C., pursuant to which Liberty will provide a US\$22,500,000 revolving credit facility to MCI. The Working Capital Facility is secured by a first mortgage lien on a parcel of MCI's real property (including buildings, improvements, building materials and fixtures) located in Warrendale, Pennsylvania, USA ("Property").

The Working Capital Facility is subject to a fixed interest rate of 15 per cent. per annum (payable monthly) and will mature on 26 November 2004. It will be used by MCI for working capital and general corporate purposes. Liberty's fees and costs include an arrangement fee of 6 per cent. of the facility amount, an unused commitment fee of 1 per cent. per annum on any undrawn portion, and a 5 per cent. late charge for payments overdue by more than ten days. In addition to the mortgage over the Property, all of MCI's right, title and interest in and to all leases of all or any part of the Property (including any rents) will be assigned to Liberty, and MCI will provide assurances and indemnities to Liberty relating to environmental matters affecting the Property, and financing statements for perfecting security interest in the fixtures. A second mortgage lien on the Property (and assignments of related leases and rents) will be granted in favour of, inter alia, the providers of the Performance Bonding Facility and the Noteholders and, consequently, an intercreditor agreement will be entered into between Liberty and the Security Trustee. See Appendix 10 for further details of this intercreditor agreement.

Covenants contained in the Working Capital Facility Agreement include indemnification from MCI in favour of Liberty in relation to liabilities and claims relating to the Property, MCI's pledge to keep the buildings, structures, improvements and fixtures insured and MCI's covenant not to dissolve, merge or consolidate with any other person (other than an affiliate of MCI) or dispose of all or a substantial portion of its assets relating to its BBRs Business. Although the obligations of MCI in respect of this facility are limited recourse, there are exceptions for, inter alia, failure to maintain insurance coverage, fees and costs incurred in enforcing/collecting sums due and MCI's environmental indemnity obligations, for which MCI has full liability. The Working Capital Facility Agreement contains certain events of default the occurrence of which would permit Liberty to cease making further advances, terminate its commitment and/or accelerate repayment of the Working Capital Facility.

Intra-Group funding

There are currently a significant number of intra-Group lending arrangements in place between members of the Wider Corp Group. These comprise loans from Corp to its Affiliates, loans from Corp's Affiliates to Corp and loans between Corp's Affiliates. Any intra-Group loan claims of Corp's Affiliates against Corp will be Excluded Claims for the purposes of the Corp Scheme and will therefore remain in place following the implementation of the Corp Scheme (See Part C.7 of this Section and Appendix 9 for further details on Excluded Claims).

Following the Effective Date of the Corp Scheme, the Wider Corp Group will be subject to the intra-Group lending restrictions contained in the indentures governing the New Notes. The scope of those restrictions will depend on whether the relevant debtor or creditor is a Guarantor or a non-Guarantor. The restrictions are

Edgar Filing: MARCONI PLC - Form 6-K

I. EXPLANATORY STATEMENT (IN COMPLIANCE WITH SECTION 426 OF THE COMPANIES ACT 1985)

SECTION 2: FURTHER EXPLANATION OF THE RESTRUCTURING -- PART D

described more fully in Appendix 8. The Security Trust and Intercreditor Deed also contains provisions regulating certain intra-Group loans and actions in respect thereof, which are described more fully in Appendix 10.

COLLATERAL FOR EXISTING PERFORMANCE BONDS

General

On the Effective Date of the Corp Scheme, Corp will deposit approximately L43.5 million of the L167 million of restricted cash attributable to performance bonding collateral into the Existing Performance Bond Escrow Account. Withdrawals from that account will be made to satisfy valid and enforceable cash collateral demands made by banks, insurance companies or other financial institutions who have issued performance bonds ("Existing Performance Bonds") on behalf of members of the Group prior to the Effective Date, upon certification by Corp to the Escrow Trustee.

Cash collateral releases from Existing Performance Bonds, and any balance remaining in the Existing Performance Bond Escrow Account on the first anniversary of the Effective Date for the Corp Scheme in an amount (when aggregated with cash collateral releases made to the security trustee under the Performance Bonding Facility between the Issue Date and the first anniversary of the Effective Date for the Corp Scheme, together with interest thereon) not exceeding the lesser of L25 million or 50 per cent. of the amount of the Performance Bonding Facility, if Corp should cancel a portion of that facility, will be transferred to the security trustee under the Performance Bonding Facility. Any excess amount will be deposited into the Mandatory Redemption Escrow Account to be applied to redeem the New Junior Notes and, once all New Junior Notes have been repaid, the New Senior Notes. On the termination or cancellation of the Performance Bonding Facility, all released collateral (other than that required to support long-dated performance bonds) will be paid into the Mandatory Redemption Escrow Account to be applied to redeem the New Junior Notes and, once all New Junior Notes have been repaid, the New Senior Notes (as described further below).

Determination of bonding collateral requirements

As part of its determination of the post-Restructuring working capital requirements of the Group, Corp sought to ascertain an appropriate level of provision to be made for potential cash collateral calls in respect of Existing Performance Bonds (other than those Existing Performance Bonds which are already fully collateralised). That determination was made on the basis of Corp's assessment of the risk of individual issuers of Existing Performance Bonds calling for cash collateral against their outstanding exposure, based on an analysis of the rights which such issuers may have to make cash collateral calls. Specific provision has been made by Corp for all Existing Performance Bonds where the issuers of such bonds have unconditional rights to call for cash collateral at any time or have conditional rights to call for cash collateral where those conditions will be triggered by the Restructuring. With respect to issuers of Existing Performance Bonds that have conditional rights to call for cash collateral (where such conditions will not be triggered by the Restructuring per se), Corp has allocated a higher provision to those where it considers the conditions have been, or are more likely to be, triggered and a lower (or zero) provision where it considers that the conditions are unlikely to

Edgar Filing: MARCONI PLC - Form 6-K

be triggered. Corp has made no provision in respect of issuers which it considers have no rights to call for cash collateral.

Under the Heads of Terms, it was agreed that Corp would place up to L55 million in the Existing Performance Bond Escrow Account to be used for cash collateral calls in respect of Existing Performance Bonds. Corp had previously assessed that a provision of a higher amount would be an adequate provision in respect of potential cash collateral calls for Existing Performance Bonds. In order to be satisfied that the L55 million deposit which was permitted to be made into the Existing Performance Bond Escrow Account by Corp on the Effective Date would be an adequate reserve in respect of Existing Performance Bonds, Corp entered into arrangements with certain (current and former) Syndicate Bank issuers of Existing Performance Bonds during February and March 2003. Corp agreed to provide each participating Syndicate Bank with collateral (in the form of a cash-backed letter of credit) for 50 per cent. of the principal amount of the outstanding uncollateralised Existing Performance Bonds issued by it. In return for that provision of collateral, each of those Syndicate Banks agreed to waive all of its rights to demand cash collateral in respect of Existing Performance Bonds issued by it (except in the case of insolvency of Corp or the relevant Subsidiary, a demand by the beneficiary under the relevant Existing

110

I. EXPLANATORY STATEMENT (IN COMPLIANCE WITH SECTION 426 OF THE COMPANIES ACT 1985)

SECTION 2: FURTHER EXPLANATION OF THE RESTRUCTURING -- PART D

Performance Bonds, or acceleration under the New Notes). Because this arrangement was agreed with the Syndicate Banks on a collective basis (which Corp considered to be necessary to preserve stability amongst the Syndicate Banks), collateral (of approximately L1.13 million in aggregate) was provided to two Syndicate Banks (whose Existing Performance Bonds exposure totals approximately L2.27 million) in respect of which Corp would not otherwise have made cash collateral provision (on the basis that Corp considers that those issuers have no rights, ambiguous rights or conditional rights to call for cash collateral which are unlikely to be triggered). However, as at 27 March 2003, on a collective basis, arrangements had been entered into to provide approximately L11.50 million of collateral in return for a waiver of rights to call for cash collateral of approximately L19.03 million in respect of Existing Performance Bonds with a face value of approximately L21.30 million. In the absence of this arrangement Corp may have been required to make a cash collateral provision of approximately L19.03 million in respect of such bonds. One of the participating Syndicate Banks (in respect of which Corp would otherwise have been required to make 100 per cent. cash collateral provision) was provided with collateral for approximately 61 per cent. of the principal amount of the outstanding uncollateralised Existing Performance Bonds issued by it. This resulted from certain bonds issued by that Syndicate Bank expiring between the time that Corp agreed the 50 per cent. collateral figure with that bank and the time at which the arrangements with the Syndicate Bank issuers were implemented.

Similar arrangements may be entered into (in the period up to the date of the Scheme Meeting in respect of the Corp Scheme) with other (current and former) Syndicate Bank issuers of Existing Performance Bonds. Such arrangements, if entered into, are expected to result in the provision of collateral with a value of less than L3 million.

Prior to the Scheme Meeting in respect of the Corp Scheme, alternative arrangements may be entered into with one other Syndicate Bank issuer of uncollateralised Existing Performance Bonds which did not take part in the above

Edgar Filing: MARCONI PLC - Form 6-K

arrangements. Under such alternative arrangements, this bank would agree to release collateral (in the form of a cash backed letter of credit) totalling approximately E10.23 million which it already holds against certain liabilities of a former Subsidiary of Corp (and which it is entitled to retain against such liabilities) in consideration for the issue of a new cash-backed letter of credit (with a face value of approximately E9.85 million) to collateralise Existing Performance Bonds issued by it (totalling approximately E9.85 million).

D.5 SCHEME IMPLEMENTATION DEED

The Scheme Implementation Deed (the "DEED") was entered into between Corp, plc, E-A Continental Limited, Ancrane, Marconi Nominees Limited, British Sealed Beams Limited and various other Group companies on 27 March 2003. The primary purpose of the Deed was to ensure that legally binding arrangements were in place to govern the rights and obligations between, inter alia, Corp and plc in implementing the Restructuring. Pursuant to the Deed, Corp, plc, E-A Continental Limited, Ancrane, Marconi Nominees Limited, British Sealed Beams Limited and various other Group companies have agreed to perform certain obligations and undertaken not to do certain acts including, but not limited to, approving all shareholder resolutions necessary or desirable to give effect to the Corp Scheme, assigning or novating certain guarantee obligations and/or licence agreements, providing all reasonable assistance and information and undertaking all reasonable acts and deeds to give effect to the assignment of certain Intellectual Property, making certain intra-group tax loss and group relief surrenders and providing certain tax indemnities. Ancrane has agreed to make a repayment of capital in specie to plc of all of its assets, other than L100. Corp has also agreed to procure the issue of a letter of credit (under the Performance Bonding Facility) in an amount of L2 million in favour of the plc Scheme Supervisors from time to time for them to draw on in relation to plc's Ongoing Costs. In the event that Corp is unable to procure the issue of such letter of credit, it has undertaken to provide the sum of L2 million for the plc Scheme Supervisors to draw on in relation to plc's Ongoing Costs on similar terms to those set out in the Scheme Implementation Deed and the Performance Bonding Facility Agreement in relation to the letter of credit. Certain obligations and undertakings of the parties to the Deed (including Corp's obligation to procure a letter of credit for plc's Ongoing Costs) are conditional upon and subject to the Corp Scheme becoming effective and will, in part, give effect to the implementation of the Corp Scheme upon it becoming effective. Brief particulars of the Scheme Implementation Deed are contained in Appendix 18.

