



ITV PLC

(incorporated with limited liability in England and Wales with Registration No. 4967001)

£135,000,000 4.00 per cent. Guaranteed Convertible Bonds due 2016

guaranteed by

Carlton Communications Limited

(incorporated with limited liability in England and Wales with Registration No. 348312)

convertible into Ordinary Shares of ITV PLC

Issue price: 100 per cent.

The £135,000,000 4.00 per cent. Guaranteed Convertible Bonds due 2016 (the **Bonds**) issued by ITV plc (**ITV** or the **Issuer**) and guaranteed (the **Guarantee**) by Carlton Communications Limited (the **Guarantor**) will be convertible (subject as provided herein) for fully paid ordinary shares (the **Ordinary Shares**) of the Issuer, having at the Closing Date (as defined below) a nominal value of 10 pence each, at the then applicable Conversion Price (as defined herein), at any time on or after 21 December 2009 and up to the close of business on the date falling seven calendar days prior to the Final Maturity Date (as defined herein) (both dates inclusive) or, if such Bond is to be redeemed prior to the Final Maturity Date, then up to (and including) the close of business on the seventh calendar day before the date fixed for redemption (subject as further described in "Terms and Conditions of the Bonds"). The initial Conversion Price will be 70.44 pence per Ordinary Share and will be subject to adjustment in certain circumstances as described in "Terms and Conditions of the Bonds – Conversion of Bonds".

The Bonds will bear interest from and including 9 November 2009 (the **Closing Date**) at the rate of 4.00 per cent. per annum. Interest on the Bonds will be payable semi-annually in arrear in equal instalments on 9 May and 9 November of each year (each an **Interest Payment Date**), commencing on 9 May 2010.

Unless previously purchased and cancelled, redeemed or converted, the Bonds will be redeemed at 100 per cent. of their principal amount on 9 November 2016 (the **Final Maturity Date**). The Bonds are subject to early redemption in whole, but not in part, at their principal amount, together with accrued interest (i) at the option of the Issuer, in the event of certain changes affecting taxes of the United Kingdom; (ii) at the option of the Issuer at any time on or after 29 November 2011 but prior to and excluding 29 November 2013, if the Parity Value (as defined in the Conditions) for such dealing day on each of at least 20 dealing days in any period of 30 consecutive dealing days ending not earlier than 14 days prior to the giving of the relevant Optional Redemption Notice (as defined in the Conditions), shall have exceeded £100,000; or (iii) at the option of the Issuer at any time on or after 29 November 2013, if the Parity Value for such dealing day on each of at least 20 dealing days in any period of 30 consecutive dealing days ending not earlier than 14 days prior to the giving of the relevant Optional Redemption Notice, shall have exceeded £65,000. In addition, the Bonds are subject to early redemption at their principal amount, together with accrued but unpaid interest, at the option of Bondholders, on the seventh London business day after the expiry of the Change of Control Period if a Change of Control (each as defined herein) shall have occurred. See "Terms and Conditions of the Bonds - Redemption and Purchase".

Application has been made to the Financial Services Authority in its capacity as competent authority under the Financial Services and Markets Act 2000 (**FSMA**) (the **UK Listing Authority**) for the Bonds to be admitted to the Official List of the UK Listing Authority (the **Official List**) and to the London Stock Exchange plc (the **LSE**) for the Bonds to be admitted to trading on the Professional Securities Market (the **Professional Securities Market**) of the LSE. References in this Offering Circular to the Bonds being "listed" (and all related references) shall mean that the Bonds have been admitted to the Official List and have been admitted to trading on the Professional Securities Market. The Professional Securities Market is not a regulated market for the purposes of Directive 2004/39/EC (the **Markets in Financial Instruments Directive**). The Issuer's Ordinary Shares are listed on the Official List and traded on the LSE's market for listed securities under the symbol "ITV".

None of the Bonds, the Guarantee nor the Ordinary Shares to be delivered upon conversion of the Bonds have been or will be registered under the US Securities Act of 1933, as amended (the **Securities Act**), and such Bonds and Ordinary Shares may not be offered or sold or delivered within the United States, absent registration or an applicable exemption from registration under the Securities Act. In addition, the Bonds are subject to US tax law requirements and may not be sold to US persons. For a description of certain further restrictions on the offering and sale of Bonds and on the distribution of this document see "Subscription and Sale".

The Bonds will initially be represented by a temporary global bond (the **Temporary Global Bond**), without interest coupons, which will be deposited on or about the Closing Date with a common depository for Euroclear Bank SA/NV (**Euroclear**) and Clearstream Banking, *société anonyme* (**Clearstream, Luxembourg**). Interests in the Temporary Global Bond will be exchangeable for interests in a permanent global bond (the **Global Bond** and, together with the Temporary Global Bond, the **Global Bonds**), without interest coupons, on or after 21 December 2009 (the **Exchange Date**), upon certification as to non-US beneficial ownership. Interests in the Global Bond will be exchangeable for definitive Bonds in bearer form in the denomination of £50,000 only in certain limited circumstances – see "Summary of Provisions relating to the Bonds while represented by the Global Bonds".

An investment in the Bonds involves certain risks. Prospective investors should read this Offering Circular and, in particular, have regard to the factors described in the section entitled "Risk Factors".

Joint Bookrunners and Joint Lead Managers

Credit Suisse

UBS Investment Bank

This offering circular (the **Offering Circular**) comprises listing particulars given in compliance with the listing rules made under Section 73A of the FSMA by the UK Listing Authority for the purpose of giving information with regard to the Issuer, the Guarantor, the Group (as defined in the Conditions), the Guarantee and the Bonds.

The Issuer and the Guarantor (each a **Responsible Person** and together the **Responsible Persons**) accept responsibility for the information contained in this Offering Circular. To the best of the knowledge of the Issuer and the Guarantor (having taken all reasonable care to ensure that such is the case) the information contained in this Offering Circular is in accordance with the facts and does not omit anything likely to affect the import of such information.

Each of the Joint Lead Managers (as defined in "Subscription and Sale") is acting for the Issuer exclusively and no one else in connection with the offering and will not regard any other person (whether or not as a recipient of this document) as its client in relation to the offering and will not be responsible to anyone other than the Issuer for providing the protections afforded to clients of the Joint Lead Managers, or for providing advice in relation to the offering, the contents of this Offering Circular or any transaction or arrangement or other matter referred to in this Offering Circular.

This Offering Circular is to be read and construed in conjunction with any documents which are deemed to be incorporated herein by reference (see "Documents Incorporated by Reference"). This Offering Circular should be read and construed on the basis that such documents are incorporated in and form part of the Offering Circular.

No representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Joint Lead Managers or the Trustee as to the accuracy, completeness or verification of the information contained or incorporated by reference in this Offering Circular or any other information provided by the Issuer or the Guarantor in connection with the offering of the Bonds or their distribution, and nothing contained in this Offering Circular is, or shall be relied upon as a promise or representation in this respect, whether as to the past or the future. The Joint Lead Managers assume no responsibility for its accuracy, completeness or verification and accordingly disclaim, to the fullest extent permitted by applicable law, any and all liability, whether arising in tort, contract or otherwise, which they might otherwise be found to have in respect of this document or any such statement.

No person is or has been authorised by the Issuer, the Guarantor or the Trustee to give any information or to make any representation not contained in or not consistent with this Offering Circular or any other information supplied in connection with the offering of the Bonds and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, the Guarantor, any of the Joint Lead Managers or the Trustee.

The investors acknowledge that: (i) they have not relied on the Joint Lead Managers or any person affiliated with the Joint Lead Managers in connection with any investigation of the accuracy of any information contained in this Offering Circular or their investment decision; and (ii) they have relied only on the information contained in this Offering Circular, and that no person has been authorised to give any information or to make any representation concerning the Issuer, the Guarantor, the Group or the Bonds, the Guarantee or the Ordinary Shares (other than as contained in this Offering Circular) and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Issuer, the Guarantor or the Joint Lead Managers.

Neither this Offering Circular nor any other information supplied in connection with the offering of the Bonds (a) is intended to provide the basis of any credit or other evaluation or (b) should be considered as a recommendation by the Issuer, the Guarantor, any of the Joint Lead Managers or the Trustee that any recipient of this Offering Circular or any other information supplied in connection with the offering of the Bonds should purchase any Bonds. Each investor contemplating purchasing any Bonds should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer and/or the Guarantor. Neither this Offering Circular nor any other information supplied in connection with the offering of the Bonds constitutes an

offer or invitation by or on behalf of the Issuer, the Guarantor, any of the Joint Lead Managers or the Trustee to any person to subscribe for or to purchase any Bonds.

Neither the delivery of this Offering Circular nor the offering, sale or delivery of the Bonds shall in any circumstances imply that the information contained herein concerning the Issuer, the Group and/or the Guarantor is correct at any time subsequent to the date hereof or that any other information supplied in connection with the offering of the Bonds is correct as of any time subsequent to the date indicated in the document containing the same. The Joint Lead Managers and the Trustee expressly do not undertake to review the financial condition or affairs of the Issuer or the Guarantor during the life of the Bonds or to advise any investor in the Bonds of any information coming to their attention.

In making an investment decision, each investor must rely on its own examination, analysis and enquiry of the Issuer, the Group and the Guarantor and the terms of the offering of the Bonds, including the merits and risks involved.

The Bonds are securities which, because of their nature, are normally bought and traded by a limited number of investors who are particularly knowledgeable in investment matters. This Offering Circular has been prepared on the basis that any purchaser of Bonds is a person or entity having sufficient knowledge and experience of financial matters as to be capable of evaluating the merits and risks of the purchase. Before making any investment decision with respect to the Bonds, prospective investors should consult their own counsel, accountants or other advisers and carefully review and consider their investment decision in the light of the foregoing and the following.

An investment in the Bonds is only suitable for financially sophisticated investors who are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses which may result therefrom.

None of the Issuer, the Guarantor, the Joint Lead Managers or any of their respective representatives is making any representation to any offeree or purchaser of the Bonds regarding the legality of an investment in the Bonds by such offeree or purchaser under the laws applicable to such offeree or purchaser.

This Offering Circular does not constitute an offer to sell or the solicitation of an offer to buy the Bonds in any jurisdiction to any person to whom it is unlawful to make such an offer or solicitation in such jurisdiction. The distribution of this Offering Circular and the offer or sale of Bonds may be restricted by law in certain jurisdictions. None of the Issuer, the Guarantor, the Joint Lead Managers or the Trustee represent that this Offering Circular may be lawfully distributed, or that the Bonds may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. Accordingly, no Bonds may be offered or sold, directly or indirectly, and neither this Offering Circular nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Offering Circular or any Bonds may come must inform themselves about, and observe, any such restrictions on the distribution of this Offering Circular and the offering and sale of Bonds. In particular, there are restrictions on the distribution of this Offering Circular and the offer or sale of Bonds in the United States and the United Kingdom (see "Subscription and Sale"). Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. For further information on the manner of distribution of the Bonds, and the transfer restrictions to which they are subject, see "Subscription and Sale".

All references in this document to **Sterling** and **£** are to the lawful currency of the United Kingdom. All references to **US Dollar**, **US\$** and **\$** refer to United States dollars.

TABLE OF CONTENTS

DOCUMENTS INCORPORATED BY REFERENCE	5
RISK FACTORS	6
TERMS AND CONDITIONS OF THE BONDS	15
SUMMARY OF PROVISIONS RELATING TO THE BONDS WHILE REPRESENTED BY THE GLOBAL BONDS	54
USE OF PROCEEDS	57
DESCRIPTION OF THE ISSUER	58
DESCRIPTION OF THE GUARANTOR	67
DESCRIPTION OF THE ORDINARY SHARES	68
SHARE PRICE HISTORY	71
TAXATION	72
SUBSCRIPTION AND SALE	75
GENERAL INFORMATION	77

DOCUMENTS INCORPORATED BY REFERENCE

This Offering Circular should be read and construed in conjunction with:

- (a) the unaudited consolidated semi-annual financial statements (including the accounting policies and notes to the financial statements) of the Issuer for the six months ended 30 June 2009;
- (b) the auditors report and audited consolidated annual financial statements (including the accounting policies and notes to the financial statements) of the Issuer for the financial year ended 31 December 2008 and for the financial year ended 31 December 2007; and
- (c) the auditors report and audited annual financial statements (including the accounting policies and notes to the financial statements) of the Guarantor for the financial year ended 31 December 2008 and for the financial year ended 31 December 2007,

which have been previously published and filed with the Financial Services Authority.

Such documents shall be incorporated in, and form part of, this Offering Circular, save that any statement contained in a document which is incorporated by reference herein shall be modified or superseded for the purpose of this Offering Circular to the extent that a statement contained herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Offering Circular.

For the avoidance of doubt, any documents themselves incorporated by reference in the documents incorporated by reference in this Offering Circular shall not form part of this Offering Circular.

Copies of documents incorporated by reference in this Offering Circular may be obtained (without charge) from the registered office of the Issuer.

RISK FACTORS

*Prospective investors should consider carefully the risks set forth below and other information contained in this Offering Circular prior to making any investment decision with respect to the Bonds. Each of the Issuer and the Guarantor believes that the following factors, which may affect the Issuer and its subsidiaries (the **Group**), may affect its ability to fulfil its obligations under the Bonds and/or the Guarantee. All of these factors are contingencies which may or may not occur and neither the Issuer nor the Guarantor is in a position to express a view on the likelihood of any such contingency occurring.*

In addition, factors which are material for the purpose of assessing the market risks associated with the Bonds and the Guarantee are described below.

Each of the Issuer and the Guarantor believes that the factors described below represent the principal risks inherent in investing in the Bonds, but the Issuer or the Guarantor may be unable to pay interest, principal or other amounts on or in connection with the Bonds and/or the Guarantee for other reasons which may not be considered significant risks by the Issuer and the Guarantor based on information currently available to them or which they may not currently be able to anticipate. Neither the Issuer nor the Guarantor represents that the statements below regarding the risks of holding the Bonds are exhaustive. Only those risks that the Issuer and Guarantor consider to be material are described below. Prospective investors should also read the detailed information set out elsewhere in this Offering Circular (including any documents incorporated by reference herein) and reach their own views prior to making any investment decision.

Bonds are complex financial instruments, the purchase of which involves substantial risks and is suitable only for investors who have the knowledge and experience in financial and business matters necessary to enable them to evaluate the risks and the merits of an investment in the Bonds. Before making an investment decision, prospective purchasers of Bonds should ensure that they understand the nature of the Bonds and the extent of their exposure to risks and that they consider carefully, in the light of their own financial circumstances, financial condition and investment objectives, all the information set forth in this Offering Circular and in particular in this "Risk Factors" section.

Factors that may affect the Group and that may also affect the Issuer's and the Guarantor's ability to fulfil their obligations under the Bonds and/or the Guarantee

Television advertising currently accounts for the majority of the Group's revenues. Future total advertising revenues could be impacted by a variety of factors

ITV is largely dependent on advertising revenue for income. In the Issuer's financial years ended 31 December 2008 and 31 December 2007, television advertising accounted for approximately 70 per cent. and 72 per cent., respectively, of the Group's total revenues.

Future total advertising revenues of ITV could be impacted by a variety of factors, including the following:

- ITV is likely to continue to be adversely affected by the impact that the recent economic downturn has had, and may continue to have, on the UK advertising market;
- Television may lose share of the total display advertising market to other forms of media, in particular to the online advertising market;
- ITV may lose market share of the television advertising market to competitors;
- ITV cannot predict with certainty the changes that may occur in the future, which may affect the competitiveness of its businesses;
- ITV derives a significant percentage of its advertising revenue from a limited number of advertising agencies; and

- The Contract Rights Renewal framework (as described in "Description of the Issuer - The Contract Rights Renewal Framework") (and any amendments thereto) may cause ITV to lose share of the television advertising market.

ITV can give no assurance that the above factors will not result in a further deterioration in its advertising revenues, which in turn may have a material adverse effect on its business, results of operations and financial condition.

New technology is changing viewing behaviour and the way content is distributed. If ITV is unsuccessful in adapting to these changes, ITV's results may be affected

New technologies, including new video formats, internet protocol television, streaming and downloading capabilities via the internet, video-on-demand, mobile television, digital video recorders, personal video recorders and other devices and technologies are increasing the number of media and entertainment choices available to audiences and are changing the way in which viewers consume content. These technologies are gaining in popularity and ease of use and they could lead to a decline in airtime revenues from television advertising for broadcasters, including ITV which in turn may have a material adverse effect on its business, results of operations and financial condition.

ITV's operating and financial flexibility is limited by its substantial amount of outstanding indebtedness, which could materially affect its business, results of operations and financial condition

As at 30 June 2009, ITV had net debt of £728 million (31 December 2008: £730 million). ITV's leverage could have important consequences, including, but not limited to (i) increasing ITV's vulnerability to a further downturn in ITV's business or economic and industry conditions; (ii) limiting ITV's ability to obtain additional financing to fund future operations, programming expenditure, business opportunities and other corporate requirements; (iii) requiring the dedication of a substantial portion of ITV's cash flows from operations to the payment of principal of, and interest on, ITV's indebtedness, which means that these cash flows will not be available to fund ITV's operations, programming expenditure or other corporate purposes; and (iv) limiting ITV's flexibility in planning for, or reacting to, changes in ITV's business, the competitive environment and the industries in which ITV operates. Any of these or other consequences or events could have a material adverse effect on ITV's business, results of operations and financial condition.

During the 2008 financial year, ITV lost its investment grade rating and as at 2 November 2009, ITV is rated B1 (stable outlook) by Moody's Investors Services (**Moody's**) and B+ (negative outlook) by Standard & Poor's (**S&P**). The loss of ITV's investment grade rating has resulted in an increase in the interest rate (due to interest rate step-ups triggered by a rating downgrade) payable by ITV under its €232 million 2011 bond and its £250 million 2017 bond. The cash cost of these interest rate step-ups is £8 million in aggregate in a financial year. These increased interest rates will remain unless and until ITV returns to investment grade with both rating agencies. The loss of its investment grade rating may also make it more difficult for ITV to obtain debt financing if the condition of global credit markets deteriorates.

