

**The G.E.C. 1972 Plan**  
**Sale of Marconi businesses**

**Frequently Asked Questions:**

**Effect on members:**

I am a pensioner – how will my pension be affected?

There will be no changes to your pension entitlements.

I am a deferred pensioner – how will my pension be affected?

There will be no changes to your accrued pension benefits.

I am an active member who will be transferring to Ericsson – how will my pension be affected?

Members whose employment is transferred to Ericsson will be able to retain a deferred benefit in the Plan with the protection afforded by the additional funding and escrow arrangements and will be offered new pension arrangements by Ericsson. Marconi has informed the Trustee that it is entering into discussions with Ericsson, with the aim of providing members with the opportunity to transfer past service benefits to an Ericsson pension scheme.

Members who become deferred pensioners of the Plan will be entitled to their accrued rights (increased in line with the rules, where applicable, to retirement at age 65, which can also be drawn after age 50 on a reduced basis). They will also have the option (up to age 64) to transfer the cash equivalent to a pension scheme (or a tax approved personal pension scheme) of their choice.

I am an active member who will be remaining with telent plc – how will my pension be affected?

Members who remain in the employment of telent plc will have the pensions they have earned to date protected by the additional funding and escrow arrangements. They will continue to build up future pension rights through The GEC 1972 Plan

Members who leave the Group will have the same protection and transfer rights as other deferred pensioners outlined above.

Is payment of pensions in full now guaranteed, or does there remain a possibility that benefits will have to be reduced at some time in the future?

Members should be aware that the Trustee cannot give a guarantee that benefits will always be able to be paid as this is dependent on a number of factors including longevity and investment returns.

However, the immediate funding proposed, the escrow arrangement and the on-going contributions from telent plc gives the Trustee confidence that on a professional assessment benefits can continue to be paid in full.

Members should also be aware that while these arrangements provide the Trustee with such confidence about the protection of benefits accrued to date, it cannot give assurances about future pension benefits to be provided by Ericsson or telent plc.

Does this mean that credited interest can now be restored to a level above the current minimum 2.5%?

The Trustee will consider the declaration of the rates of credited interest for SBS and main Plan benefits for the year in the normal way. In doing so it will take into consideration the performance of the Plan's investments, the Plan's overall funding level and the value of the guaranteed minimum level of 2.5%. Because of the modest size of telent plc relative to the Plan, the Trustee will not wish to take significant investment risks and consequently the majority of the Plan's assets will continue to be invested in bonds rather than equities. Future returns from the Plan's investments are therefore likely to be low.

Is the Plan now effectively standing on its own with no other possible sources of funding?

No. The Plan retains telent plc as its sponsor and the company will be responsible for paying contributions and the costs of administering the Plan. The Trustee is aware that the company is of modest size relative to the Plan and does not wish to place any undue financial stress on the company as it grows its business. Consequently the Trustee will follow a low risk funding strategy for the Plan and this and the escrow arrangement should minimise the need to require telent to provide any future deficit funding.

Will the role of the Trustee change?

No. The roles and responsibilities of the Trustee will remain as before.

**The Transaction:**

When will the transaction be approved?

The transaction is subject to approval by Marconi shareholders and certain regulatory clearance being obtained.

Marconi expects to issue a detailed circular to shareholders in mid-November. An EGM will be held in December and completion (including payments to the Plan and the escrow arrangement) is expected in the first quarter of 2006.

The Pensions Regulator has provided clearance.

Why has Ericsson not taken over as sponsor of the scheme?

It has not purchased the whole of the Marconi Group only the assets of certain businesses of Marconi. The sponsoring employer of the Plan will continue to be Marconi Corporation, under its new name telent plc.

Why has the transaction been done this way? Was this the best course of action? and what process did the Trustee follow?

The Trustee is responsible for ensuring that Plan benefits can be paid as they fall due. The proposed transaction sees a significant inflow of funds to the Company and the Trustee's objective was to ensure that sufficient of these were made available to the Plan to ensure that it can meet its responsibilities to members.

In supporting the transaction the Trustee has considered carefully the appropriate professional advice of its advisers including the Plan actuary (Graham Mitchell of Watson Wyatt) its legal advisers (Sacker & Partners LLP) and its financial advisers (Kroll Talbot Hughes). It also

obtained an opinion from Leading Counsel that it had followed due process and acted appropriately on the advice received.

What has the Pensions Regulator had to say about the transaction?

Under the Pensions Act 2004 there is provision for the Company to seek clearance from the Pensions Regulator before any distribution of funds to shareholders and the company chose to seek such clearance. The Pensions Regulator has reviewed the transaction to ensure that it is not to the detriment of Members.

The Pensions Regulator has provided clearance to the Company that the transaction and agreement with the Trustee is not to the detriment of the Plan and its members.

**Support from Advisers:**

Has the Trustee received support from its advisers that the transaction is acceptable?

Yes – Graham Mitchell of Watson Wyatt, the Plan actuary and Kroll Talbot Hughes, the financial advisers to the Trustee have both supported the agreement. The Actuary has confirmed that in his opinion the funds received, those held in the escrow arrangement and the value of the future contributions from telent are sufficient to enable the Trustee to be confident that, on reasonable actuarial assumptions, it has sufficient funds to meet all the accrued benefit liabilities of the Plan, as currently assessed.

In its discussions with the Company, the Trustee had the advice of its Actuary and legal advisers; did it have any independent financial advice or other independent support?

Yes, the Trustee appointed Kroll Talbot Hughes, a respected corporate restructuring firm, to advise on the financial aspect of the transaction and to provide reports on the financial strength of the Company and of telent.

How independent was the Trustee in considering the Company's offer? Were all of the Trustee Directors involved?

The Trustee's consideration has throughout been in the interests of the Plan and its members.

The detailed discussions with the Company and advisers were initially undertaken by a committee of the Trustee, but all Directors received reports from the Committee at a number of meetings, and all were involved in approving the Trustee's support for this agreement. The Trustee took independent advice and has a fiduciary responsibility to act in the interests of the members.

In order to provide additional support to the Board, Law Debenture Pension Trust Company Limited, represented by Eddie Thomas, was appointed to the Board of the Trustee in July.

**Escrow Arrangement:**

How is the money in the escrow arrangement protected to ensure that it is available to the Trustee?

Whilst the owner of these assets will be telent plc, the assets will be held and managed separately from that company by a nominee (probably a bank) and will be subject to a legal arrangement such that they cannot be distributed until they are either needed by the Trustee or can safely be released to the Company. Any payment from the escrow arrangement can be made only with the agreement of the Trustee.