111

I. EXPLANATORY STATEMENT (IN COMPLIANCE WITH SECTION 426 OF THE COMPANIES ACT 1985)

SECTION 2: FURTHER EXPLANATION OF THE RESTRUCTURING -- PART D

D.6 STATEMENT AND WAIVER OF INTER-COMPANY BALANCES

In order to facilitate the effective implementation of the Schemes, and in particular to effect a clean up of existing inter-company claims owed to or by Corp and plc, Corp and plc have entered into a statement and waiver of intercompany balances agreement (the "Statement and Waiver Agreement") with certain other Group companies.

The effect of the Statement and Waiver Agreement is to preserve all known and stated claims existing between (A) Corp or plc and (B) the participating Group companies, and to waive all other claims which arise by reference to circumstances existing prior to the Effective Date of the Corp Scheme. In this

Edgar Filing: MARCONI PLC - Form 6-K

sense there will be more certainty as to the level of any claims owed to or by Corp and plc after the Effective Date of the Corp Scheme. In so far as it involves plc, the Statement and Waiver Agreement has limited effect in that all known claims against plc will be schemed under the plc Scheme (and will receive a distribution from the plc Scheme) and all known claims of plc against Corp and its subsidiaries have been transferred to Corp prior to the Record Date (in consideration for a reduction in the amount of the Corp's existing claim against plc).

Under the Statement and Waiver Agreement the following intra-group claims will be preserved as between (a) Corp and plc and (b) the participating Group companies:

- disclosed intra-group loan balances in existence as at 31 December 2002 (plus interest accrued at such applicable commercial rate of interest as agreed between the parties to the respective loan);
- any intra-group loan made on or after 1 January 2003 in the ordinary and usual course of business or with certain previously agreed creditor consent, including interest accrued at such applicable commercial rate of interest as agreed between the parties to the respective loan;
- any trading and current account liabilities in existence as at 31 March 2002 (in the case of any participating Group company which is a trading or an active non-trading company) or 30 September 2002 (in the case of any dormant participating Group company). Such liabilities are determined by reference to the management accounts upon which the audited consolidated financial accounts of plc, as at 31 March 2002 or 30 September 2002 (as applicable) were prepared;
- any trading and current account liabilities incurred in the ordinary and usual course of business after 31 March 2002 between (a) Corp and/or plc, and (b) any participating Group company which is a trading or an active non-trading company;
- any counter indemnity or equivalent reimbursement obligation (which is written or is implied by law and whether or not contingent) arising under any financial guarantee or indemnity (which is written or is implied by law) and is: (a) in favour of any third party which is not a member of the Group (including the issuer of any performance bond, bank guarantee or similar instrument), and (b) in respect of any contractual obligations of the provider of the counter indemnity or equivalent; provided that where any payment has been made under such a guarantee or indemnity on or before 31 March 2002, the resultant counter indemnity shall not be preserved;
- any counter indemnity or equivalent reimbursement obligation (which is written or is implied by law and whether or not contingent) arising under any written non-financial guarantee or indemnity (which is written or implied by law) and is: (a) in favour of any person which is not a member of the Group, and (b) in respect of any contractual or implied by law obligations of the provider of the counter indemnity or equivalent and (c) disclosed in a schedule to the Statement and Waiver Agreement; provided that where any payment has been made under such a guarantee or indemnity on or before 31 March 2002, the resultant counter indemnity shall not be preserved; and
- any other specified claims.

All other claims of Corp or plc against each participating Group company and all other claims of each participating Group company against Corp or plc, will be released with effect from the Effective Date of the Corp Scheme. The Statement

Edgar Filing: MARCONI PLC - Form 6-K

and Waiver Agreement does not affect claims which arise out of or in relation to any matter or circumstance arising after the Effective Date of the Corp Scheme.

112

I. EXPLANATORY STATEMENT (IN COMPLIANCE WITH SECTION 426 OF THE COMPANIES ACT 1985)

SECTION 2: FURTHER EXPLANATION OF THE RESTRUCTURING -- PART D

A list of Group companies that have already agreed to participate in the Statement and Waiver Agreement is contained at paragraph 2.2 of Appendix 19. Other Group companies may be added prior to the Effective Date of the Corp Scheme.

D.7 RECAPITALISATION OF GUARANTORS

In order to facilitate the giving of the Guarantees as part of the new security package to support the New Notes (see Appendix 10 for further details), certain of the Guarantors will need to be recapitalised. Most of these recapitalisations are intended to be effected one or two Business Days prior to the Effective Date of the Corp Scheme, although some may need to be effected before then. In conjunction with the recapitalisations, it is also intended to unwind or formalise certain intra-group financing arrangements.

The recapitalisations and ancillary transactions will involve the direct and indirect parent companies of the relevant Guarantors, as well as certain other Group companies or entities that owe or are owed intra-group balances by the relevant Guarantors. Each recapitalisation is intended to be effected by a number of sequential intra-group transactions which may include: the restatement of terms of intra-group debt; injections of equity by parent companies into subsidiaries; repayments, assignments, novation or release of existing intra-group claims; and the issue of equity by subsidiary companies in return for (a) assignments of intra-group claims or (b) reductions in intra-group balances owed to their parent companies. For those transactions which require actual cashflow, the relevant series of intra-group transactions will involve the "round-tripping" of cash, commencing and ending in each case with Corp (as the ultimate holding company of the Guarantors).

D.8 WAIVER OF PLC SHAREHOLDER VOTE

As referred to in Part C.5 of this Section, the UKLA has granted a waiver of the provision in the Listing Rules which would otherwise require the consent of the shareholders of plc to the issue of the New Shares pursuant to the Corp Scheme. Accordingly, the effectiveness of the Schemes is not conditional on the approval of the shareholders of plc.

D.9 CAPITAL REDUCTION

As part of the Restructuring, Corp will apply to the Court for the purpose of implementing the Capital Reduction pursuant to section 135 of the Act. The Capital Reduction will involve the cancellation of the Non-Voting Deferred Shares arising on the conversion of the existing issued ordinary shares in the capital of Corp held by plc and Marconi Nominees Limited and the cancellation of Corp's share premium account (including that arising on the issue of New Shares), to create a reserve which it is expected will eliminate the deficit on the profit and loss account that would otherwise be shown on Corp's balance sheet as at 31 March 2003.

As can be seen from note g. iii) to the Corp unaudited pro forma consolidated

Edgar Filing: MARCONI PLC - Form 6-K

balance sheet in Appendix 2, the unaudited deficit on Corp's profit and loss account in its own unaudited balance sheet as at 30 September 2002 was approximately L2,767 million. The cancellation of the Non-Voting Deferred Shares and Corp's existing share premium account would reduce this by approximately L843 million, but approximately L3,306 million of share premium account is expected to arise on the issue of the New Shares so the reserve arising on the Capital Reduction is expected to exceed the 30 September 2002 deficit on Corp's profit and loss account by L1,382 million. The excess of the reserve over the 31 March 2003 deficit on Corp's profit and loss account will initially constitute Corp's special reserve referred to below.

Prior to confirming the Capital Reduction, the Court will require Corp to give an undertaking designed to protect persons who are creditors of Corp on the date the Capital Reduction becomes effective. This undertaking will require the maintenance by Corp and its subsidiaries of special reserves, which will not be distributable to shareholders of Corp until the creditors of Corp to be protected have been paid off or the Court has agreed otherwise.

It is anticipated that the Capital Reduction will become effective shortly after the Effective Date of the Corp Scheme. Although Corp cannot guarantee that the Capital Reduction will become effective, it will not affect the effectiveness of the Schemes in any event.

113

I. EXPLANATORY STATEMENT (IN COMPLIANCE WITH SECTION 426 OF THE COMPANIES ACT 1985)

SECTION 2: FURTHER EXPLANATION OF THE RESTRUCTURING -- PART D

D.10 SHARE INCENTIVE PLANS

INTRODUCTION

The Group currently operates the share incentive plans set out in the table below. The Plans were designed to incentivise participating Group employees, directors and consultants as part of their remuneration arrangements. Under these Plans, Participants were given rights to acquire plc Shares either at a specified price or, where certain objectives were achieved, at no cost (the latter are known as nil-cost options). Certain options, including some of the nil-cost options are already exercisable. These optionholders can acquire plc Shares prior to the plc Shareholders Record Time. As a result of the Restructuring, more of the options will become exercisable. However, this will be after the plc Shareholders Record Time when plc Shares will have no value.

Due to plc's current share price the majority of options granted to Participants under the Plans are now underwater (that is, shares in plc are worth less than the Participants would have to pay to acquire them). It is assumed that holders of those options which are currently exercisable will not exercise them. Of those options where the plc Shares subject to them are worth more than the price that Participants must pay for them, it is only those optionholders who can and do exercise their options prior to the plc Shareholder Record Time who will receive New Shares and Warrants. After implementation of the Restructuring, all remaining options will be valueless.

As at 28 February 2003, options over approximately 149.6 million plc Shares are outstanding. This represents approximately 5.4 per cent. of plc's current total issued share capital. plc has also granted 47.3 million phantom options in respect of which, on exercise, Participants ordinarily receive cash rather than shares (if a gain has been made).

Edgar Filing: MARCONI PLC - Form 6-K

Name of plan -----	Number of shares over which options are outstanding -----	Range of option prices -----
The GEC 1984 Managers' Share Option Scheme	671,044	183-266p
The GEC Employee 1992 Savings-related Share Option Scheme	1,985,076	203-273p
The GEC 1997 Executive Share Option Scheme	7,959,308	311-385p
The Marconi UK Sharesave Plan	2,297,688	538-748p
The Marconi International Sharesave Plan	1,342,615	737p
The Marconi Launch Share Plan	19,620,228	Nil-cost
The Marconi 1999 Stock Option Plan	98,449,888	35-1030p
The Metapath Software Corporation 1995 Stock Option Plan	144,164	3-274p
The Metapath Software International Inc. 1999 Stock Option Plan	2,386,061	212-957p
The Mariposa Technology Inc. 1998 Employee Incentive Plan	320,684	9-56p
The Marconi Restricted Share Plan	1,795,184	Nil-cost-947p
The Marconi Welcome Plan	2,642,687	Nil-cost
The Marconi Long Term Incentive Plan	629,559	Nil-cost
The Northwood Technologies Inc. Share Option Plan	65,827	139-245p
The Mobile Systems International Share Option Plan	694,790	212p
Marconi and GEC Phantom Option Schemes (converted into options over plc Shares)	8,595,663	17-1134p

In recent weeks, plc Shares have traded at around 1.5-2.5 pence per share. On this basis it might appear that nil cost options are in the money. However, except for those which are currently exercisable, this is not the case.

Some optionholders holding nil cost options which are not currently exercisable will become entitled to exercise their options when the Restructuring takes effect, because Corp will cease to be a subsidiary of plc, and other such optionholders will become so entitled if plc goes into liquidation. However, neither event will take place until after the Corp Scheme has become effective, by which time plc Shares will have no value.