There can be no assurance that any refinancing or additional financing will be available to ITV on commercially reasonable terms or at all. Any further rating downgrades, or ITV's inability to generate sufficient cash flow to satisfy its debt service obligations, or to refinance debt on commercially reasonable terms, could have a material adverse effect on its business, financial condition and results of operations.

ITV has significant financial commitments, in particular with respect to programming, and, as a result (i) a decrease in revenues could have a material adverse effect on ITV's results and financial condition and (ii) ITV is potentially less operationally flexible than some competitors

ITV has a number of significant financial commitments including to transmission, property and, in particular, programming, where costs account for over half of ITV's annual revenues. By their nature, commitments to programming, in particular in areas such as sport, acquisitions and original drama and

entertainment, tend to involve ITV incurring costs well in advance of such programmes being transmitted. In some cases, such as sports contracts, costs may be incurred or committed several years in advance of transmission of the associated programming.

As a result, any decrease in revenues could have a disproportionately material adverse effect on ITV's profitability as ITV may be unable, in the short to medium term, to manage its costs substantially to mitigate the effect of any significant decrease in revenue. This lack of cost-base flexibility could adversely affect ITV's financial condition and results of operations.

Many of ITV's commercial competitors do not enter into commitments for programming of the scale or duration of ITV's. As a result, ITV may be less well-positioned to take advantage of changes in market conditions compared with television companies with greater flexibility in their selection of programming. The viewing commitments and expenditure associated with ITV's programming stock limit ITV's ability to change the content of programming on ITV channels in the near future in accordance with demand. This lack of operational flexibility could adversely affect ITV's audience levels and revenues.

An increase in the costs associated with programming and programming rights acquired from third parties could adversely affect ITV's business, results of operations and financial condition

The production and acquisition of television programming is a significant component of ITV's operating costs, with approximately £1 billion allocated for spending on programming in 2008. As well as internal production, ITV acquires programming from independent television production companies and production companies owned by other broadcasters. During the period to 2011, ITV is seeking to reduce its programming costs by £175 million compared to the 2008 level. However, over the last several years, ITV has experienced an increase in the cost of programming and programming rights acquired from third parties, particularly with respect to rights to broadcast major sports events, such as UEFA Champions League, FA Cup and England home international football matches. Continued increases in the cost of programming could impact ITV's operating profit margins and this impact could be magnified in an environment of declining advertising revenues. The loss of these programming rights would impact the extent of, amongst other things, the sports coverage offered by ITV, which could adversely affect ITV's audience levels and advertising revenues.

ITV may have funding risks related to its pension schemes

ITV operates a variety of pension schemes, including funded and unfunded defined benefit schemes. There are various risks which could adversely affect the funding of the pension schemes and consequently ITV's funding obligations, such as a significant adverse change in the market value of the pension assets of the pension schemes, an increase in pension liabilities, longer life expectancy of pension plan members, or the pension scheme trustees changing their investment strategy. As at 30 June 2009, ITV's pension deficit under IAS19 was £538 million. Any increase in the deficit of the schemes may result in a need to increase pension contributions.

ITV is subject to laws and regulations relating to broadcasting and advertising

ITV is subject to UK and European Union laws and regulations which restrict the manner in which it carries on its businesses. ITV's businesses are primarily affected by broadcasting policies and regulations adopted by regulatory authorities in the UK, including in respect of its regional Channel 3 Licences, advertising content and quality, the amount of commercial advertising permitted per hour and in relation to the Contract Rights Renewal framework. Regulatory responsibility for the monitoring of compliance with these conditions is the primary responsibility of Ofcom which has the power to levy fines or terminate a licence for persistent breach of licence obligations. Failure to adhere to the broadcasting regulations could have a material adverse effect on ITV's financial condition and results of operations. Decisions of Ofcom or other regulators may restrict the way in which ITV carries on its businesses, which could have an adverse effect on its financial condition and results of operations.

ITV believes that it has a generally good relationship with Ofcom, although in the past year, ITV, in common with other broadcasters, has been subject to fines from Ofcom in relation to programming. To date the size of the fines levied on ITV have been broadly comparable to those of other broadcasters (other than the BBC for whom different rules apply) taking into account differences in turnover between broadcasters since the fines are calculated by Ofcom as a percentage of qualifying revenue. ITV is not currently aware of the prospect of any further fines. Nevertheless, as part of Ofcom's Review of ITV Networking Arrangements published on 10 September 2009, Ofcom has announced a new tougher sanctions policy in relation to Channel 3 regional licensees that broadcast material in breach of the Broadcasting Code, with the potential for fines of up to 5 per cent. of qualifying revenue for each licensee broadcasting an offending programme.

In response to these changes to the sanctions policy, ITV is putting in place new internal verification and oversight procedures. However there can be no absolute assurance that these procedures will be successful in mitigating future sanctions by Ofcom. In addition, the nature and impact of this and future changes in laws, regulations and regulatory policies are not predictable and are beyond ITV's control. Both current and future regulations by the Government or regulators could have an adverse effect on ITV's advertising revenues, financial condition and results of operations.

ITV relies on domestic and international demand for UK programmes

As a major producer and distributor of programming, ITV is dependent on demand for commissions and programming from broadcasters in the UK and internationally. Deterioration in the demand for UK programme supply could adversely affect ITV's financial condition and results of operations. In the economic downturn, whilst ITV has continued to increase its external production revenues, ITV has been exposed to a reduction in demand from a number of UK and international broadcasters, including ITV itself. Furthermore, the economic climate has adversely affected the price and margins ITV is able to obtain for the sale of programming. These factors may have an adverse effect on ITV's revenues and results of operations.

Piracy of ITV's intellectual property and other content may decrease ITV's revenue and adversely impact its business and results of operations

The success of ITV's business depends in part on its ability to maintain and protect the intellectual property rights to its products. There can be no assurance that ITV's efforts in combating piracy of its intellectual property will be successful and any continuation or increase in piracy could have an adverse effect on ITV's business, results of operations and financial condition.

Failure to implement strategic plan and savings initiatives

The successful implementation of ITV's strategic plan depends on ensuring that strict controls on cash flows and expenditure are achieved to protect ITV's financial position. In particular, over the three year period to 2011, ITV is targeting savings of £285 million, compared to its 2008 cost base. Discipline by the management team is required to ensure that the strategic plan is implemented as intended and these substantial cost savings are secured. Failure to achieve these steps may result in material adverse effects to ITV's expenses, financial position and results of operations.

Collective bargaining agreements, work stoppages and other labour relations matters could have an adverse effect on ITV

A significant proportion of ITV's employees are covered by collective bargaining or other similar labour agreements. As a result of the recent economic downturn, ITV has taken steps to reduce costs, including implementing job losses. The announcement of job losses has been met by threats of potential industrial action. The implementation of these job losses and the announcement of any additional job reductions could lead to similar actions being threatened or proceeding. In addition, any inability by ITV to negotiate acceptable new contracts under its collective bargaining agreements could cause strikes or other work stoppages, and new contracts may result in increased operating costs. Any strikes, work stoppages or otherwise contentious relationships with its employees could have an adverse effect on ITV's financial condition and results of operations.

ITV is exposed to counterparty credit risk, including from its advertisers and advertising agencies

Credit risk, in respect of receivables due to ITV from advertisers and advertising agencies, and also in respect of the UK Government and financial institution counterparties with whom ITV deposits cash or enters into interest swap contracts and foreign exchange arrangements, has been exacerbated by the current economic downturn. In addition, the current economic climate has led to a reduction in the availability of and increase in the price of credit protection. Any reduction in the amount of credit protection available to ITV, or any restriction of the credit terms extended by ITV to its customers, could further result in loss of customers, business and revenues to ITV.

Interest rate exposure may have an adverse effect on ITV

Changes in interest rates and other factors relating to the financial markets have affected and will continue to affect ITV. Interest on its indebtedness is a significant cost to ITV. To the extent that ITV's existing or future indebtedness is variable rate and un-hedged or has been swapped to floating rate, changes in interest rates may increase its cost of borrowing, increasing interest expense and reducing operating cash flows. There can be no assurance that ITV will not be affected by interest rate changes in the future, notwithstanding its use of credit/interest rate swaps.

The ownership by British Sky Broadcasting of a significant number of ITV's Ordinary Shares may prevent other shareholders from influencing significant corporate decisions and could have an adverse impact on the price of the Ordinary Shares

Based on the issued share capital of ITV as of 2 November 2009, British Sky Broadcasting, one of ITV's competitors in the UK broadcasting sector, indirectly holds approximately 17.9 per cent. of the issued share capital of ITV. As a result of this ownership stake, British Sky Broadcasting has significant influence on the outcome of shareholder votes and other decisions affecting ITV.

In December 2007, the Competition Commission held that British Sky Broadcasting must reduce its interest in ITV to less than 7.5 per cent. This remedy was reaffirmed by the Competition Appeal Tribunal in October 2008. On 20 March 2009, British Sky Broadcasting was granted leave to appeal this decision. Uncertainty regarding the Competition Commission's ruling and any future action by British Sky Broadcasting with regard to its interest in ITV may have an adverse impact on ITV's share price.

ITV is exposed to short-term uncertainty with respect to the composition of the Board and senior management team

ITV has confirmed that its current Executive Chairman, Michael Grade, will step down on the appointment of a new non-executive Chairman. The recruitment process for the new Chairman is underway. ITV has further confirmed that the new Chairman will lead the recruitment process for a new Chief Executive Officer. This transition process exposes ITV to a risk of uncertainty during the interim period. In addition, there is uncertainty with respect to the nature and success of the future strategy that will be adopted by the new Chairman and Chief Executive, which could represent a departure from the company's current strategic course.

Factors which are material for the purpose of assessing the market risks associated with the Bonds

The Bonds may not be a suitable investment for all investors

Each potential investor in the Bonds must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- (i) have sufficient knowledge and experience to make a meaningful evaluation of the Bonds, the merits and risks of investing in the Bonds and the information contained or incorporated by reference in this Offering Circular or any applicable supplement hereto;

- (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Bonds and the impact the Bonds will have on its overall investment portfolio;
- (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Bonds, including where the currency for principal or interest payments is different from the potential investor's currency;
- (iv) understand thoroughly the terms of the Bonds and be familiar with the behaviour of any relevant financial markets; and
- (v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

The Bonds may be redeemed prior to maturity

The terms and conditions of the Bonds (the **Conditions**) provide that the Bonds are redeemable at the Issuer's option in certain limited circumstances and, accordingly, the Issuer may choose to redeem the outstanding Bonds at times when prevailing interest rates may be relatively low. In such circumstances, an investor may either be compelled to exercise its Conversion Rights earlier than it might otherwise have chosen to do so or, if it does not so convert its Bonds, may not be able to reinvest the redemption proceeds in a comparable security bearing an effective interest rate as high as that of the Bonds and/or containing a Conversion Right.

Risks attached to the exercise of Conversion Rights

Investors should be aware that the Bonds, which are convertible into Ordinary Shares, bear certain additional risks. Depending on the performance of the underlying Ordinary Shares, the value of the Ordinary Shares may be substantially lower than when the Bonds were initially purchased. In addition, the value of the Ordinary Shares to be delivered upon conversion of the Bonds may vary substantially between the date on which Conversion Rights are exercised under the Bonds and the date on which such Ordinary Shares are delivered. See "Terms and Conditions of the Bonds – Conversion of Bonds".

There is a limited period for the exercise of Conversion Rights

A Bondholder (as defined in the Conditions) will, subject as more fully described herein under "Terms and Conditions of the Bonds", have the right to convert his or her Bonds into Ordinary Shares. Conversion Rights may be exercised, subject as provided herein, at any time on or after 21 December 2009 and up to the close of business on the date falling seven calendar days prior to the Final Maturity Date (as defined in the Conditions) (both dates inclusive) or, if such Bond is to be redeemed prior to the Final Maturity Date, then up to (and including) the close of business on the seventh calendar day before the date fixed for redemption or, if earlier, the date upon which the relevant Bondholder has exercised its right to require the Issuer to redeem such Bond following a Change of Control. If the Conversion Rights are not exercised by Bondholders during the Conversion Period, the Bonds will be redeemed at their principal amount on 9 November 2016, unless the Bonds are previously purchased and cancelled or redeemed in accordance with the Conditions.

Bondholders have limited anti-dilution protection

The Bonds are convertible into Ordinary Shares. The Conversion Price at which the Bonds may be converted into Ordinary Shares will be adjusted in certain events, including but not limited to a consolidation, reclassification or subdivision, capitalisation of profits, distribution of dividend, rights issue or grant of other subscription rights, or other adjustment, including a spin-off event, which affects the Ordinary Shares, but only in the situations and only to the extent provided under "Terms and Conditions of the Bonds – Conversion of Bonds". There is no requirement that there should be an adjustment for every corporate or other event that may affect the value of the Ordinary Shares. Events in respect of which no adjustment is made may adversely affect the value of the Ordinary Shares and, therefore, adversely affect the value of the Bonds.

Further issues or sales of Ordinary Shares

There can be no certainty as to the effect, if any, that future issues or sales of Ordinary Shares, or the availability of such Ordinary Shares for future issue or sale, would have on the market price of the Ordinary Shares prevailing from time to time and therefore on the price of the Bonds. Although the Issuer has agreed not to, among other things, issue or sell Ordinary Shares for a period of 90 days from 13 October 2009, sales of substantial numbers of Ordinary Shares in the public market, or a perception in the market that such sales could occur, could adversely affect the prevailing market price of the Ordinary Shares and the Bonds.

Risks related to the Bonds and the Guarantee generally

The Guarantee is not fully irrevocable

In certain circumstances, and provided that no Event of Default or Potential Event of Default has occurred in relation to the Bonds, the Issuer and the Guarantor have the right to request the Trustee to release the Guarantor from its obligations under the Guarantee and the Bonds, as provided in Condition 15(c)(iii). However, the Issuer does not intend to request any such release of the Guarantor with respect to the Bonds under Condition 15(c)(iii) before the earlier of (a) 20 March 2013 and (b) the date on which the Issuer's £110,000,000 Series 2008-1 Floating Rate Notes due 2013 are redeemed in full.

After the release of the Guarantee, Bondholders will not have the benefit of the Guarantee should the Issuer default on its payments under the Bonds.

Modification, waivers and substitution

The Conditions contain provisions for convening meetings of Bondholders to consider matters relating to the Bonds. These provisions permit defined majorities to bind all Bondholders including Bondholders who did not attend and vote at the relevant meeting and Bondholders who voted in a manner contrary to the majority.

The Conditions also provide that the Trustee may, without the consent of Bondholders or Couponholders (as defined in the Conditions), agree to (i) any modification of any of the provisions of the Trust Deed, any trust deed supplemental to the Trust Deed, the Agency Agreement (as defined in the Conditions), any agreement supplemental to the Agency Agreement, the Bonds or the Conditions, which in the opinion of the Trustee is of a formal, minor or technical nature or is made to correct a manifest error or an error which, in the opinion of the Trustee, is proven or to comply with mandatory provisions of law; (ii) any other modification to the Trust Deed, any trust deed supplemental to the Trust Deed, the Agency Agreement, any agreement supplemental to the Agency Agreement, the Bonds or the Conditions and any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Trust Deed, any trust deed supplemental to the Trust Deed, the Agency Agreement, any agreement supplemental to the Agency Agreement, the Bonds or the Conditions, which is, in the opinion of the Trustee, not materially prejudicial to the interests of the Bondholders; and (iii) the substitution in place of the Issuer and/or the Guarantor of certain other entities subject to the satisfaction of certain conditions and provided that the Trustee is satisfied that the interests of the Bondholders will not be materially prejudiced by such substitution. The Trustee may also, without the consent of the Bondholders or Couponholders, determine any Event of Default (as defined in the Conditions) or a Potential Event of Default (as defined in the Conditions) should not be treated as such, provided that in the opinion of the Trustee, the interests of Bondholders and Couponholders will not be materially prejudiced thereby. Any such modification, authorisation, waiver, substitution or determination shall be binding upon the Bondholders and Couponholders.

Change of law

The Conditions are based on English law in effect as at the date of this Offering Circular. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of this Offering Circular.

Risks related to the market generally

Set out below is a brief description of the principal market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk:

The secondary market generally

Currently no secondary market exists for the Bonds and one may never develop. In the event that a secondary market in the Bonds does develop, there can be no assurance that it will provide the Bondholders with liquidity of investment or that it will continue for the life of the Bonds. It is expected that transaction costs in any secondary market may be high. Therefore, investors may not be able to sell their Bonds easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. Accordingly, the purchase of Bonds is suitable only for investors who can bear the risks associated with a lack of liquidity in the Bonds and the financial and other risks associated with an investment in the Bonds. Investors must be prepared to hold the Bonds until maturity.

Exchange rate risks and exchange controls

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

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

Interest rate risks

Investment in the Bonds involves the risk that subsequent changes in market interest rates may adversely affect the value of them.

As the Global Bonds are held by or on behalf of Euroclear and Clearstream, Luxembourg, investors will have to rely on their procedures for transfer, payment and communication with the Issuer

The Bonds will be represented by the Global Bonds and, except in certain limited circumstances described in the Global Bond, investors will not be entitled to receive definitive Bonds. The Global Bonds will be deposited with the common depository for Euroclear and Clearstream, Luxembourg. Euroclear and Clearstream, Luxembourg will maintain records of the beneficial interests in the Global Bonds. While the Bonds are represented by the Global Bonds, investors will be able to trade their beneficial interests only through Euroclear and Clearstream, Luxembourg.

The Issuer will discharge its payment obligations under the Bonds by procuring that payments are made to Euroclear and Clearstream, Luxembourg for distribution to their account holders. A holder of a beneficial interest in a Global Bond must rely on the procedures of Euroclear and Clearstream, Luxembourg to receive payments under the Bonds. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Bonds.

Holders of beneficial interests in the Global Bonds will not have a direct right to vote in respect of the Bonds. Instead, such holders will be permitted to act only to the extent that they are enabled by Euroclear and Clearstream, Luxembourg to appoint appropriate proxies.

Credit ratings may not reflect all risks

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

Legal investment considerations may restrict certain investments

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

Bondholders will bear the risk of fluctuation in the price of the Ordinary Shares

The market price of the Bonds is expected to be affected by fluctuations in the market price of the Ordinary Shares and it is impossible to predict whether the price of the Ordinary Shares will rise or fall. Trading prices of the Ordinary Shares will be influenced by, among other things, the financial position of the Issuer, its results of operations, its future prospects and political, economic, financial and other factors. Any decline in the market price of the Ordinary Shares may have an adverse effect on the market price of the Bonds. The future issue of Ordinary Shares by the Issuer or the disposal of Ordinary Shares by any substantial shareholders of the Issuer or the perception that such issues or sales may occur may significantly affect the trading price of the Bonds and the Ordinary Shares.

TERMS AND CONDITIONS OF THE BONDS

The following, subject to completion and amendment, and save for the paragraphs in italics, is the text of the Terms and Conditions of the Bonds.

The issue of the £135,000,000 4.00 per cent. Guaranteed Convertible Bonds due 2016 (the "**Bonds**", which expression shall, unless otherwise indicated, include any Further Bonds) was (save in respect of any such Further Bonds) authorised by a resolution of the Board of Directors of ITV plc (the "**Issuer**") passed on 12 October 2009, and resolutions of the General Purpose Committee of the Board of Directors of the Issuer passed on 12 October 2009 and 4 November 2009, and by resolutions of the Board of Directors of Carlton Communications Limited passed on 12 October 2009 and 4 November 2009. The Bonds are constituted by a trust deed dated 9 November 2009 (the "**Trust Deed**") between the Issuer, Carlton Communications Limited (the "**Guarantor**") and The Law Debenture Trust Corporation p.l.c. (the "**Trustee**", which expression shall include all persons for the time being appointed as the trustee or trustees under the Trust Deed) as trustee for the holders (as defined below) of the Bonds. The statements set out in these Terms and Conditions (the "**Conditions**") are summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the form of the Bonds and the interest coupons relating to them (the "**Coupons**"). The Bondholders and the Couponholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and those provisions applicable to them which are contained in the Paying and Conversion Agency Agreement dated 9 November 2009 (the "**Agency Agreement**") relating to the Bonds between the Issuer, the Guarantor, the Trustee, Citibank, N.A., London Branch (the "**Principal Paying and Conversion Agent**", which expression shall include any successor as Principal Paying and Conversion Agent under the Agency Agreement) and the other Paying and Conversion Agents for the time being (such persons, together with the Principal Paying and Conversion Agent, being referred to below as the "**Paying and Conversion Agents**", which expression shall include their successors as Paying and Conversion Agents under the Agency Agreement).

Copies of each of the Trust Deed and the Agency Agreement are available for inspection by prior appointment during normal business hours at the registered office for the time being of the Trustee (being at the Closing Date at Fifth Floor, 100 Wood Street, London EC2V 7EX), and at the specified offices of the Paying and Conversion Agents.

Capitalised terms used but not defined in these Conditions shall have the meanings provided in the Trust Deed unless, in any case, the context otherwise requires or unless otherwise stated.

1 Form, Denomination, Title and Status of the Bonds

(a) *Form and Denomination*

The Bonds are serially numbered and in bearer form in the denomination of £50,000 each with Coupons attached on issue.

(b) *Title*

Title to the Bonds and Coupons passes by delivery. The holder of any Bond or Coupon will (except as otherwise required by law or as ordered by a court of competent jurisdiction) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest in it, any writing on it, or its theft or loss) and no person will be liable for so treating the holder.

2 Status of the Bonds

The Bonds and Coupons constitute direct, unconditional, unsubordinated and (subject to Condition 4) unsecured obligations of the Issuer ranking *pari passu* and without any preference among themselves, and equally with all other existing and future unsecured and unsubordinated obligations of the Issuer, save for such exceptions as may be provided by applicable legislation and by provisions of law that are mandatory and of general application, and subject to Condition 4.

3 Guarantee

The Guarantor has, pursuant to the Trust Deed, unconditionally and (save as provided in Condition 15(c)) irrevocably guaranteed the due payment of all sums expressed to be payable by the Issuer under the Trust Deed, the Bonds and the Coupons. Its obligations in that respect (the "**Guarantee**") are contained in the Trust Deed. The obligations of the Guarantor under the Guarantee constitute direct, unconditional, unsubordinated and (subject to Condition 4) unsecured obligations of the Guarantor and rank equally with its other present and future unsecured and unsubordinated obligations, save for such exceptions as may be provided by applicable legislation.

4 Negative Pledge

So long as any Bond or Coupon remains outstanding (as defined in the Trust Deed), neither the Issuer nor the Guarantor will create or permit to subsist any mortgage, charge, lien (other than a lien arising by operation of law) or other encumbrance upon the whole or any part of its undertaking or assets, present or future, to secure payment of any present or future Relevant Indebtedness (as defined below) of the Issuer or of any other person or to secure any guarantee or indemnity in respect of any Relevant Indebtedness of the Issuer or of any other person, without at the same time according to the Bonds and the Coupons and all amounts payable under the Trust Deed in respect of the Bonds and the Coupons, to the satisfaction of the Trustee, the same security as is created, or subsisting to secure any such Relevant Indebtedness, guarantee or indemnity, or such other security or other arrangement as the Trustee shall in its absolute discretion deem not materially less beneficial to the Bondholders or as shall be approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Bondholders.

In this Condition:

"Indebtedness for Borrowed Money" means any present or future indebtedness (whether being principal, premium, interest or other amounts) for or in respect of (1) money borrowed, (2) liabilities under or in respect of any acceptance or acceptance credit or (3) any notes, bonds, debentures, stock, loan stock or other securities offered, issued or distributed whether by way of public offer, private placing, acquisition consideration or otherwise and whether issued for cash or in whole or in part for a consideration other than cash excluding, in each case, any present or future indebtedness in respect of which the person or persons to whom such indebtedness is or may be owed by the relevant borrower (whether or not the Issuer, the Guarantor or a Principal Subsidiary) has or have no recourse whatsoever to the Issuer, the Guarantor or any Principal Subsidiary for the payment thereof other than recourse to such borrower generally, or directly or indirectly to the Issuer, the Guarantor or Principal Subsidiary, under any form of assurance, undertaking or support, which recourse is limited to a claim for damages for breach of an obligation (not being a payment obligation or an obligation to procure payment by another or an indemnity in respect thereof) by the person against whom such recourse is available; and

"Relevant Indebtedness" means any Indebtedness for Borrowed Money which is in the form of, or represented or evidenced by, bonds, notes, loan stock or other securities which, with the agreement of the issuer thereof are quoted, listed, dealt in or traded on any regulated market or over the counter or other recognised securities market.

5 Definitions

In these Conditions, unless otherwise provided:

"Additional Ordinary Shares" has the meaning provided in Condition 7(c).

"Bondholder" and **"holder"** mean the holder of any Bond.

"business day" means, in relation to any place, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets are open for business in that place.

"**Capital Markets Indebtedness**" has the meaning given to it in Condition 15(c)(iii).

"**Channel 3 Licence**" has the meaning provided in the definition of "Principal Subsidiary".

a "**Change of Control**" shall occur if any person or any persons acting in concert (as defined in the City Code on Takeovers and Mergers) or any person(s) acting on behalf of any such person(s) (the "**Relevant Person**") at any time is/are or become(s) interested (within the meaning of Part 22 of the Companies Act 2006) in (a) more than 50 per cent. of the issued or allotted ordinary share capital of the Issuer or (b) such number of shares in the capital of the Issuer as carry more than 50 per cent. of the rights normally exercisable at a general meeting of the Issuer, provided that a Change of Control shall not occur in the case of an Exempt Newco Scheme;

"**Change of Control Notice**" has the meaning provided in Condition 7(l).

"**Change of Control Period**" means the period commencing on the occurrence of a Change of Control and ending 60 calendar days following the Change of Control or, if later, 60 calendar days following the date on which a Change of Control Notice is given to Bondholders as required by Condition 7(l).

"**Change of Control Put Date**" has the meaning provided in Condition 8(e).

"**Change of Control Put Exercise Notice**" has the meaning provided in Condition 8(e).

"**Closing Date**" means 9 November 2009.

"**Companies Act**" means the Companies Act 2006 of the United Kingdom.

"**Conversion Date**" has the meaning provided in Condition 7(g).

"**Conversion Notice**" has the meaning provided in Condition 7(g).

"**Conversion Period**" has the meaning provided in Condition 7(a).

"**Conversion Price**" has the meaning provided in Condition 7(a).

"**Conversion Right**" has the meaning provided in Condition 7(a).

"**Couponholder**" means the holder of any Coupon.

"**Current Market Price**" means, in respect of an Ordinary Share at a particular date, the average of the daily Volume Weighted Average Price of an Ordinary Share on each of the five consecutive dealing days ending on the dealing day immediately preceding such date; provided that if at any time during the said five-dealing-day period the Volume Weighted Average Price shall have been based on a price ex-Dividend (or ex- any other entitlement) and during some other part of that period the Volume Weighted Average Price shall have been based on a price cum-Dividend (or cum- any other entitlement), then:

- (a) if the Ordinary Shares to be issued or transferred and delivered do not rank for the Dividend (or entitlement) in question, the Volume Weighted Average Price on the dates on which the Ordinary Shares shall have been based on a price cum-Dividend (or cum- any other entitlement) shall for the purpose of this definition be deemed to be the amount thereof reduced by an amount equal to the Fair Market Value of any such Dividend or entitlement per Ordinary Share as at the date of first public announcement of such Dividend or entitlement, in any such case, determined on a gross basis and disregarding any withholding or deduction required to be made on account of tax, and disregarding any associated tax credit; or
- (b) if the Ordinary Shares to be issued or transferred and delivered do rank for the Dividend (or entitlement) in question, the Volume Weighted Average Price on the dates on which the Ordinary Shares shall have been based on a price ex-Dividend (or ex- any other

entitlement) shall for the purpose of this definition be deemed to be the amount thereof increased by an amount equal to the Fair Market Value of any such Dividend or entitlement per Ordinary Share as at the date of first public announcement of such Dividend or entitlement, in any such case, determined on a gross basis and disregarding any withholding or deduction required to be made on account of tax, and disregarding any associated tax credit,

and provided further that if on each of the said five dealing days the Volume Weighted Average Price shall have been based on a price cum-Dividend (or cum- any other entitlement) in respect of a Dividend (or other entitlement) which has been declared or announced but the Ordinary Shares to be issued or transferred and delivered do not rank for that Dividend (or other entitlement) the Volume Weighted Average Price on each of such dates shall for the purposes of this definition be deemed to be the amount thereof reduced by an amount equal to the Fair Market Value of any such Dividend or entitlement per Ordinary Share as at the date of first public announcement of such Dividend or entitlement, in any such case, determined on a gross basis and disregarding any withholding or deduction required to be made on account of tax, and disregarding any associated tax credit,

and provided further that, if the Volume Weighted Average Price of an Ordinary Share is not available on one or more of the said five dealing days (disregarding for this purpose the proviso to the definition of Volume Weighted Average Price), then the average of such Volume Weighted Average Prices which are available in that five-dealing-day period shall be used (subject to a minimum of two such prices) and if only one, or no, such Volume Weighted Average Price is available in the relevant period the Current Market Price shall be determined in good faith by an Independent Financial Adviser.

"dealing day" means a day on which the Relevant Stock Exchange or relevant market is open for business and on which Ordinary Shares, Securities or Spin-Off Securities (as the case may be) may be dealt in (other than a day on which the Relevant Stock Exchange or relevant market is scheduled to or does close prior to its regular weekday closing time).

"Dividend" means any dividend or distribution to Shareholders (including a Spin-Off) whether of cash, assets or other property, and however described and whether payable out of share premium account, profits, retained earnings or any other capital or revenue reserve or account, and including a distribution or payment to holders upon or in connection with a reduction of capital (and for these purposes a distribution of assets includes without limitation an issue of Ordinary Shares or other Securities credited as fully or partly paid up by way of capitalisation of profits or reserves), provided that:

(a) where:

- (1) a Dividend in cash is announced which is to be, or may at the election of a Shareholder or Shareholders be, satisfied by the issue or delivery of Ordinary Shares or other property or assets, or where a capitalisation of profits or reserves is announced which is to be, or may at the election of a Shareholder or Shareholders be, satisfied by the payment of cash, then the Dividend in question shall be treated as a cash Dividend of an amount equal to the greater of (i) the Fair Market Value of such cash amount and (ii) the Current Market Price of such Ordinary Shares as at the first date on which the Ordinary Shares are traded ex-the relevant Dividend on the Relevant Stock Exchange or, as the case may be, the record date or other due date for establishment of entitlement in respect of the relevant capitalisation or, as the case may be, the Fair Market Value of such other property or assets as at the date of first public announcement of such Dividend or capitalisation or, in any such case, if later, the date on which the number of Ordinary Shares (or amount of such other property or assets, as the case may be) which may be issued or delivered is determined; or

- (2) there shall be any issue of Ordinary Shares by way of capitalisation of profits or reserves (including any share premium account or capital redemption reserve) where such issue is or is expressed to be in lieu of a Dividend (whether or not a cash Dividend equivalent or amount is announced or would otherwise be payable to Shareholders, whether at their election or otherwise), the Dividend in question shall be treated as a cash Dividend of an amount equal to the Current Market Price of such Ordinary Shares as at the first date on which the Ordinary Shares are traded ex- the relevant Dividend on the Relevant Stock Exchange or, as the case may be, the record date or other due date for establishment of entitlement in respect of the relevant capitalisation or, in any such case, if later, the date on which the number of Ordinary Shares to be issued or transferred and delivered is determined;
- (b) any issue of Ordinary Shares falling within Condition 7(b)(ii) below shall be disregarded;
- (c) a purchase or redemption or buy back of share capital of the Issuer by or on behalf of the Issuer or any member of the Group shall not constitute a Dividend unless, in the case of a purchase or redemption or buy back of Ordinary Shares by or on behalf of the Issuer or any member of the Group, the weighted average price per Ordinary Share (before expenses) on any one day (a "**Specified Share Day**") in respect of such purchases or redemptions or buy backs (translated, if not in the Relevant Currency, into the Relevant Currency at the Prevailing Rate on such day) exceeds by more than 5 per cent. the average of the closing prices of the Ordinary Shares on the Relevant Stock Exchange (as published by or derived from the Relevant Stock Exchange) on the five dealing days immediately preceding the Specified Share Day or, where an announcement (excluding, for the avoidance of doubt for these purposes, any general authority for such purchases, redemptions or buy backs approved by a general meeting of Shareholders or any notice convening such a meeting of Shareholders) has been made of the intention to purchase, redeem or buy back Ordinary Shares at some future date at a specified price or where a tender offer is made, on the five dealing days immediately preceding the date of such announcement or the date of first public announcement of such tender offer (and regardless of whether or not a price per Ordinary Share, a minimum price per Ordinary Share or a price range or formula for the determination thereof is or is not announced at such time), as the case may be, in which case such purchase, redemption or buy back shall be deemed to constitute a Dividend in the Relevant Currency to the extent that the aggregate price paid (before expenses) in respect of such Ordinary Shares purchased, redeemed or bought back by the Issuer or, as the case may be, any member of the Group (translated where appropriate into the Relevant Currency as provided above) exceeds the product of (i) 105 per cent. of the average closing price of the Ordinary Shares determined as aforesaid and (ii) the number of Ordinary Shares so purchased, redeemed or bought back;
- (d) if the Issuer or any member of the Group shall purchase, redeem or buy back any depositary or other receipts or certificates representing Ordinary Shares, the provisions of paragraph (c) above shall be applied in respect thereof in such manner and with such modifications (if any) as shall be determined in good faith by an Independent Financial Adviser; and
- (e) where a dividend or distribution is paid or made to Shareholders pursuant to any plan implemented by the Issuer for the purpose of enabling Shareholders to elect, or which may require Shareholders, to receive dividends or distributions in respect of the Ordinary Shares held by them from another person or person other than (or in addition to) the Issuer, such dividend or distribution shall for the purposes of these Conditions be treated as a dividend or distribution made or paid to Shareholders by the Issuer, and the foregoing provisions of this definition, and the provisions of these Conditions shall be construed accordingly.

"Exempt Newco Scheme" means a Newco Scheme where, immediately after completion of the relevant Scheme of Arrangement, the ordinary shares of Newco or depositary or other receipts or

certificates representing ordinary shares of Newco are (1) admitted to trading on the Relevant Stock Exchange or (2) admitted to listing on such other regulated, regularly operating, recognised stock exchange or securities market as the Issuer or Newco may determine.

"**Existing Shareholders**" has the meaning provided in the definition of "Newco Scheme".

"**Extraordinary Resolution**" has the meaning provided in the Trust Deed.