114

I. EXPLANATORY STATEMENT
(IN COMPLIANCE WITH SECTION 426 OF THE COMPANIES ACT 1985)

SECTION 2: FURTHER EXPLANATION OF THE RESTRUCTURING -- PART D

Optionholders currently entitled to exercise their nil cost options who do so in time to receive plc Shares before the plc Shareholders Record Time will qualify to receive New Shares and Warrants if the Corp Scheme becomes effective. Only these options can be described as in the money.

The only two alternatives for plc are a restructuring under which all its assets are distributed to its creditors or an insolvent administration or liquidation. The reason why plc Shares are trading between 1.5-2.5 pence per share is that only 0.5 per cent. of the New Shares that are to be issued (assuming the Corp Scheme becomes effective and the First Initial Distribution takes place), are

Edgar Filing: MARCONI PLC - Form 6-K

being made available to the plc Shareholders as at the plc Shareholders Record Time.

THE RETENTION AND EMERGENCE PLAN

In order to retain key employees during the restructuring of the Group, a Retention and Emergence plan (the "R&E Plan") was implemented in May 2002 for sixty-three employees. Corp was not a party to any of the documents. Of the sixty-three individuals, Marconi Communications Limited is the responsible Group company for thirty-seven, Marconi Communications, Inc. for seventeen, plc for two (one in Australia and one in Hong Kong), Marconi Communications GmbH for four and Marconi Communications SpA for three. The obligations of plc are to be transferred to Marconi Communications Limited in relation to the two employees whose promise refers to plc.

The R&E Plan promises four equal payments to the employees if they are still employed and not working their notices on each payment date. Two of the payment dates have passed and the remaining dates are (i) seven working days after plc completes its refinancing negotiations (with a long stop date of 31 March 2003) and (ii) three months after the third payment date. The aggregate of the payments in each case is based on a percentage of the employee's salary, with the range of percentages varying from 30 per cent. to 150 per cent., depending on the employee's seniority.

Those employees who are signing new service agreements and who are in the Management Plan (as defined below) are to waive the last payment due under the R&E Plan.

IMPACT OF THE PROPOSED RESTRUCTURING:

Nil-cost Option Plans

The Marconi Launch Share Plan

Options were granted to Participants of this plan as nil cost options. If not currently exercisable, they will become exercisable on a solvent liquidation of plc. At that time Participants will be deemed to have exercised options to acquire the number of plc Shares the plc Board determines. It is anticipated that, due to the Group's financial position, the plc Board will decide that no options should become exercisable. These options will lapse on the tenth anniversary of their date of grant.

The Marconi Welcome Plan

Options were granted to Participants of this Plan as nil cost options. If not currently exercisable, they will become exercisable on a solvent liquidation of plc. At that time Participants will be deemed to have exercised options to acquire the number of plc Shares the plc Board determines. It is anticipated that, due to the Group's financial position, the plc Board will decide that no options should become exercisable. These options will lapse on the tenth anniversary of their date of grant.

The Long Term Incentive Plan (the "LTIP")

Nil-cost share options granted under the LTIP which are not currently exercisable will become exercisable when Corp ceases to be a subsidiary of plc. The remuneration committee also has discretion to decide to what extent grants of further nil-cost

Edgar Filing: MARCONI PLC - Form 6-K

options should be made at that point. It is anticipated that, given the Group's financial position, the remuneration committee will decide that no further options should be granted. The remuneration committee also has discretion to decide when options, if not exercised, should lapse.

115

I. EXPLANATORY STATEMENT
(IN COMPLIANCE WITH SECTION 426 OF THE COMPANIES ACT 1985)

SECTION 2: FURTHER EXPLANATION OF THE RESTRUCTURING -- PART D

The Restricted Share Plan
(the
"RSP")

Participants may acquire plc Shares that will be awarded to them when Corp ceases to be a subsidiary of plc. Participants will have six months to call for the shares before the awards lapse.

Under the "nil cost" plans, options are currently exercisable or may ordinarily become exercisable before the plc Shareholders Record Time over the following number of plc Shares:

Plan ----	Approximate No. of plc Shares -----
Launch Plan	0
Welcome Plan	0
LTIP	480,000
RSP	910,000

	1,390,000
	=====

As pointed out above, by the time that the remaining outstanding "nil cost" options become exercisable, the shares in plc will have ceased to be of any value.

The MET currently holds in the region of 1,208,545 plc Shares and approximately L4,544.58 in cash. The GEC Employee Share Trust currently holds in the region of 1,135,644 plc Shares and approximately L937.45 in cash.

Underwater Option Plans

The GEC Managers' 1984
Share
Option Scheme

All outstanding options will become exercisable when the court sanctions the plc Scheme and lapse six months later.

The GEC Employee 1992
Savings
Related Share Option Scheme

All outstanding options will become exercisable when the court sanctions the plc Scheme and lapse

Edgar Filing: MARCONI PLC - Form 6-K

six months later.

The Marconi 1999 Stock
Option
Plan

Option holders may exercise their options within a period of six months from when Corp ceases to be a Subsidiary of plc at the end of which time unexercised options will lapse.

The Marconi UK Sharesave
Plan

All outstanding options will become exercisable when the court sanctions the plc Scheme and lapse six months later.

The Marconi International
Sharesave Plan

All outstanding options will become exercisable when the court sanctions the plc Scheme and lapse six months later.

The GEC 1997 Executive
Share
Option Scheme

Option holders may exercise options within a period of six months from when Corp ceases to be a Subsidiary of plc at the end of which time unexercised options will lapse.

The Mobile Systems
International
Share Option Plan

All outstanding options will become exercisable when the court sanctions the plc Scheme and lapse six months later.

Metapath Software
Corporation
1995 Stock Option Plan

Option holders may exercise their options to the extent that performance criteria have been met when the proposal for the solvent liquidation of plc is adopted.

Metapath Software
International
Inc. 1999 Stock Option Plan

Option holders may be given the opportunity to exercise vested and non-vested options until five days before a liquidation. All unexercised options will lapse immediately before a liquidation.

Mariposa Technology Inc
1998
Employee Incentive Plan

All outstanding options held by employees, directors and consultants will become exercisable before an event such as a liquidation and, if not exercised will lapse before such an event.

Northwood Technologies Inc.
Share Option Plan

All outstanding options will remain unaffected by the plc Scheme and will lapse in due case.

Edgar Filing: MARCONI PLC - Form 6-K

SECTION 2: FURTHER EXPLANATION OF THE RESTRUCTURING -- PART D

The Marconi Phantom Option Scheme Options will lapse and cease to be exercisable when Corp ceases to be a Subsidiary of plc.

The GEC Phantom Option Scheme Options will lapse and cease to be exercisable when Corp ceases to be a Subsidiary of plc.

The Marconi Employee Stock Purchase Plan for Employees in North America This plan has been suspended. There are no outstanding options or awards under it.

EMPLOYEE INCENTIVE PLANS POST RESTRUCTURING

Conditionally on the later of the First Initial Distribution under the Corp Scheme being initiated and the Effective Date (for the purpose of this Part D.10, the "Plans Start Date"), Corp has adopted an option plan known as the Corp Senior Management Share Option Plan (the "Management Plan") and a broadly based employee share option plan known as the Corp Employee Share Option Plan (the "Employee Plan"). The Plans are summarised below.

Other than the Group's existing bonus plan arrangements, which cover the financial year to 31 March 2003, and the third payment under the R&E Plan (described above), prior to the Plans Start Date, the Group will not establish any bonus arrangement or scheme or any long term incentive scheme covering those persons (other than those persons who are eligible to receive commission and/or bonus payments that relate to sales) who have been invited to participate in the Management Plan.

Further, as set out in Appendix 14, paragraph g (iv), Corp's Articles provide that participants in the Management Plan (other than those who are eligible to receive commission and/or bonus payments that relate to sales) will not be eligible to participate in any bonus or other long-term incentive arrangement until the date on which all the tranches in the initial grant under the Management Plan have either lapsed or become capable of exercise.

The Corp Senior Management Share Option Plan

Administration

The Management Plan will be administered by the remuneration committee of Corp in accordance with the terms set out below.

Eligibility

Participation in the Management Plan is open to those employees and executive directors of Corp or any of its Subsidiaries selected by the remuneration committee. The remuneration committee intends to grant options under the Management Plan to up to 60 senior executives. Employees within two years of their normal retirement date may not participate in the Management Plan.

Grant of options

Options to acquire Corp shares under the Management Plan may be granted at any time prior to the Listing of the New Shares and, following Listing of the New Shares, may be granted in the periods of 42 days commencing on the Plans Start Date, the day immediately following announcement by Corp of its results for any

Edgar Filing: MARCONI PLC - Form 6-K

period, or a day on which the Board resolves that exceptional circumstances exist which justify the grant.

Options will be granted by either Corp or the trustee of the proposed Corp employee benefit trust (the "Trust") summarised below. Options may be satisfied using newly issued or existing Corp Shares.

The initial options will be granted in five tranches, each of which will be subject to different performance conditions as described below.

Participation in the Management Plan will not form part of or affect a participant's right under the terms of his employment.

117

I. EXPLANATORY STATEMENT (IN COMPLIANCE WITH SECTION 426 OF THE COMPANIES ACT 1985)

SECTION 2: FURTHER EXPLANATION OF THE RESTRUCTURING -- PART D

Option exercise price

Options granted under the Management Plan will be exercisable for a nominal payment, the amount of which will be determined by the remuneration committee. It is currently envisaged that the total amount payable on the exercise of an option, whether in whole or in part will be L1 per exercise irrespective of the number of New Shares the subject of an option exercise.

Individual limit on participation

There is no limit under the Management Plan on the aggregate maximum value of options which may be granted to a participant in any year or over the life of the Management Plan.

Overall limit on Corp Shares to be made available under the Management Plan

The number of Corp Shares, issued or unissued, that may be committed under the Management Plan is limited to 9 per cent. of the issued share capital of Corp immediately following the Plans Start Date. Corp Shares over which options have lapsed or been surrendered will not be included in calculating this limit. This number of shares will be reduced by the number of Corp Shares that are committed under the Employee Plan due to employees who would otherwise have been expected to participate in the Management Plan participating in the Employee Plan rather than the Management Plan because it is beneficial (for tax or similar reasons) for them to do so.

Exercise of Options

Options granted under the Management Plan will only become exercisable (vest) to the extent that the performance targets set out below have been satisfied. While the performance targets for the initial grant of options will be the same, two vesting schedules will apply; one schedule applicable to participants who have released their rights under the R&E Plan (described above) and the other schedule applicable to participants who did not have any rights under the R&E Plan. For subsequent grants, for example, to new employees or as a result of promotions or expanded roles or responsibilities, the remuneration committee will set performance targets which are appropriate in the circumstances and at least as challenging as those for the initial grant.