"**Fair Market Value**" means, with respect to any property on any date, the fair market value of that property as determined in good faith by an Independent Financial Adviser provided that (i) the Fair Market Value of a cash Dividend shall be the amount of such cash Dividend; (ii) the Fair Market Value of any other cash amount shall be the amount of such cash; (iii) where Securities, Spin-Off Securities, options, warrants or other rights are publicly traded in a market of adequate liquidity (as determined in good faith by an Independent Financial Adviser), the Fair Market Value (a) of such Securities or Spin-Off Securities shall equal the arithmetic mean of the daily Volume Weighted Average Prices of such Securities or Spin-Off Securities and (b) of such options, warrants or other rights shall equal the arithmetic mean of the daily closing prices of such options, warrants or other rights, in the case of both (a) and (b) above during the period of five dealing days on the relevant market commencing on such date (or, if later, the first such dealing day such Securities, Spin-Off Securities, options, warrants or other rights are publicly traded) or such shorter period as such Securities, Spin-Off Securities, options, warrants or other rights are publicly traded; (iv) where Securities, Spin-Off Securities, options, warrants or other rights are not publicly traded (as aforesaid), the Fair Market Value of such Securities, Spin-Off Securities, options, warrants or other rights shall be determined in good faith by an Independent Financial Adviser, on the basis of a commonly accepted market valuation method and taking account of such factors as it considers appropriate, including the market price per Ordinary Share, the dividend yield of an Ordinary Share, the volatility of such market price, prevailing interest rates and the terms of such Securities, Spin-Off Securities, options, warrants or other rights, including as to the expiry date and exercise price (if any) thereof. Such amounts shall, in the case of (i) above, be translated into the Relevant Currency (if declared or paid or payable in a currency other than the Relevant Currency) at the rate of exchange used to determine the amount payable to Shareholders who were paid or are to be paid or are entitled to be paid the cash Dividend in the Relevant Currency; and in any other case, shall be translated into the Relevant Currency (if expressed in a currency other than the Relevant Currency) at the Prevailing Rate on that date. In addition, in the case of (i) and (ii) above, the Fair Market Value shall be determined on a gross basis and disregarding any withholding or deduction required to be made for or on account of tax, and disregarding any associated tax credit.

"**Final Maturity Date**" means 9 November 2016.

"**Further Bonds**" means any further Bonds issued pursuant to Condition 19 and consolidated and forming a single series with the then outstanding Bonds.

"**Group**" means the Issuer and its Subsidiaries and "**member of the Group**" shall be construed accordingly.

"**Indebtedness for Borrowed Money**" has the meaning provided in Condition 4.

"**Independent Financial Adviser**" means an independent financial institution of international repute appointed by the Issuer at its own expense and approved in writing by the Trustee or, if the Issuer fails to make such appointment and such failure continues for a reasonable period (as determined by the Trustee in its sole discretion) and the Trustee is indemnified and/or secured and/or prefunded to its satisfaction against the costs, fees and expenses of such adviser and otherwise in connection with such appointment, appointed by the Trustee (without liability for so doing) following notification to the Issuer.

"**Interest Payment Date**" has the meaning provided in Condition 6(a).

"London Stock Exchange" means the London Stock Exchange plc.

"Newco Scheme" means a scheme of arrangement or analogous proceeding ("**Scheme of Arrangement**") which:

- (i) effects the interposition of a limited liability company ("**Newco**") between the Shareholders of the Issuer immediately prior to the Scheme of Arrangement (the "**Existing Shareholders**") and the Issuer; and
- (ii) in respect of which the Issuer and the Trustee agree, with effect immediately after the implementation of such Newco Scheme, (a) at the Issuer's option, either to the substitution of Newco in place of the Issuer as principal obligor (with a guarantee from the Issuer) or to the provision of a guarantee from Newco and (b) to make such amendments to the Conditions and the Trust Deed as are necessary, in the opinion of the Trustee, to ensure that (i) the Bonds may be converted into or exchanged for ordinary shares in Newco (or depositary or other receipts representing such ordinary shares) *mutatis mutandis* in accordance with and subject to these Conditions and the Trust Deed and (ii) the Trust Deed and the Conditions (including, without limitation, the adjustment and related provisions (in Condition 7), the Events of Default (in Condition 11) and the Undertakings (in Condition 12)) provide at least the same protections and benefits to the Trustee and the Bondholders following the implementation of such Newco Scheme as they provided to the Trustee and the Bondholders prior to the implementation of the Newco Scheme, *mutatis mutandis*, all subject to and in accordance with Condition 12(a)(ix) below,

provided that:

- (A) only ordinary shares of Newco or depositary or other receipts or certificates representing ordinary shares of Newco are issued to Existing Shareholders;
- (B) immediately after completion of the Scheme of Arrangement the only shareholders of ordinary shares of Newco or, as the case may be, the only holders of depositary or other receipts or certificates representing ordinary shares of Newco, are Existing Shareholders in the same proportions as such Existing Shareholders held Ordinary Shares immediately prior to the Scheme of Arrangement;
- (C) immediately after completion of the Scheme of Arrangement, Newco is (or one or more wholly-owned Subsidiaries of Newco are) the only ordinary shareholder (or shareholders) of the Issuer;
- (D) all Subsidiaries of the Issuer immediately prior to the Scheme of Arrangement (other than Newco, if Newco is then a Subsidiary of the Issuer) are Subsidiaries of the Issuer (or of Newco) immediately after completion of the Scheme of Arrangement; and
- (E) immediately after completion of the Scheme of Arrangement the Issuer (or Newco) holds, directly or indirectly, the same percentage of the ordinary share capital and equity share capital of those Subsidiaries as was held by the Issuer immediately prior to the Scheme of Arrangement.

"Optional Redemption Date" has the meaning provided in Condition 8(b).

"Optional Redemption Notice" has the meaning provided in Condition 8(b).

"Ordinary Shares" means fully paid ordinary shares in the capital of the Issuer currently with a par value of £0.10 each.

"Parity Value" means, in respect of any dealing day, the amount calculated as follows:

$$PV = N \times VWAP$$

where

PV = the Parity Value

N = the number of Ordinary Shares that would fall to be issued or delivered on the exercise of Conversion Rights in respect of a Bond in the principal amount of £50,000, assuming the Conversion Date to be such dealing day

VWAP = the Volume Weighted Average Price of an Ordinary Share on such dealing day (provided that if on any such dealing day the Ordinary Shares shall have been quoted cum-Dividend or cum-any other entitlement, the Volume Weighted Average Price of an Ordinary Share on such dealing day shall be deemed to be the amount thereof reduced by an amount equal to the Fair Market Value of any such Dividend or entitlement per Ordinary Share as at the Effective Date relating to such Dividend or entitlement translated, if not in sterling, into sterling at the Prevailing Rate on such dealing day.

a "**person**" includes any individual, company, corporation, firm, partnership, joint venture, undertaking, association, unincorporated association, limited liability company, organisation, trust, state or agency of a state (in each case whether or not being a separate legal entity).

"**Presentation Date**" means a day which:

- (i) is or falls after the relevant due date for payment, but, if the due date for payment is not or was not a business day in London, is or falls after the next following such business day; and
- (ii) is a business day in the place of a specified office of the Paying and Conversion Agent at which the relevant Bond or Coupon is presented for payment.

"**Prevailing Rate**" means, in respect of any currencies on any day, the spot rate of exchange between the relevant currencies prevailing as at or about 12 noon (London time) on that date as appearing on or derived from the Relevant Page or, if such a rate cannot be determined at such time, the rate prevailing as at or about 12 noon (London time) on the immediately preceding day on which such rate can be so determined, or if such rate cannot be so determined by reference to the Relevant Page, the rate determined in such other manner as an Independent Financial Adviser in good faith shall prescribe.

"**Principal Subsidiary**" shall, at any time, mean Granada Ltd, the Guarantor and any Subsidiary which is from time to time the holder of a Channel 3 Licence ("**Channel 3 Licence**" means any licence to provide a Channel 3 service issued under the Broadcasting Act 1990 or any licence issued in renewal or replacement of it under Chapter 2 of Part 3 of the Communications Act 2003 (or any provision or subsequent legislation which replaces that Part of that Act)) except ITV Border Limited and ITV Wales and West Limited. A certificate addressed to the Trustee and signed by any two directors of the Issuer stating that, in their opinion, a Subsidiary of the Issuer is or is not or was not at any particular time or throughout any specified period a Principal Subsidiary and setting out the basis for such opinion shall, in the absence of manifest error, be conclusive and binding on the Issuer, the Guarantor, the Trustee, the Bondholders and the Couponholders.

"**Reference Date**" means, in relation to a Retroactive Adjustment, the date as of which the relevant Retroactive Adjustment takes effect or, in any such case, if that is not a dealing day, the next following dealing day.

"**Relevant Currency**" means sterling or, if at the relevant time or for the purposes of the relevant calculation or determination, the London Stock Exchange is not the Relevant Stock Exchange, the

currency in which the Ordinary Shares are quoted or dealt in on the Relevant Stock Exchange at such time.

"Relevant Date" means, in respect of any Bond or Coupon, whichever is the later of:

- (i) the date on which payment in respect of it first becomes due; and
- (ii) if the full amount payable has not been received by the Principal Paying and Conversion Agent or the Trustee on or prior to such due date, the date on which, the full amount having been so received, notice to that effect shall have been given to the Bondholders.

"Relevant Indebtedness" has the meaning provided in Condition 4.

"Relevant Page" means the relevant page on Bloomberg or such other information service provider that displays the relevant information.

"Relevant Stock Exchange" means the London Stock Exchange or if at the relevant time the Ordinary Shares are not at that time listed and admitted to trading on the London Stock Exchange, the principal stock exchange or securities market on which the Ordinary Shares are then listed, admitted to trading or quoted or accepted for dealing.

"Retroactive Adjustment" has the meaning provided in Condition 7(c).

"Scheme of Arrangement" has the meaning provided in the definition of "Newco Scheme".

"Securities" means any securities including, without limitation, shares in the capital of the Issuer, or options, warrants or other rights to subscribe for or purchase or acquire shares in the capital of the Issuer.

"Shareholders" means the holders of Ordinary Shares.

"Specified Date" has the meaning provided in Condition 7(b) (vii) and (viii).

"Spin-Off" means:

- (a) a distribution of Spin-Off Securities by the Issuer to Shareholders as a class; or
- (b) any issue, transfer or delivery of any property or assets (including cash or shares or Securities of or in or issued or allotted by any entity) by any entity (other than the Issuer) to Shareholders as a class or, in the case of or in connection with a Newco Scheme, Existing Shareholders, as a class (but excluding the issue and allotment of ordinary shares (or depository or other receipts or certificates representing such ordinary shares) by Newco to Existing Shareholders), pursuant in each case to any arrangements with the Issuer or any member of the Group.

"Spin-Off Securities" means equity share capital of an entity other than the Issuer or options, warrants or other rights to subscribe for or purchase equity share capital of an entity other than the Issuer.

"Subsidiary" means, in relation to the Issuer or the Guarantor, any company (i) in which the Issuer or, as the case may be, the Guarantor holds a majority of the voting rights or (ii) of which the Issuer or, as the case may be, the Guarantor is a member and has the right to appoint or remove a majority of the board of directors or (iii) of which the Issuer or, as the case may be, the Guarantor is a member and controls a majority of the voting rights, and includes any company which is a Subsidiary of a Subsidiary of the Issuer or, as the case may be, the Guarantor.

"Tax Redemption Date" has the meaning provided in Condition 8(c).

"Tax Redemption Notice" has the meaning provided in Condition 8(c).

"**UK Listing Authority**" means the Financial Services Authority in its capacity as competent authority for the purposes of the Financial Services and Markets Act 2000.

"**Volume Weighted Average Price**" means, in respect of an Ordinary Share, Security or, as the case may be, a Spin-Off Security on any dealing day, the order book volume-weighted average price of an Ordinary Share, Security or, as the case may be, a Spin-Off Security published by or derived (in the case of an Ordinary Share) from Bloomberg page VAP or (in the case of a Security (other than Ordinary Shares) or Spin-Off Security) from the principal stock exchange or securities market on which such Securities or Spin-Off Securities are then listed or quoted or dealt in, if any or, in any such case, such other source as shall be determined in good faith to be appropriate by an Independent Financial Adviser on such dealing day, provided that if on any such dealing day such price is not available or cannot otherwise be determined as provided above, the Volume Weighted Average Price of an Ordinary Share, Security or a Spin-Off Security, as the case may be, in respect of such dealing day shall be the Volume Weighted Average Price, determined as provided above, on the immediately preceding dealing day on which the same can be so determined, or as an Independent Financial Adviser might otherwise determine in good faith to be appropriate.

"**£**" and "**sterling**" means the lawful currency for the time being of the United Kingdom.

References to "**ordinary share capital**" has the meaning provided in Section 832 of the Income and Corporation Taxes Act 1988 of the United Kingdom and "**equity share capital**" has the meaning provided in Section 548 of the Companies Act.

References to Section 123(1)(a) of the Insolvency Act 1986 shall have the effect as if for "£750" there was substituted "£250,000".

References to any act or statute or any provision of any act or statute shall be deemed also to refer to any statutory modification or re-enactment thereof or any statutory instrument, order or regulation made thereunder or under such modification or re-enactment.

References to any issue or offer or grant to Shareholders or Existing Shareholders "**as a class**" or "**by way of rights**" shall be taken to be references to an issue or offer or grant to all or substantially all Shareholders or Existing Shareholders, as the case may be, other than Shareholders or Existing Shareholders, as the case may be, to whom, by reason of the laws of any territory or requirements of any recognised regulatory body or any other stock exchange or securities market in any territory or in connection with fractional entitlements, it is determined not to make such issue or offer or grant.

In making any calculation or determination of Current Market Price or Volume Weighted Average Price, such adjustments (if any) shall be made as an Independent Financial Adviser determines in good faith appropriate to reflect any consolidation or sub-division of the Ordinary Shares or any issue of Ordinary Shares by way of capitalisation of profits or reserves, or any like or similar event.

For the purposes of Condition 7(a), (b), (c), (g) and (h) and Condition 12 only, (a) references to the "**issue**" of Ordinary Shares or Ordinary Shares being "**issued**" shall include the transfer and/or delivery of Ordinary Shares, whether newly issued and allotted or previously existing or held by or on behalf of the Issuer or any member of the Group, and (b) Ordinary Shares held by or on behalf of the Issuer or any member of the Group (and which, in the case of Conditions 7(b)(iv) and 7(b)(vi), do not rank for the relevant right or other entitlement) shall not be considered as or treated as "**in issue**" or "**issued**" or entitled to receive any Dividend, right or other entitlement.

References in these Conditions to listing on the London Stock Exchange (or like or similar references) shall be construed as admission to the Official List of the UK Listing Authority and admission to trading on the EEA Regulated Market of the London Stock Exchange and references to "**EEA Regulated Market**" mean a market as defined by Article 4.1 (14) of Directive 2004/39/EC of the European Parliament and of the Council on markets in financial instruments.

6 Interest

(a) *Interest Rate*

The Bonds bear interest from (and including) the Closing Date at the rate of 4.00 per cent. per annum calculated by reference to the principal amount thereof and payable semi-annually in arrear in equal instalments on 9 May and 9 November in each year (each an "**Interest Payment Date**"), commencing with the Interest Payment Date falling on 9 May 2010.

The amount of interest payable in respect of a Bond in respect of any period which is shorter than an Interest Period shall be calculated on the basis of the number of days in the relevant period from (and including) the first day of such period to (but excluding) the last day of such period divided by the product of the number of days from (and including) the immediately preceding Interest Payment Date (or, if none, the Closing Date) to (but excluding) the next Interest Payment Date and the number of Interest Periods normally ending in any year.

"**Interest Period**" means the period beginning on (and including) the Closing Date and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date.

(b) *Accrual of Interest*

Each Bond will cease to bear interest (i) where the Conversion Right shall have been exercised by a Bondholder, from the Interest Payment Date immediately preceding the relevant Conversion Date or, if none, the Closing Date (subject in any such case as provided in Condition 7(i)) or (ii) where such Bond is redeemed or repaid pursuant to Condition 8 or Condition 11, from the due date for redemption or repayment thereof unless, upon due presentation thereof, payment of the principal in respect of the Bond is improperly withheld or refused, in which event interest will continue to accrue at the rate specified in Condition 6(a) (both before and after judgment) until whichever is the earlier of (a) the day on which all sums due in respect of such Bond up to that day are received by or on behalf of the relevant holder, and (b) the day seven days after the Trustee or the Principal Paying and Conversion Agent has notified Bondholders of receipt of all sums due in respect of all the Bonds up to that seventh day (except to the extent that there is failure in the subsequent payment to the relevant holders under these Conditions).

7 Conversion of Bonds

(a) *Conversion Right*

Subject to and as provided in these Conditions, each Bond shall entitle the holder to convert such Bond into new and/or existing Ordinary Shares, as determined by the Issuer, credited as fully-paid (a "**Conversion Right**").

The number of Ordinary Shares to be issued or transferred and delivered on exercise of a Conversion Right shall be determined by dividing the principal amount of the Bonds to be converted by the conversion price (the "**Conversion Price**") in effect on the relevant Conversion Date.

The initial Conversion Price is £0.7044 per Ordinary Share. The Conversion Price is subject to adjustment in the circumstances described in Condition 7(b).

A Bondholder may exercise the Conversion Right in respect of a Bond by delivering such Bond, together with a Conversion Notice, to the specified office of any Paying and Conversion Agent in accordance with Condition 7(b) and making any payment required to be made as provided in Condition 7(b), whereupon the Issuer shall procure the delivery to

or as directed by the relevant Bondholder of Ordinary Shares credited as paid-up in full as provided in this Condition 7.