Edgar Filing: MARCONI PLC - Form 6-K

Tranche	Condition	Percentage of shares su to option that vest (per c	
		Participants who released R&E Plan rights*	Participi
1.	Repayment of 30 per cent. of the New Junior Notes within 24 months after the Plans Start Date. No vesting before 12 months after the Plans Start Date.	20	10
2.	Repayment of 50 per cent. of the New Junior Notes within 27 months after the Plans Start Date. No vesting before 15 months after the Plans Start Date.	10	10
3.	Repayment of 100 per cent. of the New Junior Notes within 30 months after the Plans Start Date. No vesting before 18 months after the Plans Start Date.	20	20
4.	Corp achieving a market capitalisation of L1 billion and repayment of 100 per cent. of the New Junior Notes within 39 months after the Plans Start Date. No vesting before 27 months after the Plans Start Date.	20	30

118

I. EXPLANATORY STATEMENT
(IN COMPLIANCE WITH SECTION 426 OF THE COMPANIES ACT 1985)

SECTION 2: FURTHER EXPLANATION OF THE RESTRUCTURING -- PART D

Tranche	Condition	Percentage of shares su to option that vest (per c	
		Participants who released R&E Plan rights*	Participi
5.	Corp achieving a market capitalisation of L1.5 billion and repayment of 100 per cent. of the New Junior Notes within 63 months after the Plans Start Date. No vesting before 39 months after the Plans Start Date.	(within 51 months of the Plans Start Date) 30	(within 51 mont of the Plans St Date) 30
		(between 51 months and 63 months of the Plans Start Date) 20	(between 51 month 63 months of the Start Date) 20

* Participants in the R&E Plan will be required to waive the final payment under the R&E Plan in order to participate in the Management Plan.

Edgar Filing: MARCONI PLC - Form 6-K

If any performance target is not satisfied within the stated period the tranche of the option subject to that performance target will lapse and cease to be capable of becoming exercisable.

If the New Junior Notes are refinanced (rather than repaid), the conditions set out above will apply to the aggregate debt, representing what were the New Junior Notes, following the refinancing.

In relation to tranches 4 and 5, the market capitalisation of Corp will be measured using its daily volume weighted average share price determined from prices quoted on the principal exchange on which Corp Shares are listed and the number of Corp Shares outstanding immediately following the Plans Start Date. In order to determine if the relevant condition is satisfied, the daily volume weighted average share price will be obtained for each day of a rolling 90 day period and the average price over that 90 day period will be determined. If that average price when multiplied by the number of Corp Shares in issue on the Plans Start Date exceeds the relevant target market capitalisation, the applicable condition will have been satisfied.

Taxation

The exercise of an option may be made conditional on a participant agreeing to comply with any arrangements specified by Corp for the payment of taxation, social security contributions or any other deductions at source (including, as is likely to be the case, in respect of at least part of the relevant employing company's secondary class 1 National Insurance contributions liability arising on exercise) required or permitted in respect of an option.

Termination of employment

If a participant ceases employment with a member of the Corp Group voluntarily or he is dismissed for cause, his options will lapse on the date of cessation.

However, where a participant ceases employment with the Group due to death, injury, disability, ill-health, redundancy, retirement or the sale of the business or subsidiary for which the participant works, or termination of employment by the employer without cause, his options will become vested to the extent the financial performance conditions have been satisfied at the date of cessation of employment (or, if terminated without full notice, to the extent the financial performance conditions have been satisfied on the date the notice would have expired) and will become exercisable at the time they would otherwise have been exercisable as set out in the table above for a period of 6 months (12 months in the case of death). The remuneration committee may decide whether a different proportion of an option should vest on the cessation of employment of any participant due to the sale of a business or subsidiary that was a key business or subsidiary. Following the expiry of the relevant period, all of a participant's unexercised options will lapse.

119

I. EXPLANATORY STATEMENT (IN COMPLIANCE WITH SECTION 426 OF THE COMPANIES ACT 1985)

SECTION 2: FURTHER EXPLANATION OF THE RESTRUCTURING -- PART D

Lapse of options

Options will lapse in any event on the tenth anniversary of their grant and will lapse after a takeover or reconstruction when the specified time periods for exercise have passed as described below. Options will also lapse on the

Edgar Filing: MARCONI PLC - Form 6-K

cessation of employment of a participant as described above. Options will also lapse to the extent that they cease to be capable of becoming exercisable due to failure to satisfy any of the performance targets within the specified time periods.

Corp Shares over which options have lapsed or have been surrendered will be available, within the overall limit referred to above, to form the subject of further option grants to new participants in the Management Plan but not to existing participants unless the participant has been promoted or his/her role and/or responsibility has significantly expanded and the remuneration committee determines that such a grant is merited.

Rights attaching to Corp Shares on the exercise of options

Corp Shares allotted under the Management Plan will carry the same rights as all other issued Corp Shares. Application will be made for the Corp Shares to be admitted to trading on the London Stock Exchange. Participants will not qualify for any rights attaching to Corp Shares where the record date is before the date on which the option is exercised.

Takeover, reconstruction or winding-up

If any person obtains control of Corp as a result of making an offer to acquire the whole of the issued share capital of Corp (or, having such control, makes a general offer to acquire all the shares other than those already owned by that person) the first grant of options under the Management Plan will become exercisable to the extent that the financial performance conditions have been satisfied immediately prior to a change of control.

A proportion of the remainder of any Corp Shares which are the subject of outstanding options under the initial grant will vest and become exercisable according to the following formula:

$$\frac{\text{remainder of Corp Shares the subject of outstanding options} \times \text{market capitalisation on change of control (as evidenced by the value of the consideration paid by the acquirer and the number of Corp Shares in issue immediately following the Plans Start Date)}}{\text{L1.5 billion}}$$

The formula above assumes that a change of control occurs 63 months after the Plans Start Date. If a change of control occurs sooner, to reflect the benefit to shareholders of the early release of funds, the L1.5 billion figure will be reduced by L25m for each complete quarter between the change of control and the date which is 63 months after the Plans Start Date.

Participants will have six months within which to exercise their options to the extent exercisable following the change of control (or general offer); thereafter, the options will lapse. The remuneration committee will determine the extent to which any subsequent options will vest in the event of a takeover, having regard to the performance targets to which those options are subject. If a person becomes bound or entitled to give notice to acquire Corp Shares under sections 428 to 430F of the Act, a participant may exercise his options to the extent exercisable as referred to above during the period that person remains so bound or entitled; thereafter, they will lapse.

Participants may, in certain circumstances, be given the opportunity to exchange their options for options over ordinary shares in an acquiring company.

If there is a reconstruction of Corp, the effect of which is that a person obtains control of Corp, other than as a result of making an offer for its issued share capital, the provisions relating to a change of control following an offer (summarised above) shall apply. These provisions shall not apply if there is a reconstruction, the purpose and effect of which is to create a new holding company of Corp where such holding company has substantially the same shareholders and proportionate shareholdings as those of Corp immediately before the scheme of

120

I. EXPLANATORY STATEMENT
(IN COMPLIANCE WITH SECTION 426 OF THE COMPANIES ACT 1985)

SECTION 2: FURTHER EXPLANATION OF THE RESTRUCTURING -- PART D

arrangement. On the occurrence of such a reconstruction, the remuneration committee will use its best endeavours to ensure that any outstanding options are rolled-over so that they continue over shares in the new holding company. If there is no roll-over, options will continue unaffected by the scheme of arrangement. If there is any other reconstruction of Corp or Corp is wound-up, options will lapse on the reconstruction or winding-up taking effect.

Adjustments of options

If there is a variation in the share capital of Corp, including by way of a capitalisation, rights issue, consolidation, sub-division, reduction or any other variation or the implementation by Corp of a demerger or payment of a super-dividend which would materially affect the value of options under the Management Plan, the remuneration committee may (subject to the auditors' approval) make the adjustments it considers appropriate to the number of Corp shares under option.

Amending the Management Plan

The rules of the Management Plan can be amended at any time by the Board, provided that no amendment to the Management Plan can be made without the prior approval of Corp in a general meeting of shareholders if the amendment relates to the provisions in the rules relating to eligibility, limits on the number of Corp Shares available for issue under the Management Plan, the basis for determining a participant's entitlement to Corp Shares and any adjustment in the event of a variation in the share capital of Corp. In addition, no amendment that would materially prejudice the interests of existing participants may be made without the prior consent of participants holding three-quarters of the aggregate number of shares subject to the outstanding options.

Participants in the United States

For participants in the United States, the Management Plan will be structured as a conditional right to receive Corp Shares or ADRs (an "Award") rather than as an option, for tax purposes. No price will be payable by participants on the vesting of their Awards. Awards will not vest during a close or prohibited period. Awards will be subject to the same performance conditions and other terms set out above.

General

Participation in the Management Plan is not pensionable. Options granted under it are not transferable and may only be exercised by the person to whom they

Edgar Filing: MARCONI PLC - Form 6-K

were granted or their personal representatives.

No options can be granted under the Management Plan more than five years after the Plans Start Date.

Summary of the Corp Employee Share Option Plan

Administration

The Employee Plan will be administered by the remuneration committee of Corp in accordance with the terms set out below.

Eligibility

Participation in the Employee Plan is open to those employees and executive directors of Corp or any of its Subsidiaries selected by the remuneration committee. Employees within two years of their normal retirement date may not participate in the Employee Plan. Employees who participate in the Management Plan cannot participate in the Employee Plan.

Grant of options

Options to acquire Corp Shares under the Employee Plan will be granted by either Corp or the trustee of the Trust. Options may be satisfied using newly issued or existing Corp Shares. Inland Revenue approved options and non-Inland Revenue approved options ("Unapproved Options") may be granted under the Employee Plan.

121

I. EXPLANATORY STATEMENT

(IN COMPLIANCE WITH SECTION 426 OF THE COMPANIES ACT 1985)

SECTION 2: FURTHER EXPLANATION OF THE RESTRUCTURING -- PART D

Following Listing of the New Shares options may be granted in the periods of 42 days commencing on the Plans Start Date, the day immediately following announcement by Corp of its results for any period, or a day on which the Board resolves that exceptional circumstances exist which justify the grants. The Corp Board will not grant any options under the Employee Plan until 30 business days after Listing of the New Shares. The exercise price for such initial grant of options shall be the average middle market quotation of a Corp Share for the five business days immediately prior to the date of grant.

The initial options will be granted in five tranches, each of which will be subject to different performance conditions as described below.

Participation in the Employee Plan will not form part of or affect a participant's rights under the terms of his employment.

The following is a summary of the provisions which apply equally to Approved Options and Unapproved Options.

Option exercise price

The exercise price of options will be determined by the remuneration committee but will not be less than the middle market quotation of a Corp share as derived from the London Stock Exchange Daily Official List on a date (or dates in the case of an average quotation) not more than 30 days prior to the date of grant of the option (or such other period as the Inland Revenue may agree in relation to Approved Options).

Edgar Filing: MARCONI PLC - Form 6-K

Where an option is to subscribe for Corp Shares, the exercise price will not be less than the nominal value of a Corp Share.

Individual Limit on participation

There is no limit under the Employee Plan on the aggregate maximum value of options which may be granted to a participant in any year or in the life of the Employee Plan (subject, in the case of Approved Options, to the statutory limit described below).