Subject to and as provided in these Conditions, the Conversion Right in respect of a Bond may be exercised, at the option of the holder thereof, at any time subject to any applicable fiscal or other laws or regulations and (as hereinafter provided) from 21 December 2009 to the close of business (at the place where the relevant Bond is delivered for conversion) on the date falling 7 calendar days prior to the Final Maturity Date (both days inclusive) or, if such Bond is to be redeemed pursuant to Condition 8(b) or 8(c) prior to the Final Maturity Date, then up to (and including) the close of business (at the place aforesaid) on the 7th calendar day before the date fixed for redemption thereof pursuant to Condition 8(b) or 8(c), unless there shall be a default in making payment in respect of such Bond on such date fixed for redemption, in which event the Conversion Right shall extend up to (and including) the close of business (at the place aforesaid) on the date on which the full amount of such payment becomes available for payment and notice of such availability has been duly given in accordance with Condition 18 or, if earlier, the Final Maturity Date or, if the Final Maturity Date is not a London business day, the immediately preceding London business day; provided that, in each case, if such final date for the exercise of Conversion Rights is not a business day at the place aforesaid, then the period for exercise of Conversion Rights by Bondholders shall end on the immediately preceding business day at the place aforesaid.

Conversion Rights may not be exercised (i) following the giving of notice by the Trustee pursuant to Condition 11 or (ii) in respect of a Bond in respect of which the relevant Bondholder has exercised its right to require the Issuer to redeem that Bond pursuant to Condition 8(e).

The period during which Conversion Rights may (subject as provided below) be exercised by a Bondholder is referred to as the "**Conversion Period**".

Conversion Rights may only be exercised in respect of the whole of the principal amount of a Bond.

Fractions of Ordinary Shares will not be issued or transferred and delivered on the exercise of Conversion Rights or pursuant to Condition 7(c) and no cash payment or other adjustment will be made in lieu thereof. However, if a Conversion Right in respect of more than one Bond is exercised at any one time such that Ordinary Shares to be issued or transferred and delivered on the exercise of Conversion Rights or pursuant to Condition 7(c) are to be registered in the same name, the number of Ordinary Shares to be issued or transferred and delivered in respect thereof shall be calculated on the basis of the aggregate principal amount of such Bonds, and rounded down to the nearest whole number of Ordinary Shares. The Issuer will procure that Ordinary Shares to be issued or transferred and delivered on exercise of Conversion Rights will be issued or transferred and delivered to the relevant person specified in the relevant Conversion Notice. Such Ordinary Shares will be deemed to be issued or transferred and delivered on or as of the relevant Conversion Date. Any Additional Ordinary Shares to be issued or transferred and delivered pursuant to Condition 7(c) will be deemed to be issued or transferred and delivered on or as of the relevant Reference Date.

(b) *Adjustment of Conversion Price*

Upon the happening of any of the events described below, the Conversion Price shall be adjusted as follows:

- (i) If and whenever there shall be a consolidation, reclassification or subdivision in relation to the Ordinary Shares, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such consolidation, reclassification or subdivision by the following fraction:

$$\frac{A}{B}$$

where:

- A is the aggregate number of Ordinary Shares in issue immediately before such consolidation, reclassification or subdivision, as the case may be; and
- B is the aggregate number of Ordinary Shares in issue immediately after, and as a result of, such consolidation, reclassification or subdivision, as the case may be.

Such adjustment shall become effective on the date the consolidation, reclassification or subdivision, as the case may be, takes effect.

- (ii) If and whenever the Issuer shall issue any Ordinary Shares credited as fully paid to the Shareholders by way of capitalisation of profits or reserves (including any share premium account or capital redemption reserve) other than (1) where any such Ordinary Shares are or are to be issued instead of the whole or part of a Dividend in cash which the Shareholders would or could otherwise have elected to receive, (2) where the Shareholders may elect to receive a Dividend in cash in lieu of such Ordinary Shares or (3) where any such Ordinary Shares are or are expressed to be issued in lieu of a Dividend (whether or not a cash Dividend equivalent or amount is announced or would otherwise be payable to Shareholders, whether at their election or otherwise), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such issue by the following fraction:

$$\frac{A}{B}$$

where:

- A is the aggregate number of Ordinary Shares in issue immediately before such issue; and
- B is the aggregate number of Ordinary Shares in issue immediately after such issue.

Such adjustment shall become effective on the date of issue of such Ordinary Shares.

- (iii) (A) If and whenever the Issuer shall pay or make any Dividend to Shareholders, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to the Effective Date by the following fraction:

$$\frac{A - B}{A}$$

where:

- A is the Current Market Price of one Ordinary Share on the Effective Date; and
- B is the portion of the Fair Market Value of the aggregate Dividend attributable to one Ordinary Share, with such portion being determined by dividing the Fair Market Value of the aggregate Dividend by the number of Ordinary Shares entitled to receive the relevant Dividend (or,

in the case of a purchase, redemption or buy back of Ordinary Shares or any depositary or other receipts or certificates representing Ordinary Shares by or on behalf of the Issuer or any Subsidiary of the Issuer, by the number of Ordinary Shares in issue immediately following such purchase, redemption or buy back, and treating as not being in issue any Ordinary Shares, or any Ordinary Shares represented by depositary or other receipts or certificates, purchased, redeemed or bought back).

Such adjustment shall become effective on the Effective Date or, if later, the first date upon which the Fair Market Value of the relevant Dividend is capable of being determined as provided herein.

"Effective Date" means, in respect of this sub-paragraph (b)(iii)(A), the first date on which the Ordinary Shares are traded ex-the relevant Dividend on the Relevant Stock Exchange or, in the case of a purchase, redemption or buy back of Ordinary Shares or any depositary or other receipts or certificates representing Ordinary Shares, the date on which such purchase, redemption or buy back is made or, in the case of a Spin-Off, on the first date on which the Ordinary Shares are traded ex-the relevant Spin-Off on the Relevant Stock Exchange.

- (B) For the purposes of the above, Fair Market Value shall (subject as provided in paragraph (a) of the definition of "Dividend" and in the definition of "Fair Market Value") be determined as at the Effective Date.
- (iv) If and whenever the Issuer shall issue Ordinary Shares to Shareholders as a class by way of rights, or shall issue or grant to Shareholders as a class by way of rights, any options, warrants or other rights to subscribe for or purchase Ordinary Shares, or any Securities which by their terms of issue carry (directly or indirectly) rights of conversion into, or exchange or subscription for, any Ordinary Shares (or shall grant any such rights in respect of existing Securities so issued), in each case at a price per Ordinary Share which is less than 95 per cent. of the Current Market Price per Ordinary Share on the Effective Date, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to the Effective Date by the following fraction:

$$\frac{A + B}{A + C}$$

where:

- A is the number of Ordinary Shares in issue on the Effective Date;
- B is the number of Ordinary Shares which the aggregate consideration (if any) receivable for the Ordinary Shares issued by way of rights, or for the Securities issued by way of rights, or for the options or warrants or other rights issued by way of rights and for the total number of Ordinary Shares deliverable on the exercise thereof, would purchase at such Current Market Price per Ordinary Share; and
- C is the number of Ordinary Shares to be issued or, as the case may be, the maximum number of Ordinary Shares which may be issued upon exercise of such options, warrants or rights calculated as at the date of issue of such options, warrants or rights or upon conversion or exchange or exercise of rights of subscription or purchase in respect thereof at the initial conversion, exchange, subscription or purchase price or rate.

Such adjustment shall become effective on the Effective Date.

"Effective Date" means, in respect of this paragraph (b)(iv), the first date on which the Ordinary Shares are traded ex-rights, ex-options or ex-warrants on the Relevant Stock Exchange.

- (v) If and whenever the Issuer shall issue any Securities (other than Ordinary Shares or options, warrants or other rights to subscribe for or purchase any Ordinary Shares) to Shareholders as a class by way of rights or grant to Shareholders as a class by way of rights any options, warrants or other rights to subscribe for or purchase any Securities (other than Ordinary Shares or options, warrants or other rights to subscribe for or purchase Ordinary Shares), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to the Effective Date by the following fraction:

$$\frac{A - B}{A}$$

where:

- A is the Current Market Price of one Ordinary Share on the Effective Date; and
- B is the Fair Market Value on the Effective Date of the portion of the rights attributable to one Ordinary Share.

Such adjustment shall become effective on the Effective Date.

"Effective Date" means, in respect of this paragraph (b)(v), the first date on which the Ordinary Shares are traded ex- the relevant Securities or ex-rights, ex-option or ex-warrants on the Relevant Stock Exchange.

- (vi) If and whenever the Issuer shall issue (otherwise than as mentioned in paragraph (b)(iv) above) wholly for cash or for no consideration any Ordinary Shares (other than Ordinary Shares issued on conversion of the Bonds or on the exercise of any rights of conversion into, or exchange or subscription for or purchase of, Ordinary Shares) or issue or grant (otherwise than as mentioned in sub-paragraph (b)(iv) above) wholly for cash or for no consideration any options, warrants or other rights to subscribe for or purchase any Ordinary Shares (other than the Bonds, which term shall for this purpose include any Further Bonds), in each case at a price per Ordinary Share which is less than 95 per cent. of the Current Market Price per Ordinary Share on the date of the first public announcement of the terms of such issue or grant, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to the Effective Date by the following fraction:

$$\frac{A + B}{A + C}$$

where:

- A is the number of Ordinary Shares in issue immediately before the issue of such Ordinary Shares or the grant of such options, warrants or rights;
- B is the number of Ordinary Shares which the aggregate consideration (if any) receivable for the issue of such Ordinary Shares or, as the case may be, for the Ordinary Shares to be issued or otherwise made available upon the exercise of any such options, warrants or rights, would purchase at such Current Market Price per Ordinary Share; and
- C is the number of Ordinary Shares to be issued pursuant to such issue of such Ordinary Shares or, as the case may be, the maximum number of Ordinary Shares which may be issued upon exercise of such options,

warrants or rights calculated as at the date of issue of such options, warrants or rights.

Such adjustment shall become effective on the Effective Date.

"**Effective Date**" means, in respect of this paragraph (b)(vi), the date of issue of such Ordinary Shares or, as the case may be, the grant of such options, warrants or rights.

- (vii) If and whenever the Issuer or any member of the Group or (at the direction or request of or pursuant to any arrangements with the Issuer or any member of the Group) any other company, person or entity (otherwise than as mentioned in paragraphs (b)(iv), (b)(v) or (b)(vi) above) shall issue wholly for cash or for no consideration any Securities (other than the Bonds, which term for this purpose shall exclude any Further Bonds) which by their terms of issue carry (directly or indirectly) rights of conversion into, or exchange or subscription for, Ordinary Shares (or shall grant any such rights in respect of existing Securities so issued) or Securities which by their terms might be redesignated as Ordinary Shares, and the consideration per Ordinary Share receivable upon conversion, exchange, subscription or redesignation is less than 95 per cent. of the Current Market Price per Ordinary Share on the date of the first public announcement of the terms of issue of such Securities (or the terms of such grant), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to the Effective Date by the following fraction:

$$\frac{A + B}{A + C}$$

$$A + C$$

where:

- A is the number of Ordinary Shares in issue immediately before such issue or grant (but where the relevant Securities carry rights of conversion into or rights of exchange or subscription for Ordinary Shares which have been issued, purchased or acquired by the Issuer or any member of the Group (or at the direction or request or pursuant to any arrangements with the Issuer or any member of the Group) for the purposes of or in connection with such issue, less the number of such Ordinary Shares so issued, purchased or acquired);
- B is the number of Ordinary Shares which the aggregate consideration (if any) receivable for the Ordinary Shares to be issued or otherwise made available upon conversion or exchange or upon exercise of the right of subscription attached to such Securities or, as the case may be, for the Ordinary Shares to be issued or to arise from any such redesignation would purchase at such Current Market Price per Ordinary Share; and
- C is the maximum number of Ordinary Shares to be issued or otherwise made available upon conversion or exchange of such Securities or upon the exercise of such right of subscription attached thereto at the initial conversion, exchange or subscription price or rate or, as the case may be, the maximum number of Ordinary Shares which may be issued or arise from any such redesignation,

provided that if at the time of issue of the relevant Securities or date of grant of such rights (as used in this paragraph (b)(vii), the "**Specified Date**") such number of Ordinary Shares is to be determined by reference to the application of a formula or other variable feature or the occurrence of any event at some subsequent time (which may be when such Securities are converted or exchanged or rights of subscription are exercised or, as the case may be, such Securities are

redesignated or at such other time as may be provided), then for the purposes of this paragraph (b)(vii), "C" shall be determined by the application of such formula or variable feature or as if the relevant event occurs or had occurred as at the Specified Date and as if such conversion, exchange, subscription, purchase or acquisition or, as the case may be, redesignation had taken place on the Specified Date.

Such adjustment shall become effective on the Effective Date.

"**Effective Date**" means, in respect of this paragraph (b)(vii), the date of issue of such Securities or, as the case may be, the grant of such rights.

- (viii) If and whenever there shall be any modification of the rights of conversion, exchange, subscription, purchase or acquisition attaching to any such Securities (other than the Bonds, which term shall for this purpose include any Further Bonds) as are mentioned in sub-paragraph (b)(vii) above (other than in accordance with the terms (including terms as to adjustment) applicable to such Securities upon issue) so that following such modification the consideration per Ordinary Share receivable has been reduced and is less than 95 per cent. of the Current Market Price per Ordinary Share on the date of the first public announcement of the proposals for such modification, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to the Effective Date by the following fraction:

$$\frac{A + B}{A + C}$$

A + C

where:

- A is the number of Ordinary Shares in issue immediately before such modification (but where the relevant Securities carry rights of conversion into or rights of exchange or subscription for, or purchase or acquisition of, Ordinary Shares which have been issued, purchased or acquired by the Issuer or any member of the Group (or at the direction or request or pursuant to any arrangements with the Issuer or any member of the Group) for the purposes of or in connection with such Securities, less the number of such Ordinary Shares so issued, purchased or acquired);
- B is the number of Ordinary Shares which the aggregate consideration (if any) receivable for the Ordinary Shares to be issued or otherwise made available upon conversion or exchange or upon exercise of the right of subscription, purchase or acquisition attached to the Securities so modified would purchase at such Current Market Price per Ordinary Share or, if lower, the existing conversion, exchange, subscription, purchase or acquisition price or rate of such Securities; and
- C is the maximum number of Ordinary Shares which may be issued or otherwise made available upon conversion or exchange of such Securities or upon the exercise of such rights of subscription, purchase or acquisition attached thereto at the modified conversion, exchange, subscription, purchase or acquisition price or rate but giving credit in such manner as an Independent Financial Adviser in good faith shall consider appropriate for any previous adjustment under this sub-paragraph (b)(viii) or sub-paragraph (b)(vii) above;

provided that if at the time of such modification (as used in this paragraph (b)(viii), the "**Specified Date**") such number of Ordinary Shares is to be determined by reference to the application of a formula or other variable feature or the occurrence of any event at some subsequent time (which may be when

such Securities are converted or exchanged or rights of subscription, purchase or acquisition are exercised or at such other time as may be provided), then for the purposes of this paragraph (b)(viii), "C" shall be determined by the application of such formula or variable feature or as if the relevant event occurs or had occurred as at the Specified Date and as if such conversion, exchange, subscription, purchase or acquisition had taken place on the Specified Date.

Such adjustment shall become effective on the Effective Date.

"**Effective Date**" means the date of modification of the rights of conversion, exchange, subscription, purchase or acquisition attaching to such Securities.

- (ix) If and whenever the Issuer or any member of the Group or (at the direction or request of or pursuant to any arrangements with the Issuer or any member of the Group) any other company, person or entity shall offer any Securities in connection with which Shareholders as a class are entitled to participate in arrangements whereby such Securities may be acquired by them (except where the Conversion Price falls to be adjusted under paragraphs (b)(ii), (b)(iii), (b)(iv), (b)(vi) or (b)(vii) above or (b)(x) below (or would fall to be so adjusted if the relevant issue or grant was at less than 95 per cent. of the Current Market Price per Ordinary Share on the relevant dealing day) or under paragraph (b)(v) above), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before the Effective Date by the following fraction:

$$\frac{A-B}{A}$$

where:

- A is the Current Market Price of one Ordinary Share on the Effective Date; and
- B is the Fair Market Value on the Effective Date of the portion of the relevant offer attributable to one Ordinary Share.

Such adjustment shall become effective on the Effective Date.

"**Effective Date**" means, in respect of this paragraph (b)(ix), the first date on which the Ordinary Shares are traded ex-rights on the Relevant Stock Exchange.

- (x) If a Change of Control shall occur, then upon any exercise of Conversion Rights where the Conversion Date falls during the Change of Control Period, the Conversion Price shall be adjusted by dividing the Conversion Price in force immediately prior to such Change of Control by a figure calculated in accordance with the formula set out below, provided that no increase of the Conversion Price shall be made in accordance with this provision:

$$A \times \frac{C}{B}$$

where:

- A is the average of the historical prices of a Bond at market close on each dealing day, expressed as a percentage of the principal amount thereof, during the Calculation Period as quoted by three independent financial institutions of international repute appointed by the Issuer for such purpose;
- B is the average of the daily highest and lowest quoted prices of an Ordinary Share during the Calculation Period as derived from the Official List of the UK Listing Authority; and

C is the average Conversion Price (as adjusted from time to time) during the Calculation Period.

"Calculation Period" means a period of 15 consecutive dealing days ending on the fifth day prior to the Commencement Date; and

"Commencement Date" means the commencement of an offer period (as determined in accordance with the Takeover Code (as defined in the Trust Deed)) and being an offer period in respect of which or in relation to which a Change of Control occurs, provided that if the Commencement Date would otherwise have occurred less than 90 days after the end of a previous offer period (as determined in accordance with the Takeover Code), then the Commencement Date shall be the commencement of such previous offer period (determined as above).

- (xi) If the Issuer (after consultation with the Trustee) determines that an adjustment should be made to the Conversion Price as a result of one or more circumstances not referred to above in this paragraph (b) (even if the relevant circumstance is specifically excluded from the operation of paragraphs (b)(i) to (x) above), the Issuer shall, at its own expense and acting reasonably, request an Independent Financial Adviser to determine as soon as practicable what adjustment (if any) to the Conversion Price is fair and reasonable to take account thereof and the date on which such adjustment (if any) should take effect and upon such determination such adjustment (if any) shall be made and shall take effect in accordance with such determination, provided that an adjustment shall only be made pursuant to this paragraph (b)(xi) if such Independent Financial Adviser is so requested to make such a determination not more than 21 days after the date on which the relevant circumstance arises and if the adjustment would result in a reduction to the Conversion Price.