Overall limit on Corp Shares to be made available under the Employee Plan

The number of Corp Shares, issued or unissued, that may be committed under the Employee Plan is limited to 5 per cent. of the issued share capital of Corp immediately following the Plans Start Date. The limit does not include share capital committed pursuant to any other employees' share plan previously adopted by Corp. This number of shares will be increased, with a corresponding reduction in the number of Corp Shares available to be committed under the Management Plan, if any employee who would otherwise have been expected to participate in the Management Plan participates in the Employee Plan rather than the Management Plan because it is beneficial (for tax or similar reasons) for them to do so. This 5 per cent. limit will only be available for use on the following basis: (i) 3 per cent. in the first 12 months following Listing of the New Shares; (ii) 1 per cent. in the second 12 months following Listing of the New Shares; and (iii) 1 per cent. in the third 12 months following Listing of the New Shares. Any unused part of this limit may be utilised in subsequent years during the life of the Employee Plan. Corp Shares over which options have lapsed or been surrendered will not be included in calculating this limit.

122

I. EXPLANATORY STATEMENT (IN COMPLIANCE WITH SECTION 426 OF THE COMPANIES ACT 1985)

SECTION 2: FURTHER EXPLANATION OF THE RESTRUCTURING -- PART D

Exercise of Options

Options granted under the Employee Plan will only become exercisable to the extent that the performance targets to which they are subject have been satisfied. The performance targets for the first grant of options are set out below. For subsequent grants, the remuneration committee will set performance targets which are appropriate in the circumstances and at least as challenging as those for the initial grant.

Performance targets

Tranche	Condition	Percentage of shares subject to option that vest (per cent.)
1.	Repayment of 30 per cent. of the New Junior Notes within 24 months after the Plans Start Date. No vesting before 12 months after the Plans Start Date.	10
2.	Repayment of 50 per cent. of the New Junior Notes within 27 months after the	10

Edgar Filing: MARCONI PLC - Form 6-K

	Plans Start Date. No vesting before 15 months after the Plans Start Date.		
3.	Repayment of 100 per cent. of the New Junior Notes within 30 months after the Plans Start Date. No vesting before 18 months after the Plans Start Date.		20
4.	Corp achieving a market capitalisation of L1 billion and repayment of 100 per cent. of the New Junior Notes within 39 months after the Plans Start Date. No vesting before 27 months after the Plans Start Date.		30
5.	Corp achieving a market capitalisation of L1.5 billion and repayment of 100 per cent. of the New Junior Notes within 63 months after the Plans Start Date. No vesting before 39 months after the Plans Start Date.	(within 51 months of the Plans Start Date)	30
		(between 51 months and 63 months of the Plans Start Date)	20

If any performance target is not satisfied within the stated period the tranche of the option subject to that performance target will lapse and cease to be capable of becoming exercisable.

If the New Junior Notes are refinanced (rather than repaid), the conditions set out above will apply to the aggregate debt, representing what were the New Junior Notes, following the refinancing.

In relation to tranches 4 and 5, the market capitalisation of Corp will be measured using its daily volume weighted average share price determined from prices quoted on the principal exchange on which Corp's Shares are listed and the number of Corp Shares outstanding immediately following the Plans Start Date. In order to determine if the relevant condition is satisfied, the daily volume weighted average share price will be obtained for each day of a rolling 90 day period and the average price over that 90 day period will be determined. If that average price when multiplied by the number of Corp Shares in issue on the Plans Start Date exceeds the relevant target market capitalisation the applicable condition will have been satisfied.

Taxation

The exercise of an Unapproved Option may be made conditional upon a participant agreeing to comply with any arrangements specified by Corp for the payment of taxation, social security contributions or any other deductions at source (including, as is likely to be the case, in respect of at least part of the relevant employing company's

123

I. EXPLANATORY STATEMENT (IN COMPLIANCE WITH SECTION 426 OF THE COMPANIES ACT 1985)

SECTION 2: FURTHER EXPLANATION OF THE RESTRUCTURING -- PART D

secondary class 1 National Insurance contributions liability arising on exercise) required or permitted in respect of an option.

Termination of employment

Edgar Filing: MARCONI PLC - Form 6-K

If a participant ceases employment with a member of the Corp Group voluntarily or he is dismissed for cause, his unvested options will lapse on the date of cessation.

However, where a participant ceases employment with the Corp Group due to death, injury, disability, ill-health, redundancy, retirement or the sale of the business or subsidiary for which the participant works, or termination of employment by the employer without cause, his options will become vested to the extent the financial performance conditions have been satisfied at the date of cessation of employment (or, if terminated without full notice, to the extent the financial performance conditions have been satisfied on the date notice would have expired) and will become exercisable at the time they would otherwise have been exercisable as set out in the table above for a period of 6 months (12 months in the case of death). The remuneration committee may decide whether a different proportion of an option should vest on the cessation of employment of any participant due to the sale of a business or subsidiary that was a key business or subsidiary. Following the expiry of the relevant period, all of a participant's unexercised options will lapse.

Lapse of options

Options will lapse in any event on the tenth anniversary of their grant and will lapse after a takeover or reconstruction when the specified time periods for exercise have passed as described below. Options will also lapse on the cessation of employment of a participant as described above. Options will also lapse to the extent that they cease to be capable of becoming exercisable due to the failure to satisfy any of the performance targets within the specified time periods.

Rights attaching to Corp Shares on the exercise of options

Corp Shares allotted under the Employee Plan will carry the same rights as all other issued Corp Shares. Application will be made for the Corp Shares to be admitted to trading on the London Stock Exchange. Participants will not qualify for any rights attaching to Corp Shares where the record date is before the date on which the option is exercised.

Takeover, reconstruction or winding-up

If any person obtains control of Corp as a result of making an offer to acquire the whole of the issued share capital of Corp (or, having such control, makes a general offer to acquire all the shares other than those already owned by that person) the first grant of options under the Employee Plan will become exercisable to the extent that the financial performance conditions have been satisfied immediately prior to a change of control. A proportion of the remainder of any Corp Shares which are the subject of outstanding options will vest and become exercisable according to the following formula:

$$\begin{array}{l} \text{remainder of Corp Shares the subject of} \\ \text{outstanding options} \end{array} \times \frac{\text{market capitalisation on change of} \\ \text{control (as evidenced by the value of} \\ \text{the consideration paid by the acquirer} \\ \text{and the number of Corp Shares in issue} \\ \text{immediately following the Plans Start} \\ \text{Date)}}{\text{L1.5 billion}}$$

The formula above assumes that a change of control occurs 63 months after the Plans Start Date. If a change of control occurs sooner, to reflect the benefit

Edgar Filing: MARCONI PLC - Form 6-K

to shareholders of the early release of funds, the L1.5 billion figure will be reduced by L25m for each complete quarter between the change of control and the date which is 63 months after the Plans Start Date.

Participants will have six months within which to exercise their options to the extent exercisable, following the change of control (or general offer); thereafter, the options will lapse. The remuneration committee will

124

I. EXPLANATORY STATEMENT (IN COMPLIANCE WITH SECTION 426 OF THE COMPANIES ACT 1985)

SECTION 2: FURTHER EXPLANATION OF THE RESTRUCTURING -- PART D

determine the extent to which any subsequent options will vest in the event of a takeover, having regard to the performance targets to which those options are subject. If a person becomes bound or entitled to give notice to acquire Corp Shares under sections 428 to 430F of the Act, a Participant may exercise his options to the extent exercisable as referred to above during the period when that person remains so bound or entitled; thereafter, they will lapse.

Participants may, in certain circumstances, be given the opportunity to exchange their options for options over ordinary shares in an acquiring company.

If there is a reconstruction of Corp, the effect of which is that a person obtains control of Corp, other than as a result of making an offer for its issued share capital, the provisions relating to a change of control following an offer (summarised above) shall apply. These provisions shall not apply if there is a reconstruction, the purpose and effect of which is to create a new holding company of Corp where such holding company has substantially the same shareholders and proportionate shareholdings as those of Corp immediately before the scheme of arrangement. On the occurrence of such a reconstruction, the remuneration committee will use its best endeavours to ensure that any outstanding options are rolled-over so that they continue over shares in the new holding company. If there is no roll-over, options will continue unaffected by the scheme of arrangement. If there is any other reconstruction of Corp or Corp is wound-up, options will lapse on the reconstruction or winding-up taking effect.

Adjustments of options

If there is a variation in the share capital of Corp, including by way of a capitalisation, rights issue, consolidation, sub-division, reduction or any other variation or the implementation by Corp of a demerger or payment of a super-dividend which would materially affect the value of options under the Employee Plan, the remuneration committee may (subject to the auditors' approval and, in the case of Approved Options, to the approval of the Inland Revenue) make the adjustments it considers appropriate to the number of Corp Shares under option and the exercise price.

Amending the Employee Plan

The rules of the Employee Plan can be amended at any time by the Board, provided that no amendment to the Employee Plan can be made without the prior approval of Corp in a general meeting of shareholders if the amendment relates to the provisions in the rules relating to eligibility, limits on the number of Corp Shares available for issue under the Employee Plan, the basis for determining a participant's entitlement to Corp Shares and any adjustment in the event of a variation in the share capital of Corp. In addition, no amendment that would

Edgar Filing: MARCONI PLC - Form 6-K

materially prejudice the interests of existing participants may be made without the prior consent of participants holding three-quarters of the aggregate number of shares subject to outstanding options. For these purposes, the interests of the holders of Approved Options and Unapproved Options are separate.

Participants in the United States

For participants in the United States, the Employee Plan will be structured as a qualifying incentive stock option plan and a non-qualifying stock option plan over Corp Shares or ADRs. Options will be granted on the same terms and will be subject to the same performance conditions as described above, save any changes necessary to take account of the relevant United States legislation.

General

Additional schedules to the rules of the Employee Plan can be established to operate the Employee Plan in overseas countries. These schedules can vary the rules of the Employee Plan to take account of any securities, exchange control, or taxation laws or regulations for any participants or any company in the Group. Any Corp Shares issued under such schedules will count towards overall limits under the Employee Plan.

Participation in the Employee Plan is not pensionable. Options granted under it are not transferable and may only be exercised by the persons to whom they were granted or their personal representatives.

125

I. EXPLANATORY STATEMENT (IN COMPLIANCE WITH SECTION 426 OF THE COMPANIES ACT 1985)

SECTION 2: FURTHER EXPLANATION OF THE RESTRUCTURING -- PART D

No options can be granted under the Employee Plan more than five years after the Plans Start Date.

Provisions relating to Approved Options

Approved Options are those options granted under the Employee Plan which satisfy the requirements of Schedule 9 to ICTA 1988 (or any replacement legislation). The main differences between Approved Options and Unapproved Options are that:

- (a) No Approved Option can be granted to a participant who is ineligible to participate in the Employee Plan by virtue of paragraph 8 of Schedule 9 (material interest in a close company) ICTA 1988 (or any replacement legislation).
- (b) An employee cannot be granted an Approved Option which would, at the time it is granted, enable the employee to acquire Corp shares under option schemes approved under Schedule 9 ICTA 1988 (or any replacement legislation) (which are not savings-related) having a value (calculated on the relevant date of grant) exceeding the Inland Revenue limit (currently L30,000).
- (c) Any amendment to the rules of the approved part of the Employee Plan requires the prior approval of the Inland Revenue.
- (d) There are circumstances (principally where a participant's employment ceases in compassionate circumstances) when the remuneration committee can extend the period in which Approved

Edgar Filing: MARCONI PLC - Form 6-K

Options may be exercised in order that the Participant may qualify for tax relief on exercise of the Approved Option.

Application will be made to the Inland Revenue for approval of that part of the Employee Plan under which Approved Options may be granted.

Proposed Sharesave Plan

Subject to obtaining the prior approval of Corp's shareholders, Corp intends to establish a sharesave plan (or a similar plan, taking into account any changes in market practice and the relevant legislation) at a later date. Such a plan will be varied for overseas participants to take account of local legislation. In the United States, the plan will be an approved stock purchase plan (or a similar plan, taking into account any changes in market practice and the relevant US legislation).

The Trust

The Trust will be established by a trust deed entered into between Corp and an independent trustee resident in Jersey. The Trust will be a discretionary trust for the benefit of employees and former employees (and their dependants) of the Corp Group (the "Beneficiaries"). Corp has the power to appoint and remove the Trustee.

The Trustee will be entitled to subscribe for or otherwise acquire Corp Shares for the benefit of Beneficiaries and will be able to distribute these Corp Shares under the terms of the Trust either directly or in accordance with the rules of any employees' share schemes established by Corp. The Trustee will not be permitted to enter into any forward swap derivative arrangements.

It is intended that the Trust may be funded by any person or company including Corp or any company in the Corp Group by means of gift, loan or otherwise.

The limit on the number of Corp Shares which can be acquired by the Trustee (whether by market purchase or subscription) will be that set out in the rules of the relevant share incentive plan.

It is intended that the terms of the Trust will be amended at the discretion of the Trustee and with the consent of Corp. Corp will not be entitled to consent to any amendment to the advantage of Beneficiaries without the prior approval of Corp in general meeting unless the amendment is minor to benefit the administration of the Trust, to take account of any changes in legislation or to obtain or to maintain favourable taxation, exchange control or regulatory treatment for any Beneficiary of Corp or any company in the Corp Group.

126

I. EXPLANATORY STATEMENT (IN COMPLIANCE WITH SECTION 426 OF THE COMPANIES ACT 1985)

SECTION 2: FURTHER EXPLANATION OF THE RESTRUCTURING -- PART D

ABI GUIDELINES

The extent to which the Plans comply with the ABI's published guidelines for share incentive plans (the "Guidelines") is summarised below.

Overview:

The Plans are not totally compliant with the Guidelines.

Edgar Filing: MARCONI PLC - Form 6-K

The design of the Management Plan, which is the least compliant (while being the most important from Corp's perspective), has been driven by the importance of ensuring that the senior management team remains in place and is suitably incentivised. It is also designed to compensate for and replace existing bonus arrangements and amendments to individuals' terms of employment (as previously described above). The Scheme Creditors will also in effect, be asked to approve the arrangements as part of approving the Corp Scheme.

The Principal Guidelines focus on:

a. Performance conditions

The ABI requires that performance conditions should emphasise the importance of linking remuneration to performance, align the interests of participating directors and senior executives with those of the shareholders, be demanding and stretching and relate to overall corporate performance. Performance conditions should also be demanding in the context of the prospects of the company and the prevailing economic climate in which the company operates. They should also be disclosed and transparent.

The Guidelines also require that the greater the level of potential award, the more stretching and demanding the performance conditions should be.

Corp believes that the proposed performance conditions for the discretionary plans are compliant with these requirements. The performance conditions chosen are demanding and are clearly linked to the achievement of enhanced shareholder value.

The Guidelines also state that performance should be measured against a peer group or benchmark. Given the nature of the targets and the position of Corp, this is not practicable.

b. Change of control provisions

The Guidelines state that there should be no automatic waiver of performance conditions on a change of control. They also state that options should vest on a pro-rata basis taking into account the vesting period that elapsed at the time of the change of control though making due allowance for the reduction in value resulting from the reduced life of the option.

Tranches of options will only vest if the financial performance conditions applicable to them have been satisfied. The level of additional vesting is dependent upon Corp's market capitalisation on change of control, as summarised above. In essence, therefore, Corp believes the Plans are compliant.

c. Dilution limits

The Guidelines provide that not more than 10 per cent. of the issued ordinary share capital of a company can be committed to be issued to satisfy share options/awards under all of its share plans in any rolling 10 year period.

It is currently proposed that the number of unissued shares that may be committed to be issued in the 5 years following the Plans Start Date will be 9 per cent. of the issued share capital of Corp under the Management Plan and 5 per cent. under the Employee Plan.

The Guidelines also encourage phased grants (generally on an annual basis to spread the dilution over the life of the plan). No requirement for phased granting is included in the Plans. The adoption of the Management Plan to incentivise management in these circumstances is very much regarded as a one-off arrangement.

I. EXPLANATORY STATEMENT
(IN COMPLIANCE WITH SECTION 426 OF THE COMPANIES ACT 1985)

SECTION 2: FURTHER EXPLANATION OF THE RESTRUCTURING -- PART D

d. Participation

Participation in the Plans is limited to bona fide employees and executive directors. This is compliant with the Guidelines. However, there are no limits on individual participation. Corp considers this to be justifiable as option grants must be of a level to retain and motivate participants who are being asked in some cases, to waive existing entitlements to a bonus and amend the terms of their contracts of employments, as stated above.

Participants who are granted an option under the Management Plan cannot participate in the Employee Plan.

e. Exercise price

The Guidelines state that options should not be granted at a discount. Under the Management Plan, only a nominal sum will be payable on the exercise of options. The Employee Plan will be compliant. As stated above, the Management Plan has been designed to ensure that senior management remains in place and suitably incentivised. In order to achieve this, the necessary levels of potential gain make it more efficient to grant options with an exercise price set at a discount rather than at the prevailing market value (on the day the options are granted) as fewer Corp Shares are required.

f. Timing of grant

The Plans are compliant with the Guidelines -- following Listing of the New Shares, grants can only normally be made within the 42 day period following the announcement of Corp's results.

g. Life of Plans and incentive awards

The Guidelines state that the life of plans should not exceed 10 years and that options should not be exercisable within 3 years of grant. The Plans have a five year life. Under the terms of the Management Plan and the Employee Plan, options may be exercised in part after 12, 15, 18, 27 and 39 months following the Plans Start Date.

In accordance with the Guidelines, no option can be exercised more than 10 years following its grant.

h. Retirement

The Guidelines require that options should not be granted to a participant within 6 months of his/her anticipated retirement date. The Management/Employee Plans will provide that options cannot be granted to a participant within 2 years of his/her anticipated retirement date.

Where options are granted to a participant within 3 years of his/her anticipated retirement date, the remuneration committee will have regard to the executive's ability to contribute to the satisfaction of the performance conditions, in accordance with the Guidelines.

i. Personal shareholding requirements

The Guidelines require that the rules of incentive plans should incorporate the requirement to retain a significant proportion of the shares to which participants become entitled. The Guidelines state that this is particularly important in the case of awards where performance conditions apply principally at the point of grant of an option. Given the nature of the performance conditions which apply to the initial grants of options under the Management Plan and the Employee Plan and the fact that they must be satisfied prior to exercise, rather than grant, a personal shareholding requirement is not considered necessary.

128

I. EXPLANATORY STATEMENT
(IN COMPLIANCE WITH SECTION 426 OF THE COMPANIES ACT 1985)

SECTION 2: FURTHER EXPLANATION OF THE RESTRUCTURING -- PART D

j. Non-Executive Directors

As described in Part E.1, in accordance with the Guidelines, the Non-Executive Directors (other than the Chairman) will acquire Corp Shares out of their net fees at a price equal to the prevailing market value on the date of acquisition.

D.11 PENSIONS

Claims under this section are excluded from the Corp Scheme and, to the extent that claims are preferential or otherwise incapable of being schemed, from the plc Scheme. Please refer to Appendix 9 for fuller details of the exclusions.

UNITED KINGDOM PENSION SCHEMES

Description of the main scheme

The GEC 1972 Pension Plan (the "UK Plan") is the principal tax-exempt approved occupational pension scheme in the United Kingdom in respect of which Corp Group or any of its group companies has any liabilities (and the only one in respect of which Corp has any liabilities). Employee contributions are 3 per cent. of pensionable earnings with employers paying the balance of the cost. The UK Plan's principal employer is Corp but Group companies participate and are responsible for their own contributions. The executive directors of Corp and plc are members (or entitled to be members of) of the UK Plan. There are other UK pension arrangements and these are described below.

Corp and the other group companies and the UK Plan trustee have complied with their legal obligations in respect of the UK Plan and the unapproved pension arrangements Corp is not aware of any current or threatened material claim against it, any member of the Group or the trustees in respect of the UK Plan or in relation to any benefits provided on retirement, death or termination of service.

Funding of the UK Plan

The scheme actuary has carried out the statutory, triennial Minimum Funding Requirement ("MFR") valuation (as at 5 April 2002) and on 6 February 2003 signed his report. The report states that the UK Plan was (as at the valuation date) between 115 and 120 per cent. funded on an MFR basis. This means that no statutory minimum company contributions are currently required to be paid.

Edgar Filing: MARCONI PLC - Form 6-K

On the UK Plan's own ongoing funding basis, the report states that the UK Plan is 100 per cent. funded as at 5 April 2002. Please note that the funding level may have changed since 5 April 2002, particularly having regard to falls in equity markets and the UK Plan could currently be underfunded on an ongoing basis.

Corp makes contributions at the rate of 8.2 per cent. of pensionable earnings (having started in November 2002). The contribution rate is expected to remain at 8.2 per cent. of pensionable earnings. The employee contribution rate will remain at 3 per cent. of pensionable earnings.

The report states that if the UK Plan had been discontinued at the date of the valuation in April 2002 and wound up, there would have been insufficient assets (by a considerable margin) to provide accrued benefits by the purchase of annuity policies. Nevertheless, the valuation did not indicate that a statutory debt under section 75 of the Pensions Act 1995 would be placed on Corp if the UK Plan were wound up and the debt calculation performed as at that date. This position could alter if the debt calculation is carried out as at a later date, as a consequence of a number of factors, including a change in the Statement of Investment Principles of the UK Plan, the investment performance of its assets, the estimated cost of annuities and the level of retirements within the UK Plan. No winding up has so far been triggered in relation to the UK Plan. If a winding up of the UK Plan were to be triggered in the future, the UK Plan trustee would be able to determine the date on which any statutory debt would be calculated by the actuary to the UK Plan. The amount of any debt depends on a number of factors, including the investment strategy which has been adopted by the trustee in the UK Plan's statement of investment principles and the value of the assets and liabilities of the UK Plan at the date of the calculation. If a section 75 debt were to arise, the size of the debt (relative to Corp's assets) could have a materially detrimental effect on Corp's resources. The materiality of the detrimental effect on Corp's reserves is shown by the fact that the

129

I. EXPLANATORY STATEMENT (IN COMPLIANCE WITH SECTION 426 OF THE COMPANIES ACT 1985)

SECTION 2: FURTHER EXPLANATION OF THE RESTRUCTURING -- PART D

actuarial valuation stated that (as at 5 April 2002) the UK Plan has assets of approximately L2.495 billion and liabilities (calculated on an ongoing basis) of approximately L2.494 billion. On the winding up of a pension plan, the applicable statute values the benefits of the members by reference to a stricter test than the MFR valuation (for example, pensioner liabilities are valued on a buy-out basis) and the sponsoring employer is liable to make good any deficit. There is no guarantee that the value of the UK Plan's assets will not deteriorate nor that legislation will not be introduced to oblige employers to make further contributions to pension plans which are not fully funded, in addition to current statutory obligations. The UK Government presented a Green Paper on pension reform on 17 December 2002 which could lead to further legislation on, amongst other issues, the obligations on employers to make good pension scheme deficits, principally by replacing the MFR with a scheme-specific minimum funding level.