Notwithstanding the foregoing provisions:

- (a) where the events or circumstances giving rise to any adjustment pursuant to this paragraph (b) have already resulted or will result in an adjustment to the Conversion Price or where the events or circumstances giving rise to any adjustment arise by virtue of any other events or circumstances which have already given or will give rise to an adjustment to the Conversion Price or where more than one event which gives rise to an adjustment to the Conversion Price occurs within such a short period of time that, in the opinion of the Issuer, a modification to the operation of the adjustment provisions is required to give the intended result, such modification shall be made to the operation of the adjustment provisions as may be determined in good faith by an Independent Financial Adviser to be in its opinion appropriate to give the intended result; and
- (b) such modification shall be made to the operation of these Conditions as may be determined in good faith by an Independent Financial Adviser to be in its opinion appropriate (i) to ensure that an adjustment to the Conversion Price or the economic effect thereof shall not be taken into account more than once and (ii) to ensure that the economic effect of a Dividend is not taken into account more than once.

For the purpose of any calculation of the consideration receivable or price pursuant to paragraphs (b)(iv), (b)(vi), (b)(vii) and (b)(viii), the following provisions shall apply:

- (a) the aggregate consideration receivable or price for Ordinary Shares issued for cash shall be the amount of such cash;

- (b) (x) the aggregate consideration receivable or price for Ordinary Shares to be issued or otherwise made available upon the conversion or exchange of any Securities shall be deemed to be the consideration or price received or receivable for any such Securities and (y) the aggregate consideration receivable or price for Ordinary Shares to be issued or otherwise made available upon the exercise of rights of subscription attached to any Securities or upon the exercise of any options, warrants or rights shall be deemed to be that part (which may be the whole) of the consideration or price received or receivable for such Securities or, as the case may be, for such options, warrants or rights which are attributed by the Issuer to such rights of subscription or, as the case may be, such options, warrants or rights or, if no part of such consideration or price is so attributed, the Fair Market Value of such rights of subscription or, as the case may be, such options, warrants or rights as at the relevant date of first public announcement as referred to in paragraphs (b)(vi), (b)(vii) or (b)(viii), as the case may be, plus in the case of each of (x) and (y) above, the additional minimum consideration receivable or price (if any) upon the conversion or exchange of such Securities, or upon the exercise of such rights or subscription attached thereto or, as the case may be, upon exercise of such options, warrants or rights and (z) the consideration receivable or price per Ordinary Share upon the conversion or exchange of, or upon the exercise of such rights of subscription attached to, such Securities or, as the case may be, upon the exercise of such options, warrants or rights shall be the aggregate consideration or price referred to in (x) or (y) above (as the case may be) divided by the number of Ordinary Shares to be issued upon such conversion or exchange or exercise at the initial conversion, exchange or subscription price or rate;
- (c) if the consideration or price determined pursuant to (a) or (b) above (or any component thereof) shall be expressed in a currency other than the Relevant Currency, it shall be converted into the Relevant Currency at the Prevailing Rate on the relevant Effective Date (in the case of (a) above) or the relevant date of first public announcement (in the case of (b) above);
- (d) in determining the consideration or price pursuant to the above, no deduction shall be made for any commissions or fees (howsoever described) or any expenses paid or incurred for any underwriting, placing or management of the issue of the relevant Ordinary Shares or Securities or options, warrants or rights, or otherwise in connection therewith; and
- (e) the consideration or price shall be determined as provided above on the basis of the consideration or price received, receivable, paid or payable regardless of whether all or part thereof is received, receivable, paid or payable by or to the Issuer or another entity.
- (c) *Retroactive Adjustments*

If the Conversion Date in relation to the conversion of any Bond shall be after the record date in respect of any consolidation, reclassification or sub-division as is mentioned in paragraph (b)(i) above, or after the record date or other due date for the establishment of entitlement for any such issue, distribution, grant or offer (as the case may be) as is mentioned in paragraph (b)(ii), (b)(iii) (b)(iv), (b)(v) or (b)(ix) above, or after the date of the first public announcement of the terms of any such issue or grant as is mentioned in paragraphs (b)(vi) and (b)(vii) above or of the terms of any such modification as is mentioned in paragraph (b)(viii) above, but before the relevant adjustment to the Conversion Price becomes effective under paragraph (b) above (such adjustment, a "**Retroactive Adjustment**"), then the Issuer shall (conditional upon the relevant adjustment becoming effective) procure that there shall be issued or transferred and delivered to the converting Bondholder, in accordance with the instructions contained in

the relevant Conversion Notice, such additional number of Ordinary Shares (if any) (the "**Additional Ordinary Shares**") as, together with the Ordinary Shares issued or transferred and delivered on conversion of the relevant Bonds (together with any fraction of an Ordinary Share not so issued or transferred and delivered), is equal to the number of Ordinary Shares which would have been required to be issued or transferred and delivered on such conversion if the relevant adjustment to the Conversion Price had been made and become effective immediately prior to the relevant Conversion Date.

(d) *Decision of an Independent Financial Adviser*

If any doubt shall arise as to whether an adjustment falls to be made to the Conversion Price or as to the appropriate adjustment to the Conversion Price, and following consultation between the Issuer and an Independent Financial Adviser, a written determination of such Independent Financial Adviser in respect thereof shall be conclusive and binding on all parties, save in the case of manifest error.

(e) *Share or Option Schemes, Dividend Reinvestment Plans*

No adjustment will be made to the Conversion Price where Ordinary Shares or other Securities (including rights, warrants and options) are issued, offered, exercised, allotted, purchased, appropriated, modified or granted to, or for the benefit of, employees or former employees (including directors holding or formerly holding executive or non-executive office or the personal service company of any such person) or their spouses or relatives, in each case, of the Issuer or any member of the Group or any associated company or to a trustee or trustees to be held for the benefit of any such person, in any such case pursuant to any share or option scheme or pursuant to any dividend reinvestment plan or similar plan or scheme.

(f) *Rounding Down and Notice of Adjustment to the Conversion Price*

On any adjustment, the resultant Conversion Price, if not an integral multiple of £0.0001, shall be rounded down to the nearest whole multiple of £0.0001. No adjustment shall be made to the Conversion Price where such adjustment (rounded down if applicable) would be less than one per cent. of the Conversion Price then in effect. Any adjustment not required to be made and/or any amount by which the Conversion Price has been rounded down, shall be carried forward and taken into account in any subsequent adjustment, and such subsequent adjustment shall be made on the basis that the adjustment not required to be made had been made at the relevant time and/or, as the case may be, that the relevant rounding down had not been made.

Notice of any adjustments to the Conversion Price shall be given by the Issuer to Bondholders in accordance with Condition 18 and to the Trustee promptly after the determination thereof.

The Conversion Price shall not in any event be reduced to below the nominal value of the Ordinary Shares. The Issuer undertakes that it shall not take any action, and shall procure that no action is taken, that would otherwise result in an adjustment to the Conversion Price to below such nominal value or any minimum level permitted by applicable laws or regulations.

(g) *Procedure for exercise of Conversion Rights*

Conversion Rights may be exercised by a Bondholder during the Conversion Period by delivering the relevant Bond to the specified office of any Paying and Conversion Agent, during its usual business hours, accompanied by a duly completed and signed notice of conversion (a "**Conversion Notice**") in the form (for the time being current) obtainable from any Paying and Conversion Agent. Conversion Rights shall be exercised subject in each case to any applicable fiscal or other laws or regulations applicable in the jurisdiction

in which the specified office of the Paying and Conversion Agent to whom the relevant Conversion Notice is delivered is located.

If the delivery of the relevant Bond and Conversion Notice as described in the foregoing paragraph is made after the end of normal business hours or on a day which is not a business day in the place of the specified office of the relevant Paying and Conversion Agent, such delivery shall be deemed for all purposes of these Conditions to have been made on the next following such business day.

Each Bond should be delivered upon exercise of Conversion Rights together with all Coupons relating to it which mature on or after the relevant Conversion Date, failing which the relevant holder will be required to pay the full amount of any such missing Coupon. Each amount so paid will be repaid in the manner specified in Condition 9 against presentation and surrender (or, in the case of part payment only, endorsement) of the relevant missing Coupon at any time after the relevant Conversion Date and before the expiry of ten years after the Relevant Date in respect of the relevant Bond (whether or not any such Coupon would otherwise have become void pursuant to Condition 13), but not thereafter.

Any determination as to whether any Conversion Notice has been duly completed and properly delivered shall be made by the relevant Paying and Conversion Agent and shall, save in the case of manifest error, be conclusive and binding on the Issuer, the Trustee and the Paying and Conversion Agents and the relevant Bondholder.

A Conversion Notice, once delivered, shall be irrevocable.

The conversion date in respect of a Bond (the "**Conversion Date**") shall be the business day in London immediately following the date of the delivery of the relevant Bond and the Conversion Notice as provided in this Condition 7(g) and payment of any other amount payable by the relevant Bondholder pursuant to the third paragraph of this Condition 7(g).

A Bondholder exercising Conversion Rights must pay directly to the relevant authorities any taxes and capital, stamp, issue, registration and transfer taxes and duties arising on conversion (other than any capital, stamp, issue, registration and transfer taxes and duties payable in the United Kingdom in respect of the allotment, issue or transfer and delivery of any Ordinary Shares in respect of such exercise (including any Additional Ordinary Shares), which shall be paid by the Issuer). If the Issuer shall fail to pay any capital, stamp, issue, registration and transfer taxes and duties payable for which it is responsible as provided above, the relevant holder shall be entitled to tender and pay the same and the Issuer as a separate and independent stipulation, covenants to reimburse and indemnify each Bondholder in respect of any payment thereof and any penalties payable in respect thereof.

The Trustee shall not be responsible for determining whether such taxes or capital, stamp, issue, registration and transfer taxes and duties are payable or the amount thereof and it shall not be responsible or liable for any failure by the Issuer or any Bondholder to pay such taxes or capital, stamp, issue, registration and transfer taxes and duties.

Such Bondholder must also pay all, if any, taxes imposed on it and arising by reference to any disposal or deemed disposal of a Bond or any interest therein in connection with the exercise of Conversion Rights by it.

The Ordinary Shares to be issued or transferred and delivered on exercise of Conversion Rights (including any Additional Ordinary Shares) will not be available for issue or transfer and delivery (i) to, or to a nominee or agent for, Euroclear Bank S.A./N.V. or Clearstream Banking, société anonyme or any other person providing a clearance service within the meaning of Section 96 of the Finance Act 1986 of the United Kingdom or (ii) to a person, or nominee or agent for a person, whose business is or includes issuing depositary receipts

within the meaning of Section 93 of the Finance Act 1986 of the United Kingdom, in each case at any time prior to the "**abolition day**" as defined in Section 111(1) of the Finance Act 1990 of the United Kingdom.

Ordinary Shares to be issued or transferred and delivered on exercise of Conversion Rights (including any Additional Ordinary Shares) will be issued or transferred and delivered in uncertificated form through the dematerialised securities trading system operated by Euroclear UK & Ireland Limited, known as CREST, unless at the relevant time the Ordinary Shares are not a participating security in CREST. Where Ordinary Shares are to be issued or transferred and delivered through CREST, they will be issued or transferred and delivered to the account specified by the relevant Bondholder in the relevant Conversion Notice by not later than seven London business days following the relevant Conversion Date (or, in the case of any Additional Ordinary Shares, not later than seven London business days following the Reference Date). Where Ordinary Shares are to be issued or transferred and delivered in certificated form, a certificate in respect thereof will be dispatched by mail free of charge (but uninsured and at the risk of the recipient) to the relevant Bondholder or as it may direct in the relevant Conversion Notice within 28 days following the relevant Conversion Date or, as the case may be, the Reference Date.

(h) *Ordinary Shares*

- (i) Ordinary Shares (including any Additional Ordinary Shares) issued or transferred and delivered upon exercise of Conversion Rights will be fully paid and will in all respects rank *pari passu* with the fully paid Ordinary Shares in issue on the relevant Conversion Date or, in the case of Additional Ordinary Shares, on the relevant Reference Date, except in any such case for any right excluded by mandatory provisions of applicable law and except that such Ordinary Shares or, as the case may be, Additional Ordinary Shares will not rank for (or, as the case may be, the relevant holder shall not be entitled to receive) any rights, distributions or payments the record date or other due date for the establishment of entitlement for which falls prior to the relevant Conversion Date or, as the case may be, the relevant Reference Date.
- (ii) Save as provided in Condition 7(i), no payment or adjustment shall be made on exercise of Conversion Rights for any interest which otherwise would have accrued on the relevant Bonds since the last Interest Payment Date preceding the Conversion Date relating to such Bonds (or, if such Conversion Date falls before the first Interest Payment Date, since the Closing Date).

(i) *Interest on Conversion*

If any notice requiring the redemption of the Bonds is given pursuant to Condition 8(b) on or after the fifteenth London business day prior to a record date which has occurred since the last Interest Payment Date (or in the case of the first Interest Period, since the Closing Date) in respect of any Dividend or distribution payable in respect of the Ordinary Shares where such notice specifies a date for redemption falling on or prior to the date which is 14 days after the Interest Payment Date next following such record date, interest shall accrue at the rate provided in Condition 6(a) on Bonds in respect of which Conversion Rights shall have been exercised and in respect of which the Conversion Date falls after such record date and on or prior to the Interest Payment Date next following such record date in respect of such Dividend or distribution, in each case from and including the preceding Interest Payment Date (or, if such Conversion Date falls before the first Interest Payment Date, from the Closing Date) to but excluding such Conversion Date. The Issuer shall pay any such interest by not later than 14 days after the relevant Conversion Date by transfer to a sterling account with a bank in London in accordance with instructions given by the relevant Bondholder in the relevant Conversion Notice.

(j) *Purchase or Redemption of Ordinary Shares*

The Issuer or any member of the Group may exercise such rights as it may from time to time enjoy to purchase or redeem or buy back any shares of the Issuer (including Ordinary Shares) or any depositary or other receipts or certificates representing the same without the consent of the Trustee or the Bondholders.

(k) *No Duty to Monitor*

The Trustee shall not be under any duty to monitor whether any event or circumstance has happened or exists which may require an adjustment to be made to the Conversion Price or as to the amount of any adjustment actually made, and will not be responsible or liable to the Bondholders for any loss arising from any failure by it to do so.

(l) *Change of Control*

Within 10 London business days following the occurrence of a Change of Control, the Issuer shall give notice thereof in writing to the Trustee and to the Bondholders in accordance with Condition 18 (a "**Change of Control Notice**"). The Change of Control Notice shall contain a statement informing Bondholders of their entitlement to exercise their Conversion Rights as provided in these Conditions and their entitlement to exercise their rights to require redemption of their Bonds pursuant to Condition 8(e).

The Change of Control Notice shall also specify:

- (i) all information material to Bondholders concerning the Change of Control;
- (ii) the Conversion Price immediately prior to the occurrence of the Change of Control and the Conversion Price applicable pursuant to Condition 7(b)(x) during the Change of Control Period;
- (iii) the closing price of the Ordinary Shares as derived from the Relevant Stock Exchange as at the latest practicable date prior to the publication of the Change of Control Notice;
- (iv) the last day of the Change of Control Period;
- (v) the Change of Control Put Date; and
- (vi) such other information relating to the Change of Control as the Trustee may require.

The Trustee shall not be required to take any steps to monitor or ascertain whether a Change of Control or any event which could lead to a Change of Control has occurred or may occur and will not be responsible or liable to Bondholders or any other person for any loss arising from any failure by it to do so.

8 Redemption and Purchase

(a) *Final Redemption*

Unless previously purchased and cancelled, redeemed or converted as herein provided, the Bonds will be redeemed at their principal amount on the Final Maturity Date. The Bonds may only be redeemed at the option of the Issuer prior to the Final Maturity Date in accordance with Condition 8(b) or 8(c).

(b) *Redemption at the Option of the Issuer*

On giving not less than 30 nor more than 60 days' notice (an "**Optional Redemption Notice**") to the Trustee and to the Bondholders in accordance with Condition 18, the Issuer

may redeem all but not some only of the Bonds then outstanding on the date (the "**Optional Redemption Date**") specified in the Optional Redemption Notice at their principal amount, together with accrued but unpaid interest to such date:

- (i) at any time on or after 29 November 2011 (the "**First Call Date**") and prior to (and excluding) 29 November 2013 (the "**Second Call Date**"), if the Parity Value for such dealing day on each of at least 20 dealing days in any period of 30 consecutive dealing days ending not earlier than 14 days prior to the giving of the relevant Optional Redemption Notice, shall have exceeded £100,000; or
- (ii) at any time on or after the Second Call Date, if the Parity Value for such dealing day on each of at least 20 dealing days in any period of 30 consecutive dealing days ending not earlier than 14 days prior to the giving of the relevant Optional Redemption Notice, shall have exceeded £65,000; or
- (iii) at any time if prior to the date the relevant Optional Redemption Notice is given, Conversion Rights shall have been exercised and/or purchases (and corresponding cancellations) and/or redemptions effected in respect of 85 per cent. or more in principal amount of the Bonds originally issued (which shall for this purpose include any Further Bonds).

(c) *Redemption for Taxation Reasons*

At any time the Issuer may, having given not less than 30 nor more than 60 days' notice (a "**Tax Redemption Notice**") to the Bondholders redeem (subject to the second following paragraph) all but not some only (subject as provided below) of the Bonds for the time being outstanding on the date (the "**Tax Redemption Date**") specified in the Tax Redemption Notice at their principal amount, together with accrued but unpaid interest to such date, if (i) the Issuer satisfies the Trustee immediately prior to the giving of such notice that the Issuer (or, if the Guarantee has been called, the Guarantor) has or will become obliged to pay additional amounts pursuant to Condition 10 as a result of any change in, or amendment to, the laws or regulations of the United Kingdom or any political subdivision or any authority thereof or therein having power to tax, or any change in the general application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after 13 October 2009, and (ii) such obligation cannot be avoided by the Issuer or the Guarantor, as the case may be, by taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer or the Guarantor, as the case may be, would be obliged to pay such additional amounts were a payment in respect of the Bonds then due. Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Trustee (a) a certificate signed by two directors of the Issuer or the Guarantor, as the case may be, stating that the obligation referred to in (i) above cannot be avoided by the Issuer or the Guarantor, as the case may be, taking reasonable measures available to it and (b) an opinion of independent legal or tax advisers of recognised standing to the effect that such change or amendment has occurred and that the Issuer or the Guarantor, as the case may be, has or will be obliged to pay such additional amounts as a result thereof (irrespective of whether such amendment or change is then effective) and the Trustee shall be entitled to accept without any liability for so doing such certificate and opinion as sufficient evidence of the matters set out in (i) and (ii) above in which event it shall be conclusive and binding on the Bondholders and the Couponholders.

On the Tax Redemption Date the Issuer shall (subject to the next following paragraph) redeem the Bonds at their principal amount, together with accrued interest to such date.

If the Issuer gives a Tax Redemption Notice, each Bondholder will have the right to elect that his Bonds shall not be redeemed and that the provisions of Condition 10 shall not apply in respect of any payment of interest to be made on such Bonds or as the case may

be, the Guarantee, by the Issuer or the Guarantor, as the case may be, which falls due after the relevant Tax Redemption Date, whereupon no additional amounts shall be payable by the Issuer or the Guarantor, as the case may be, in respect thereof pursuant to Condition 10 and payment of all amounts of such interest on such Bonds or the Guarantee, as the case may be, shall be made subject to the deduction or withholding of any United Kingdom taxation required to be withheld or deducted by the Issuer or the Guarantor, as the case may be. To exercise such right, the holder of the relevant Bond must complete, sign and deposit at the specified office of any Paying and Conversion Agent a duly completed and signed notice of election, in the form for the time being current, obtainable from the specified office of any Paying and Conversion Agent together with the relevant Bonds on or before the day falling 10 days prior to the Tax Redemption Date.

(d) *Optional Redemption and Tax Redemption Notices*

Any Optional Redemption Notice or Tax Redemption Notice shall be irrevocable. Any such notice shall specify (i) the Optional Redemption Date or, as the case may be, the Tax Redemption Date, which shall be a London business day, (ii) the Conversion Price, the aggregate principal amount of the Bonds outstanding and the closing price of the Ordinary Shares as derived from the Relevant Stock Exchange, in each case as at the latest practicable date prior to the publication of the Optional Redemption Notice or, as the case may be, the Tax Redemption Notice, (iii) the last day on which Conversion Rights may be exercised by Bondholders and (iv) the amount of accrued interest payable in respect of each Bond on the Optional Redemption Date or, as the case may be, Tax Redemption Date.

(e) *Redemption at the Option of Bondholders upon a Change of Control*

Following the occurrence of a Change of Control, the holder of each Bond will have the right to require the Issuer to redeem that Bond on the Change of Control Put Date at its principal amount, together with accrued and unpaid interest to such date. To exercise such right, the holder of the relevant Bond must deliver such Bond, together with all Coupons relating to it which mature after the Change of Control Put Date, to the specified office of any Paying and Conversion Agent, together with a duly completed and signed notice of exercise in the form for the time being current obtainable from the specified office of any Paying and Conversion Agent (a "**Change of Control Put Exercise Notice**"), at any time during the Change of Control Period. The "**Change of Control Put Date**" shall be the seventh London business day after the expiry of the Change of Control Period.

Payment in respect of any such Bond shall be made by transfer to a sterling account with a bank in London as specified by the relevant Bondholder in the relevant Change of Control Put Exercise Notice.

A Change of Control Put Exercise Notice, once delivered, shall be irrevocable and the Issuer shall redeem all Bonds which are the subject of Change of Control Put Exercise Notices delivered as aforesaid on the Change of Control Put Date.

(f) *Purchase*

Subject to the requirements (if any) of any stock exchange on which the Bonds may be admitted to listing and trading at the relevant time and subject to compliance with applicable laws and regulations, the Issuer or the Guarantor or any member of the Group may at any time purchase any Bonds (provided that all unmatured Coupons relating to them are purchased therewith or attached thereto) in the open market or otherwise at any price. Such Bonds may be held, re-sold or reissued or, at the option of the relevant purchaser, surrendered to any Paying and Conversion Agent for cancellation. The Bonds so purchased, while held by or on behalf of the Issuer or the Guarantor or any member of the Group, shall not entitle the holder to vote at any meetings of the Bondholders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of Bondholders for the purpose of Condition 15(a).

(g) *Cancellation*

All Bonds which are redeemed or in respect of which Conversion Rights are exercised (together with all unmatured Coupons attached to the Bonds or surrendered with the Bonds) will be cancelled and may not be reissued or resold. Bonds purchased by the Issuer or any member of the Group (together with all unmatured Coupons attached to the Bonds or surrendered with the Bonds) may be surrendered to the Principal Paying and Conversion Agent for cancellation and, if so surrendered, shall be cancelled.

(h) *Multiple Notices*

If more than one notice of redemption is given pursuant to this Condition 8, the first of such notices to be given shall prevail.

9 Payments

(a) *Principal*

Payment of principal in respect of the Bonds and payment of accrued interest payable on redemption of the Bonds (other than on an Interest Payment Date) will be made against presentation and surrender (or in the case of partial payment only, endorsement) of the relevant Bond at the specified office of any Paying and Conversion Agent.

(b) *Interest and Other Amounts*

(i) Payment of interest due on any Interest Payment Date will be made against presentation and surrender (or in the case of partial payment only, endorsement) of the relevant Coupons at the specified office of any of the Paying and Conversion Agents.

(ii) Payments of all amounts other than as provided in Conditions 9(a) and (b) (i) will be made as provided in these Conditions.

(c) *Coupons*

Each Bond should be presented for payment together with all relative unmatured Coupons, failing which the full amount of any relative missing unmatured Coupon (or, in the case of payment not being made in full, the proportion of the full amount of the missing unmatured Coupon which the amount so paid bears to the total amount due) will be deducted from the amount due for payment. Each amount so deducted will be paid in the manner mentioned above against presentation and surrender (or, in the case of part payment only, endorsement) of the relative missing Coupon at any time before the expiry of 10 years after the Relevant Date in respect of the relevant Bond (whether or not the Coupon would otherwise have become void pursuant to Condition 13) or, if later, five years after the date on which the Coupon would have become void pursuant to Condition 13, but not thereafter.

(d) *Payments*

Each payment in respect of the Bonds pursuant to Conditions 9(a) and (b)(i) will be made by transfer to a sterling account maintained by the payee with a bank in London.

(e) *Payments subject to fiscal laws*

All payments in respect of the Bonds are subject in all cases to any applicable fiscal or other laws and regulations, but without prejudice to Condition 11.

(f) *Presentation Date*

A holder shall be entitled to present a Bond or Coupon for payment only on a Presentation Date and shall not be entitled to any further interest or other payment if the due date for payment is not a Presentation Date or if the relevant Bond or Coupon is presented for payment after the due date.

(g) *Paying and Conversion Agents, etc.*

The initial Paying and Conversion Agents and their initial specified offices are listed below. The Issuer reserves the right under the Agency Agreement at any time, with the prior written approval of the Trustee, to vary or terminate the appointment of any Paying and Conversion Agent and appoint additional or other Paying and Conversion Agents, provided that it will (i) maintain a Principal Paying and Conversion Agent, (ii) maintain a Paying and Conversion Agent (which may be the Principal Paying and Conversion Agent) with a specified office in a European Union member state that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive and (iii) maintain a Paying and Conversion Agent with a specified office in at least two major European cities approved by the Trustee one of which will be outside the United Kingdom (which may, for the avoidance of doubt, be the same Paying and Conversion Agent maintained for the purposes of sub-paragraph (ii)). Notice of any change in the Paying and Conversion Agents or their specified offices will promptly be given by the Issuer to the Bondholders in accordance with Condition 18.

(h) *No charges*

None of the Paying and Conversion Agents shall make or impose on a Bondholder or Couponholder any charge or commission in relation to any payment in respect of the Bonds or Coupons or any conversion of the Bonds.

(i) *Fractions*

When making payments to Bondholders or Couponholders, if the relevant payment is not of an amount which is a whole multiple of the smallest unit of the relevant currency in which such payment is to be made, such payment will be rounded down to the nearest unit.

10 Taxation

All payments of principal and interest by or on behalf of the Issuer in respect of the Bonds or the Guarantor in respect of the Guarantee shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the United Kingdom or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. In that event the Issuer or the Guarantor, as the case may be, shall pay such additional amounts as will result in receipt by the Bondholders and the Couponholders of such amounts, after such withholding or deduction, as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable in respect of any Bond or Coupon:

- (a) presented for payment by or on behalf of a holder who is subject to such taxes, duties, assessments or governmental charges in respect of such Bond or Coupon by reason of his having some connection with the United Kingdom otherwise than merely by holding the Bond or Coupon or by the receipt of amounts in respect of the Bond or Coupon; or
- (b) presented for payment by or on behalf of a holder who would not be liable or subject to the withholding or deduction by making a declaration of non-residence or other similar claim for exemption to the relevant tax authority; or

- (c) presented for payment more than 30 days after the Relevant Date except to the extent that the holder of it would have been entitled to such additional amounts on presenting such Bond or Coupon for payment on the last day of such period of 30 days; or
- (d) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive; or
- (e) presented for payment by or on behalf of a Bondholder or a Couponholder who would have been able to avoid such withholding or deduction by presenting the relevant Bond or Coupon to another Paying and Conversion Agent in a major European city.

References in these Conditions to principal and/or interest and/or any other amounts payable in respect of the Bonds or Coupons shall be deemed also to refer to any additional amounts which may be payable under this Condition or any undertaking or covenant given in addition thereto or in substitution therefor pursuant to the Trust Deed.

The provisions of this Condition 10 shall not apply in respect of any payments of interest which fall due after the relevant Tax Redemption Date in respect of any Bonds which are the subject of a Bondholder election pursuant to Condition 8(c).

11 Events of Default

The Trustee at its discretion may, and if so requested in writing by the holders of at least one-fifth in nominal amount of the Bonds then outstanding or if so directed by an Extraordinary Resolution of the Bondholders shall (subject in each case to being indemnified and/or secured and/or prefunded to its satisfaction), give notice to the Issuer and the Guarantor that the Bonds are, and they shall accordingly forthwith become, immediately due and repayable at their principal amount, together with accrued interest as provided in the Trust Deed, if any of the following events (each an "**Event of Default**") shall have occurred, so long as at the time of such notice such event or, as the case may be, all such events shall not have been cured or waived by, or remedied to the satisfaction of, the Trustee:

- (a) if default is made in the payment of any principal or interest due in respect of the Bonds or any of them and the default continues for a period of 14 days or default is made in the delivery of any Ordinary Shares upon exercise of Conversion Rights; or
- (b) if the Issuer or the Guarantor fails to perform or observe any of its other obligations under these Conditions or the Trust Deed or takes, or does not take, any action which would, but for the provisions of applicable law, be a breach of an obligation under Condition 12 and (except in any case where the Trustee considers such failure to be incapable of remedy when no continuation or notice as is hereinafter mentioned will be required) the failure continues for the period of 30 days (or such longer period as the Trustee may permit) next following the service by the Trustee on the Issuer or the Guarantor, as the case may be, of notice requiring the same to be remedied; or
- (c) if any Indebtedness for Borrowed Money of the Issuer or any of its Principal Subsidiaries becomes due and repayable prematurely by reason of an event of default (however described) or the Issuer or any of its Principal Subsidiaries fails to make any payment in respect of any Indebtedness for Borrowed Money on its due date for payment (as extended by any originally applicable grace period therefor) or any security given by the Issuer or any of its Principal Subsidiaries for any Indebtedness for Borrowed Money becomes enforceable or if default is made by the Issuer or any of its Principal Subsidiaries in making any payment due under any guarantee and/or indemnity given by it in relation to any Indebtedness for Borrowed Money of any other person provided that no such event as aforesaid shall constitute an Event of Default unless the Indebtedness for Borrowed Money to which such event relates either alone or when aggregated with all other Indebtedness for Borrowed Money relative to all (if any) other such events which shall have occurred shall

amount to at least £25,000,000 (or its equivalent in any other currency) or, if greater, 5 per cent of the Adjusted Share Capital and Reserves (as defined in the Trust Deed); or

- (d) if any order is made by any competent court or resolution passed for the winding up or dissolution of the Issuer or any of its Principal Subsidiaries, save for the purposes of reorganisation on terms approved in writing by the Trustee or by Extraordinary Resolution of the Bondholders; or
- (e) if the Issuer or any of its Principal Subsidiaries ceases or threatens to cease to carry on the whole or substantially the whole of its business, save for the purposes of reorganisation on terms approved in writing by the Trustee or by Extraordinary Resolution of the Bondholders, or the Issuer or any of its Principal Subsidiaries stops or threatens to stop payment of, or is or deemed to be unable to, or admits inability to pay its debts or any class of its debts (within the meaning of Section 123(1) or (2) of the Insolvency Act 1986, as amended pursuant to Condition 5), or is adjudicated or found bankrupt or insolvent; or
- (f) if
 - (i) proceedings are initiated against the Issuer or any of its Principal Subsidiaries under any applicable liquidation, insolvency, composition, reorganisation or other similar laws, or an application is made for the appointment of an administrative or other receiver, manager, administrator or other similar official, or an administrative or other receiver, manager, administrator or other similar official is appointed, in relation to the Issuer or any of its Principal Subsidiaries or, as the case may be, in relation to the whole or a substantial part of the undertaking or assets of any of them, or an encumbrancer takes possession of the whole or a substantial part of the undertaking or assets of any of them, or a distress, execution, attachment, sequestration or other process is levied, enforced upon, sued out or put in force against the whole or a substantial part of the undertaking or assets, of any of them and
 - (ii) in any case (other than the appointment of an administrator) is not discharged, stayed or the subject of bona fide proceedings within 28 days; or if the Issuer or any of its Principal Subsidiaries initiates or consents to judicial proceedings relating to itself under any applicable liquidation, insolvency, composition, reorganisation or other similar laws or makes a conveyance or assignment for the benefit of, or enters into any composition or other arrangement with, its creditors generally (or any class of its creditors) or any meeting is convened to consider a proposal for an arrangement or composition with its creditors generally (or any class of its creditors); or
- (g) if for any reason the applicable Guarantee ceases to be, or is claimed, other than pursuant to a release or substitution of the Guarantor in accordance with Condition 15, by the Issuer or the Guarantor not to be, in full force and effect, and

PROVIDED, in the case of any Event of Default other than those described in Conditions 11(a), (in the case of a winding up or dissolution of the Issuer or the Guarantor) Condition 11(d) and 11(g) above, the Trustee shall have certified to the Issuer that the Event of Default is, in its opinion, materially prejudicial to the interest of the Bondholders.