See below for the impact on funding if a lower than expected transfer amount is paid under an existing sale agreement. See also Part F.2: Risk Factors.

UNAPPROVED UK PENSION PLANS

The only other UK retirement and death benefit arrangements in respect of which

Edgar Filing: MARCONI PLC - Form 6-K

Corp has any liability in the UK are the following unapproved pension arrangements.

- a. Funded unapproved retirement benefit schemes for current employees ("FURBS")

There are thirteen FURBS for each of thirteen current senior employees. FURBS are top-up pension plans funded in advance in respect of employees who are subject to the earnings cap. The earnings cap is a figure set by the Inland Revenue as the point at which tax relief on contributions ceases and above which benefits from the UK Plan cannot be provided (£97,200 for the 2002/2003 tax year).

Ten of the thirteen FURBS are defined contribution arrangements, where the employer pays (depending on the employee/director) an amount equivalent to between 10 and 35 per cent. of earnings in respect of the employee's FURBS. Because an employer's contribution to a FURBS qualifies as a taxable benefit, the employer in fact pays 60 per cent. of its contribution described above to the FURBS and the balance of its contribution to the employee, to cover the extra tax burden. All contributions are up to date.

The remaining three FURBS are defined benefit arrangements and they each have intended accrual rates of 3.33 per cent. depending on the value of retained benefits. Mr Donovan's defined benefit FURBS is described in Part E.1.

All employees who have a FURBS also have additional life cover that is provided through an unapproved life assurance scheme, for which the employer pays the premium.

- b. Unfunded unapproved pensions ("UURBS")

Corp is currently liable to pay a total annual pension contribution of currently £171,197 to Lady Weinstock under an UURBS established for the late Lord Weinstock. This pension is to increase annually in line with increases to pensions in payment under the UK Plan.

Corp was the original promisor of an unfunded top-up pension in 1998 in favour of Anthony Cobbe. Mr Cobbe was promised a pension at age 62 of two-thirds his final pensionable salary, funded from the UK Plan, the GEC-USA Retirement Plan and by Corp itself. The pension is currently in payment but the unfunded element is in fact paid by Marconi Communications Limited, his actual former employer but no formal agreement documenting this arrangement has been made.

PENSION INDEMNITIES

In sales of subsidiary companies and businesses in recent years, Corp has on some occasions given an indemnity for employer debts which could arise under section 75 of the Pensions Act 1995. If there were an MFR deficit at the point at which the subsidiary or buyer of assets ceased to participate in the UK Plan, section 75 would oblige the subsidiary or buyer to contribute to remedying the deficit. The section 75 indemnity has been given on very

130

I. EXPLANATORY STATEMENT (IN COMPLIANCE WITH SECTION 426 OF THE COMPANIES ACT 1985)

SECTION 2: FURTHER EXPLANATION OF THE RESTRUCTURING -- PART D

few occasions and there is no indication that the funding of the UK Plan was below MFR levels at the relevant dates. Accordingly Corp believes that the indemnity is unlikely to be called upon.

Following the sale of General Domestic Appliances Holdings Limited in 2001, the trustee of the UK Plan is to make a payment to the buyer's pension plan in respect of the accrued benefits of the employees who transfer to the buyer. Although a basis for calculation of the transfer amount was agreed in the sale agreement for the sale of GDA, the trustee of the UK Plan is not bound by this. Corp is responsible for 50 per cent. of any shortfall between the transfer amount agreed in the sale agreement and the amount actually paid by the trustee. Anticipating a shortfall at the time of the sale, an allowance of L3.255 million was made in the sale price. The information received by Corp to date is that the plan actuary intends to advise the trustee to calculate the transfer amount on the agreed basis, which could (apart from the allowance in the sale price) result in a liability to Corp under the shortfall obligation of approximately L1.47 million. Allowing for the price adjustment, Corp would on these figures be entitled to L1.785 million from the buyer. If the trustee does not follow the advice of the actuary or if the actuary changes his advice, Corp expects its maximum liability under the shortfall obligation to be approximately L14.665 million (or L12.88 million if the net over-allowance by Corp is taken into account). The actuary is not bound by his representations and a final determination of the transfer amount is not likely until April or May, 2003. There can be no assurance that the trustee will not decide to follow a basis which results in greater liability for Corp than Corp currently expects, which could have a material adverse effect on the Group. Indeed, if the trustee refuses or fails to transfer the whole or any part of the agreed amount, Corp will be liable for 50 per cent. of the shortfall (less the buyer's prevailing rate of corporation tax), which could produce a significantly larger liability. If Corp is required to make a net payment of approximately L14.665 million (or L12.88 million if the net over-allowance by Corp is taken into account), the funding position of the UK Plan would improve considerably. This would be because the UK Plan had distributed a smaller than anticipated amount to the buyer's pension plan.

UNITED STATES PENSION PLANS

Description of the main US plan

The principal pension plan in the United States is the Marconi USA Employees' Retirement Plan, which is a tax-qualified, funded defined benefit plan.

The following additional plans are also maintained in the US:

- a. the RELTEC Corporation Retirement Plan, which is a tax-qualified, funded defined benefit plan (the "RELTEC PLAN"). The benefit accruals of participants in the RELTEC Plan were frozen, effective as of 31 December 1997; and
- b. the RELTEC Supplemental Executive Retirement Plan (the "SERP"), which is an unfunded, non-tax-qualified plan for a select group of management or highly compensated employees. There are approximately seven participants covered by the SERP as of 1 April 2002. The SERP was also frozen as of 31 December 1997. No benefits have accrued under the SERP since that date.

Corp is not a sponsoring employer of the Marconi Plan or the RELTEC Plan but, because Corp and plc are part of the plan sponsor's "controlled group" under the Employee Retirement Income Security Act of 1974, as amended ("ERISA") and the Internal Revenue Code of 1986, as amended (the "CODE"), Corp and plc would each

Edgar Filing: MARCONI PLC - Form 6-K

be jointly and severally liable under ERISA for any funding shortfall on termination of either plan (together with the US subsidiaries which are participating employers and other substantially owned US and non-US subsidiaries). The sponsor of the Marconi Plan and the RELTEC Plan is a US company, as are each of the participating employers. There is no formal or informal plan or commitment at this time to terminate either the Marconi Plan or the RELTEC Plan.

131

I. EXPLANATORY STATEMENT (IN COMPLIANCE WITH SECTION 426 OF THE COMPANIES ACT 1985)

SECTION 2: FURTHER EXPLANATION OF THE RESTRUCTURING -- PART D

Funded status of the US plans

Corp and plc estimate as at 30 September 2002:

- a. on an ongoing basis and from an accounting perspective under US Financial Accounting Standard Statement 132, the Marconi Plan had assets with a value of US\$164,915,249 and was underfunded by US\$18,378,172; and
- b. on an ongoing basis and from an accounting perspective under US Financial Accounting Standard Statement 132, the RELTEC Plan had assets with a value of US\$47,345,086 and was underfunded by US\$15,812,831.

This estimate is based on valuations prepared for the relevant plans as at 31 December 2001, adjusted for turnover in the first quarter of 2002 and a change in the discount rate from 7 1/4 per cent. to 6 1/2 per cent. and rolled forward to 30 September 2002. An actuarial report for the plans' status, as at 31 December 2002, is not expected to be completed for several months.

Potential consequences of the underfunding of the US plans on Corp and plc

If a sale of any of the US businesses which sponsor or participate in either of the defined benefit pension plans (or any subsidiary or division of those businesses) occurs, the portion of the assets and liabilities under any such plan pertaining to the employees (and, perhaps, retirees) of the entities being sold could either be transferred to the buyer's defined benefit plan or retained in the Marconi Plan or the RELTEC Plan, as applicable. If, at the time that assets and liabilities are to be transferred from the Marconi Plan or the RELTEC Plan, either of such plans were underfunded, the assets and liabilities transferred might have to be determined based on assumptions prescribed by the United States Pension Benefit Guaranty Corporation ("PBGC"). The PBGC is a US government agency established under ERISA to assure the payment of certain guaranteed levels of benefits under most defined benefit plans. When liabilities are determined on the basis of the fairly conservative PBGC assumptions they generally result in a greater liability than the liability as determined under applicable accounting standards for an ongoing plan or an amount an insurance company would charge to assume the liability.

The PBGC has an early warning programme under which it scrutinises the financial soundness of the parties to a corporate transaction and the funding status of the relevant tax-qualified defined benefit pension plans. The PBGC has the authority under ERISA to terminate an underfunded plan, thereby triggering the required payment by the plan sponsor of any funding shortfall, if the PBGC determines that the proposed transaction could reasonably be expected to

increase unreasonably its risk of possible long-term loss if the plan is not terminated. If a sale of a US business were to occur at a time when the Marconi Plan or the RELTEC Plan is underfunded, PBGC involvement is possible, depending upon the circumstances then surrounding such potential sale. If the PBGC were to elect to become involved, such involvement could impede or delay any such proposed transaction, increase its cost or reduce the net sale proceeds depending upon what, if any, action might be required by the PBGC. The PBGC would also have the power to bring an action to terminate the Marconi Plan or the RELTEC Plan if, at any time, the participating employers were unable to contribute the annual amount required to satisfy minimum funding obligations under US law, the plans were unable to pay benefits when due, or certain so-called reportable events were to occur, and, in each case, the PBGC were to determine that its risk of possible long-term loss could reasonably be expected to increase unreasonably.

The filing of this document with the Court constituted a reportable event and Corp and plc have notified the PBGC accordingly. In order to substantially reduce the uncertainty of the potential involvement of the PBGC, Corp and plc have entered into a legally binding memorandum of understanding with the PBGC under which the PBGC has agreed not to terminate the Marconi Plan or the RELTEC Plan solely as a result of the Restructuring nor make a claim under the plc Scheme, in exchange for which Corp has agreed to provide (i) certain guarantees to the PBGC relating to potential liabilities of its United States subsidiaries under the two plans, (ii) if Corp intends to sell any of its business units in the United States to a third-party purchaser whose debt immediately following the consummation of such transaction is not then rated investment grade, no proposed transfer of assets and liabilities of the Marconi Plan or the RELTEC Plan to a pension plan of the third-party purchaser will be made without the consent of the PBGC, (iii) a commitment to fund, from the proceeds of sale, any shortfall in the

132

I. EXPLANATORY STATEMENT
(IN COMPLIANCE WITH SECTION 426 OF THE COMPANIES ACT 1985)

SECTION 2: FURTHER EXPLANATION OF THE RESTRUCTURING -- PART D

Marconi Plan or RELTEC Plan, as applicable, which is attributable to any United States business unit being sold, with the amount to be funded based on then applicable PBGC safe harbour assumptions used for plan termination purposes, and (iv) accelerated funding of contributions beyond the minimum otherwise legally required. See Appendix 19 for a more detailed discussion of the memorandum of understanding with the PBGC.

D.12 LISTING AND DEALING

Application has been made to the UKLA for the New Shares, the New Notes and the Warrants to be admitted to the Official List of the UKLA and to the London Stock Exchange for the New Shares, the New Notes and the Warrants to be admitted to trading on the London Stock Exchange's market for listed securities. It is expected that Listing will become effective and dealings in the New Shares, the New Notes and the Warrants will commence at 8.00 a.m. (London time) on the Effective Date which is currently expected to be 19 May 2003, but the Corp Scheme is not conditional on Listing becoming effective and the New Shares, the New Notes and the Warrants may therefore be issued as unlisted securities. Corp will use its reasonable endeavours to effect the Listing of the New Shares, the New Notes and the Warrants as soon as possible on or after the Effective Date of the Corp Scheme.

Edgar Filing: MARCONI PLC - Form 6-K

A document comprising a prospectus relating to Corp has been prepared in accordance with the Listing Rules made under section 74 of the FSMA and a copy of it will be delivered for registration to the Registrar of Companies in England and Wales pursuant to section 83 of the FSMA.

Corp will apply to list the ADRs in respect of its shares on NASDAQ and will use its reasonable endeavours to effect this NASDAQ listing as soon as practicable following the Effective Date of the Corp Scheme. It is currently expected that the NASDAQ listing will become effective during the third calendar quarter of 2003.

Please see Part F.2 of this Section: Risk factors for a discussion of certain risks relating to delay and potential delay in the listing of the New Shares, New Notes, Warrants and ADRs.

D.13 REPORTING REQUIREMENTS AND ENTITLEMENT TO INFORMATION

Corp files reports and other information with the SEC under the US Securities Exchange Act of 1934, as amended. Reports and other information filed with, or submitted to, the SEC by Corp can be inspected and copied at the public reference facilities maintained by the SEC at 450 Fifth Street, N.W., Room 1024, Washington D.C. 20549 and at the SEC's regional offices at Citicorp Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661. Reports and other information are also available to the public through the internet in the EDGAR database on the SEC's Web site at <http://www.sec.gov>.

Pursuant to the terms of the indentures governing the New Notes, following the Restructuring Corp will begin to file annual, quarterly and periodic reports with the SEC on Form 10-K, Form 10-Q and Form 8-K, respectively, as if it were a US domestic issuer, subject to certain specified exceptions (as more particularly described in Appendix 8, under the caption "SEC Reports; Other Information"). (Corp will remain a foreign private issuer and as such will not be subject to and (except as described herein) does not intend to comply with US proxy rules or any other provision of the US securities laws from which foreign private issuers are exempted.) The first such filing will be a Form 10-Q quarterly report in respect of the quarter ending 30 September 2003. Prior to that time, Corp will file an annual report on Form 20-F for the year ending 31 March 2003 within 90 days of the financial year end, and will submit a quarterly report in respect of the quarter ending 30 June 2003 under cover of Form 6-K within 60 days of the quarter end, in each case including financial statements in accordance with or reconciled to US GAAP and non-financial statement disclosures otherwise as required by Form 10-K or Form 10-Q, as the case may be, subject to certain specified exceptions (as more particularly described in Appendix 8, under the caption "SEC Reports; Other Information"). All of the above reports (regardless of the forms under which they are filed or submitted) will also include the certifications required with respect to filings by US domestic issuers on Form 10-K and Form 10-Q pursuant to the Sarbanes-Oxley Act of 2002 and SEC rules adopted thereunder. In addition, Corp will hold quarterly investor conference calls following the release of such reports.

The specific reporting requirements described above will cease to apply once the New Notes are no longer outstanding. At any time thereafter, subject to the requirements of applicable law and regulation, Corp will be

133

I. EXPLANATORY STATEMENT (IN COMPLIANCE WITH SECTION 426 OF THE COMPANIES ACT 1985)

SECTION 2: FURTHER EXPLANATION OF THE RESTRUCTURING -- PART D

Edgar Filing: MARCONI PLC - Form 6-K

free to discontinue filing SEC reports on the forms used by US domestic issuers, as well as the other reporting practices described in the previous paragraph.

D.14 MEMORANDUM AND ARTICLES

A summary of certain provisions of the Memorandum of Corp which has been amended, and the Articles of Corp which have been adopted, in each case conditionally on the allotment of the New Shares pursuant to the Corp Scheme, is in Appendix 14.

D.15 AMERICAN DEPOSITARY RECEIPTS

GENERAL

Corp will establish an ADR programme in respect of the New Shares. Elections may be made in Claim Forms and Account Holder Letters to have all or any portion of the New Shares deliverable pursuant to the Schemes delivered in the form of ADRs. Any person who elects to receive New Shares in the form of ADRs also will receive all future distributions of New Shares to which such person may be entitled pursuant to the Schemes in the form of ADRs. As described below no depositary fees will be payable at any time in connection with the initial issuance of ADRs pursuant to the Schemes and any UK stamp duty or SDRT payable in this respect will be met by Corp.

ADRs will be issued pursuant to the Schemes in reliance on the exemption from Securities Act registration provided by Section 3(a)(10) thereof (or, in the case of plc Shareholders, in transactions not subject to such registration). Following their initial issuance, such ADRs may be sold in ordinary secondary market transactions without restriction under the Securities Act (subject to the restrictions applicable to "affiliates" described in Part D.16 of this Section). In addition, a registration statement on Form F-6 will be filed with the SEC in relation to the ADRs. It is currently expected that this registration statement will be effective prior to the Effective Date of the Corp Scheme. Once this registration statement is effective, outstanding Corp Shares may be deposited into the ADR programme in exchange for ADRs. Such ADRs may then be sold in ordinary secondary market transactions without restriction under the Securities Act.

Corp will apply to list the ADRs on NASDAQ and will use its reasonable endeavours to effect this NASDAQ listing as soon as practicable following the Effective Date of the Corp Scheme. It is currently expected that the NASDAQ listing will become effective during the third calendar quarter of 2003. Persons who are considering making an election to receive New Shares in the form of ADRs should note that, unless and until the NASDAQ listing becomes effective, development of a liquid trading market for the ADRs will be inhibited, which is likely to have a material adverse effect on their value.

A summary of the material terms of the ADRs is set out in Appendix 16.

RESPONSIBILITY FOR FEES AND TAXES IN CONNECTION WITH ADRS

Persons electing to receive ADRs pursuant to the Schemes

Scheme Creditors and Designated Recipients who receive New Shares in the form of ADRs pursuant to the Schemes at any time will not be responsible for any fees or expenses of The Bank of New York, as ADR depositary, or any UK stamp duty or SDRT, in respect of the initial issuance of such ADRs. The Bank of New York has agreed to waive its fees and expenses in this connection, and any such UK stamp duty or SDRT will be met by Corp.

Such persons will, however, be responsible for any other taxes or charges

Edgar Filing: MARCONI PLC - Form 6-K

arising in connection with such initial issuance of ADRs, as well as any fees, expenses, taxes or charges arising in connection with any subsequent transaction involving ADRs (except to the extent described below under "General fee holiday").

Persons electing to receive New Shares pursuant to the Schemes

Subject to compliance with the procedures referred to below, Scheme Creditors and Designated Recipients who receive New Shares pursuant to the Schemes will not be responsible for any fees or expenses of The Bank of

134

I. EXPLANATORY STATEMENT (IN COMPLIANCE WITH SECTION 426 OF THE COMPANIES ACT 1985)

SECTION 2: FURTHER EXPLANATION OF THE RESTRUCTURING -- PART D

New York in respect of the initial issuance of ADRs upon deposit of those New Shares (or an equivalent number of Corp Shares) in exchange for ADRs, if such deposit is effected prior to the earlier of (x) the date falling two months after the effectiveness of the NASDAQ listing of the ADRs and (y) 30 September 2003. The Bank of New York has agreed to waive its fees and expenses in this connection.

In addition, subject to compliance with the procedures referred to below, Scheme Creditors and Designated Recipients who receive New Shares pursuant to the Schemes will not be responsible for any UK stamp duty or SDRT arising in connection with the initial issuance of ADRs upon deposit of those New Shares (or an equivalent number of Corp Shares) in exchange for ADRs, if such deposit is effected prior to the date falling two months after the effectiveness of the NASDAQ listing of the ADRs. Any such UK stamp duty or SDRT will be met by Corp.

To qualify for the treatment described above, Scheme Creditors and Designated Recipients must comply with certain procedures, including providing such certifications or other evidence as Corp and The Bank of New York may reasonably require in order to permit verification of the number of New Shares obtained by the depositor pursuant to the Schemes. For information with respect to the relevant procedures, Scheme Creditors and Designated Recipients should contact The Bank of New York's office in London on (attention Mr Peter Ridgwell), telephone +44 207 964 6168, facsimile +44 207 964 6043.

Except insofar as these arrangements apply, Scheme Creditors and Designated Recipients will be responsible for all taxes or charges arising in connection with the initial issuance of ADRs as described above, as well as any fees, expenses, taxes or charges arising in connection with any subsequent issuance of or other transaction involving ADRs (except to the extent described below under "General fee holiday").

GENERAL FEE HOLIDAY

The Bank of New York has agreed to waive any payment in respect of its fees and expenses that would otherwise be required under the Deposit Agreement in connection with any deposit of Corp Shares in exchange for ADRs that is effected prior to the date falling two months after the Effective Date of the Corp Scheme. This "fee holiday" will be implemented without regard to the special arrangements for Scheme Creditors and Designated Recipients described above. Persons depositing Corp Shares during this period (other than Scheme Creditors and Designated Recipients, to the extent described above) will, however, be responsible for any taxes or other charges (including UK stamp duty or SDRT)

Edgar Filing: MARCONI PLC - Form 6-K

arising in connection with the issuance of ADRs.

D.16 US SECURITIES LAW CONSIDERATIONS

CONSIDERATIONS FOR SCHEME CREDITORS AND BONDHOLDERS

US federal securities laws

The New Shares, ADRs and New Notes issued to Scheme Creditors and Bondholders pursuant to the Schemes will not be registered under the Securities Act in reliance on the exemption from registration provided by Section 3(a)(10) thereof, and will not be registered under the securities laws of any state of the US in reliance on exemptions provided under the securities laws of each state of the US in which Scheme Creditors and Bondholders are located. The issue of New Shares, ADRs and New Notes to Scheme Creditors and Bondholders located in the states of Arizona, California, Colorado, Connecticut, Illinois, Ohio and Vermont will, however, be subject to the limitations described in "US state securities