12 Undertakings

(a) *Undertakings of the Issuer*

Whilst any Conversion Right remains exercisable, the Issuer will, save with the approval of an Extraordinary Resolution or with the prior written approval of the Trustee where, in its opinion, it is not materially prejudicial to the interests of the Bondholders to give such approval:

- (i) issue, allot and deliver Ordinary Shares on exercise of Conversion Rights and at all times keep available for issue free from pre-emptive or other similar rights out of its authorised but unissued share capital such number of Ordinary Shares as would enable the Conversion Rights and all other rights of subscription and exchange for and conversion into Ordinary Shares to be satisfied in full;
- (ii) other than in connection with a Newco Scheme, not issue or pay up any Securities, in either case by way of capitalisation of profits or reserves, other than:
 - (1) by the issue of fully paid Ordinary Shares or other Securities to the Shareholders and other holders of shares in the capital of the Issuer which by their terms entitle the holders thereof to receive Ordinary Shares or other Securities on a capitalisation of profits or reserves; or
 - (2) by the issue of Ordinary Shares paid up in full out of profits or reserves (in accordance with applicable law) and issued wholly, ignoring fractional entitlements, in lieu of the whole or part of a cash dividend; or
 - (3) by the issue of fully paid equity share capital (other than Ordinary Shares) to the holders of equity share capital of the same class and other holders of shares in the capital of the Issuer which by their terms entitle the holders thereof to receive equity share capital (other than Ordinary Shares); or
 - (4) by the issue of Ordinary Shares or any equity share capital to, or for the benefit of, any employee or former employee, director or executive holding or formerly holding executive office of the Issuer or any of its Subsidiaries or any associated company or to trustees or nominees to be held for the benefit of any such person, in any such case pursuant to an employee, director or executive share or option scheme whether for all employees, directors, or executives or any one or more of them,unless, in any such case, the same constitutes a Dividend or otherwise gives (or, in the case of an issue or payment up of Securities in connection with a Change of Control, will give) rise (or would, but for the provisions of Condition 7(f) relating to roundings or the carry forward of adjustments, give rise) to an adjustment to the Conversion Price or is (or, in the case of any issue or payment up of Securities in connection with a Change of Control, will be) otherwise taken into account for the purposes of determining whether such an adjustment should be made;
- (iii) not in any way modify the rights attaching to the Ordinary Shares with respect to voting, dividends or liquidation nor issue any other class of equity share capital carrying any rights which are more favourable than such rights attaching to the Ordinary Shares but so that nothing in this Condition 12(a)(iii) shall prevent:
 - (1) the issue of any equity share capital to employees (including directors holding or formerly holding executive or non-executive office or the personal service company of any such person) whether of the Issuer or any of the Issuer's subsidiaries or associated companies by virtue of their office or employment pursuant to any scheme or plan approved by the Issuer in general meeting or which is established pursuant to such a scheme or plan which is or has been so approved; or

- (2) any consolidation, reclassification or subdivision of the Ordinary Shares or the conversion of any Ordinary Shares into stock or vice versa; or
- (3) any modification of such rights which is not, in the determination in good faith of an Independent Financial Adviser, materially prejudicial to the interests of the holders of the Bonds; or
- (4) any alteration to the articles of association of the Issuer made in connection with the matters described in this Condition 12 or which is supplemental or incidental to any of the foregoing (including any amendment made to enable or facilitate procedures relating to such matters and any amendment dealing with the rights and obligations of holders of Securities, including Ordinary Shares, dealt with under such procedures); or
- (5) any issue of equity share capital where the issue of such equity share capital results or would, but for the provisions of Condition 7(f) relating to roundings or the carry forward of adjustments or, where comprising Ordinary Shares, the fact that the consideration per Ordinary Share receivable therefor is at least 95 per cent. of the Current Market Price per Ordinary Share on the relevant date, otherwise result, in an adjustment to the Conversion Price; or
- (6) any issue of equity share capital or modification of rights attaching to the Ordinary Shares where prior thereto the Issuer shall have instructed an Independent Financial Adviser to determine in good faith what (if any) adjustments should be made to the Conversion Price as being fair and reasonable to take account thereof and such Independent Financial Adviser shall have determined in good faith either that no adjustment is required or that an adjustment to the Conversion Price is required and, if so, the new Conversion Price as a result thereof and the basis upon which such adjustment is to be made and, in any such case, the date on which the adjustment shall take effect (and so that the adjustment shall be made and shall take effect accordingly); or
- (7) without prejudice to Condition 7(b)(x) and Condition 8(e), the amendment of the articles of association of the Issuer following a Change of Control to ensure that any Bondholder exercising its Conversion Right after the occurrence of a Change of Control will receive the same consideration for the Ordinary Shares arising on conversion as it would have received had it exercised its Conversion Right at the time of the occurrence of the Change of Control; or
- (8) without prejudice to any rule of law or legislation (including regulations made under Sections 783, 784(3), 785 and 788 of the Companies Act or any other provision of that or any other legislation), the conversion of Ordinary Shares into, or the issue of any Ordinary Shares in, uncertificated form (or the conversion of Ordinary Shares in uncertificated form to certificated form) or the amendment of the articles of association of the Issuer to enable title to Securities (including Ordinary Shares) to be evidenced and transferred without a written instrument or any other alteration to the articles of association of the Issuer made in connection with the matters described in this Condition 12(a)(iii)(8) or which is supplemental or incidental to any of the foregoing (including any amendment made to enable or facilitate procedures relating to such

matters and any amendment dealing with the rights and obligations of holders of Securities, including Ordinary Shares, dealt with under such procedures);

- (iv) procure that no Securities (whether issued by the Issuer or any member of the Group or procured by the Issuer or any member of the Group to be issued) issued without rights to convert into, or exchange or subscribe for, Ordinary Shares shall subsequently be granted such rights exercisable at a consideration per Ordinary Share which is less than 95 per cent. of the Current Market Price per Ordinary Share at the close of business on the last dealing day preceding the date of the first public announcement of the proposed inclusion of such rights unless the same gives rise (or would, but for the provisions of Condition 7(f) relating to roundings or the carry forward of adjustments, give rise) to an adjustment to the Conversion Price and that at no time shall there be in issue Ordinary Shares of differing nominal values, save where such Ordinary Shares have the same economic rights;
- (v) not make any issue, grant or distribution or take or omit to take any other action if the effect thereof would be that, on conversion of the Bonds, Ordinary Shares could not, under any applicable law then in effect, be legally issued as fully paid;
- (vi) not reduce its issued share capital, share premium account or capital redemption reserve or any uncalled liability in respect thereof except (1) pursuant to the terms of issue of the relevant share capital or (2) by means of a purchase or redemption of share capital of the Issuer or (3) as permitted by Section 610(2) and (3) of the Companies Act or (4) where the reduction does not involve any distribution of assets to Shareholders or (5) solely in relation to a change in the currency in which the nominal value of the Ordinary Shares is expressed or (6) a reduction of its share premium account to facilitate the writing off of goodwill arising on consolidation which requires the confirmation of the High Court and which does not involve the return to Shareholders, either directly or indirectly, of an amount standing to the credit of the share premium account of the Issuer in respect of which the Issuer shall have tendered to the High Court such undertaking as it may require prohibiting, so long as any of the Bonds remains outstanding, the distribution (except by way of capitalisation issue) of any reserve which may arise in the books of the Issuer as a result of such reduction or (7) to create distributable reserves (to which, in respect of any such creation of distributable reserves by the Issuer, the Trustee will be deemed to have irrevocably given its consent (without any liability for so doing) prior to such creation of distributable reserves occurring and, to the extent that express consent is required, the Bondholders authorise and direct the Trustee to give its consent (without any liability for so doing) to such creation of distributable reserves) or (8) pursuant to a Newco Scheme or (9) by way of transfer to reserves as permitted under applicable law or (10) where the reduction is permitted by applicable law and the Trustee is advised by an Independent Financial Adviser, acting as an expert and in good faith, that the interests of the Bondholders will not be materially prejudiced by such reduction or (11) where the reduction is permitted by applicable law and results (or, in the case of a reduction in connection with a Change of Control, will result) in (or would, but for the provisions of Condition 7(f)) relating to roundings or the carry forward of adjustments, result in) an adjustment to the Conversion Price or is (or, in the case of a reduction in connection with a Change of Control, will be) otherwise taken into account for the purposes of determining whether such an adjustment should be made,

provided that, without prejudice to the other provisions of these Conditions, the Issuer may exercise such rights as it may from time to time be entitled pursuant to applicable law to purchase, redeem or buy back its Ordinary Shares and any

depository or other receipts or certificates representing Ordinary Shares without the consent of Bondholders;

- (vii) if any offer is made to all (or as nearly as may be practicable all) Shareholders (or all (or as nearly as may be practicable all) such Shareholders other than the offeror and/or any associates (as defined in Section 988 (1) of the Companies Act or any modification or re-enactment thereof) of the offeror) to acquire all or a majority of the issued ordinary share capital of the Issuer, or if a scheme (other than a Newco Scheme) is proposed with regard to such acquisition, give notice in writing of such offer or scheme to the Trustee and the Bondholders at the same time as any notice thereof is sent to its Shareholders (or as soon as practicable thereafter) that details concerning such offer or scheme may be obtained from the specified offices of the Paying and Conversion Agents and, where such an offer or scheme has been recommended by the Board of Directors of the Issuer, or where such an offer has become or been declared unconditional in all respects or such scheme has become effective, use all reasonable endeavours to procure that a like offer or scheme is extended to the holders of any Ordinary Shares issued during the period of the offer or scheme arising out of the exercise of the Conversion Rights by the Bondholders and/or to the holders of the Bonds (which like offer or scheme in respect of such Bondholders shall entitle any such Bondholders to receive the same type and amount of consideration it would have received had it held the number of Ordinary Shares to which such Bondholder would be entitled assuming he were to exercise his Conversion Rights in the relevant Change of Control Period);
- (viii) use all reasonable endeavours to ensure that the Ordinary Shares issued upon conversion of the Bonds will as soon as practicable be admitted to the Official List of the UK Listing Authority and admitted to trading by the London Stock Exchange in accordance with their respective rules and will be listed, quoted or accepted for dealing as soon as practicable on any other stock exchange or securities market on which the Ordinary Shares may then be listed or quoted or dealt in; and
- (ix) in the event of a Newco Scheme, take (or shall procure that there is taken) all necessary action to ensure that (to the satisfaction of the Trustee) immediately after completion of any Scheme of Arrangement:

(1) at its option either Newco is substituted under the Bonds and the Trust Deed as principal obligor in place of the Issuer (with the Issuer providing a guarantee) subject to and as provided in the Trust Deed; or Newco becomes a guarantor (jointly and severally with the Guarantor) under the Bonds and the Trust Deed and such amendments are made to these Conditions and the Trust Deed as are necessary, in the opinion of the Trustee, to ensure that the Bonds may be converted into or exchanged for ordinary shares in Newco (or depository or other receipts or certificates representing ordinary shares of Newco) *mutatis mutandis* in accordance with and subject to these Conditions and the Trust Deed (and the Trustee shall (at the expense of the Issuer) be obliged to concur in effecting such substitution or grant of such guarantee and in either case making any such amendments), provided that the Trustee shall not be obliged so to concur if in the opinion of the Trustee doing so would impose new or more onerous duties or obligations upon it or expose it to further liabilities or reduce its protections;

(2) the Trust Deed and the Conditions (including, without limitation, the adjustment and related provisions (in Condition 7), the Events of Default (in Condition 11) and the Undertakings (in Condition 12)) provide at least the same protections and benefits to the Trustee and the Bondholders following the implementation of such Newco Scheme as they provided to the Trustee and the

Bondholders prior to the implementation of the Newco Scheme, *mutatis mutandis*;

(3) the ordinary shares of Newco (or depositary or other receipts or certificates representing ordinary shares of Newco) are (i) admitted to the Official List of the UK Listing Authority and admitted to trading on the London Stock Exchange's EEA Regulated Market or (ii) admitted to listing on another regulated, regularly operating, recognised stock exchange or securities market (and provided always that such ordinary shares of Newco are listed on a recognised stock exchange for the purposes of section 1005 of the Income Tax Act 2007); and

(4) for so long as any Bond remains outstanding, use all reasonable endeavours to ensure that its issued and outstanding Ordinary Shares are (i) admitted to the Official List of the UK Listing Authority and admitted to trading on the London Stock Exchange's EEA Regulated Market or (ii) admitted to listing on another regulated, regularly operating, recognised stock exchange or securities market (and provided always that such Ordinary Shares are listed on a recognised stock exchange for the purposes of section 1005 of the Income Tax Act 2007).

(b) Compliance Certificates

The Issuer and the Guarantor have undertaken in the Trust Deed to deliver to the Trustee annually and upon request a certificate signed by two of their respective directors, as to there not having occurred an Event of Default or Potential Event of Default (as defined in the Trust Deed) since the date of the last such certificate or if such event has occurred as to the details of such event. The Trustee will be entitled to rely without liability on such certificate and shall not be obliged to independently monitor whether an Event of Default or Potential Event of Default has occurred or monitor compliance by the Issuer or the Guarantor with the undertakings set forth in this Condition 12, nor be liable to any person for not so doing.

13 Prescription

Claims in respect of principal and interest will become void unless presentation for payment is made as required by Condition 9 within a period of 10 years in the case of principal and five years in the case of interest from the appropriate Relevant Date, subject as otherwise provided in Conditions 7(g) and 9(c).

Claims in respect of any other amounts payable in respect of the Bonds shall be prescribed and become void unless made within 10 years following the due date for payment thereof.

14 Replacement of Bonds

If any Bond or Coupon is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of any Paying and Conversion Agent subject to all applicable laws and stock exchange requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Bonds or Coupons must be surrendered before replacements will be issued.

15 Meetings of Bondholders, Modification and Waiver, Substitution

(a) Meetings of Bondholders

The Trust Deed contains provisions for convening meetings of Bondholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any of these Conditions or any provisions of the Trust Deed. Such a meeting may be convened by the Issuer or the Trustee and shall be convened by the Trustee if requested in writing by Bondholders holding not less than 10 per cent. in principal

amount of the Bonds for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution will be one or more persons holding or representing more than 50 per cent. in principal amount of the Bonds for the time being outstanding, or at any adjourned meeting one or more persons being or representing Bondholders whatever the principal amount of the Bonds so held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to change the Final Maturity Date or the dates on which interest is payable in respect of the Bonds, (ii) to modify the circumstances in which the Issuer or Bondholders are entitled to redeem the Bonds pursuant to Condition 8 (b), (c) or (e), (iii) to reduce or cancel the principal amount of, or interest on, the Bonds or to reduce the amount payable on redemption of the Bonds, (iv) to modify the basis for calculating the interest payable in respect of the Bonds, (v) to modify the provisions relating to, or cancel, the Conversion Rights (other than pursuant to or as a result of any amendments to these Conditions, the Trust Deed, made pursuant to and in accordance with the provisions of Condition 12(a)(ix) ("**Newco Scheme Modification**") and other than a reduction to the Conversion Price), (vi) to increase the Conversion Price (other than in accordance with the Conditions or pursuant to a Newco Scheme Modification), (vii) to change the currency of the denomination or any payment in respect of the Bonds, (viii) to change the governing law of the Bonds, the Trust Deed or the Agency Agreement (other than in the case of a substitution of the Issuer or the Guarantor (or any previous substitute or substitutes) under Condition 15(c)), or (ix) or modify certain other provisions of these Conditions or the Trust Deed as set out in Clause 17.1 of the Trust Deed, or (viii) to modify the provisions concerning the quorum required at any meeting of Bondholders or the majority required to pass an Extraordinary Resolution, in which case the necessary quorum will be one or more persons holding or representing not less than two-thirds, or at any adjourned meeting not less than one-third, in principal amount of the Bonds for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on all Bondholders (whether or not they were present at the meeting at which such resolution was passed) and all Couponholders.

The Trust Deed provides that a resolution in writing signed by or on behalf of the holders of not less than 90 per cent. of the aggregate principal amount of Bonds outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Bondholders duly convened and held.

No consent or approval of Bondholders shall be required in connection with any Newco Scheme Modification.

(b) *Modification and Waiver*

The Trustee may agree, without the consent of the Bondholders or Couponholders, to (i) any modification of any of the provisions of the Trust Deed, any trust deed supplemental to the Trust Deed, the Agency Agreement, any agreement supplemental to the Agency Agreement, the Bonds or these Conditions, which in the opinion of the Trustee is of a formal, minor or technical nature or is made to correct a manifest error or an error which, in the opinion of the Trustee, is proven or to comply with mandatory provisions of law, and (ii) any other modification to the Trust Deed, any trust deed supplemental to the Trust Deed, the Agency Agreement, any agreement supplemental to the Agency Agreement, the Bonds or these Conditions (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Trust Deed, any trust deed supplemental to the Trust Deed, the Agency Agreement, any agreement supplemental to the Agency Agreement, the Bonds or these Conditions, which is, in the opinion of the Trustee, not materially prejudicial to the interests of the Bondholders. The Trustee may, without the consent of the Bondholders or Couponholders, determine any Event of Default or a Potential Event of Default should not be treated as such, provided that in the opinion of the Trustee, the interests of Bondholders will not be materially prejudiced thereby. Any such modification, authorisation, waiver or determination shall be

binding on the Bondholders and Couponholders and, if the Trustee so requires, shall be notified to the Bondholders promptly in accordance with Condition 18.

(c) *Substitution*

(i) *Substitution of the Issuer*

The Trust Deed contains provisions permitting the Trustee to agree, without the consent of the Bondholders or Couponholders, to the substitution of certain other entities in place of the Issuer, or of any previous substituted company, as principal debtor under the Trust Deed and the Bonds, subject to (i) the Bonds continuing to be convertible or exchangeable into Ordinary Shares *mutatis mutandis* as provided in these Conditions, with such amendments as the Trustee shall consider appropriate, (ii) the Trustee being satisfied that the interests of the Bondholders will not be materially prejudiced by the substitution and (iii) certain other conditions set out in the Trust Deed being complied with. In the case of such a substitution the Trustee may agree, without the consent of the Bondholders or Couponholders, to a change of the law governing the Bonds, the Coupons and/or the Trust Deed provided that such change would not in the opinion of the Trustee be materially prejudicial to the interests of the Bondholders.

In connection with a Newco Scheme, at the request of the Issuer, the Trustee shall, without the requirement for any consent or approval of the Bondholders or the Couponholders, concur with the Issuer in the substitution in place of the Issuer (or any previous substituted company) as principal debtor under the Trust Deed and the Bonds of Newco pursuant to and subject to the provisions set out in Condition 12(a)(ix).

(ii) *Substitution of the Guarantor*

The Trustee may, without the consent of the Bondholders or Couponholders, agree with the Issuer and the Guarantor to the substitution in place of the Guarantor (or of any previous substitute under this Condition) as the Guarantor under the Bonds, the Coupons and the Trust Deed of another Principal Subsidiary, subject to:

- (1) the Trustee being satisfied that the interests of the Bondholders will not be materially prejudiced by the substitution; and
- (2) certain other conditions set out in the Trust Deed being complied with.

(iii) *Release of the Guarantor*

If so requested by the Issuer and the Guarantor and provided that the Trustee is satisfied at the relevant time that no Event of Default or Potential Event of Default has occurred (in which regard, the Trustee may absolutely rely on a certificate delivered by the Issuer pursuant to Clause 17.4 of the Trust Deed) (or if an Event of Default or Potential Event of Default has occurred, such event has been waived by the Trustee or, to the satisfaction of the Trustee, remedied), the Trustee shall be obliged, without the consent of the Bondholders or Couponholders, to execute a deed supplemental to the Trust Deed releasing the Guarantor from all its obligations under the Bonds and the Coupons and the Trust Deed and making all necessary consequential changes to the Bonds, the Coupons and the Trust Deed to give effect thereto. Any such request by the Issuer and the Guarantor shall be contained in a certificate, in or substantially in the form set out in Schedule 5 to the Trust Deed, addressed to the Trustee and signed by two directors of the Issuer. Such certificate, which shall be dated the date of the relevant supplemental trust deed, shall also state that no other Capital Markets

Indebtedness of the Issuer (except for the Bonds) is for the time being guaranteed by the Guarantor. Any such certificate shall, in the absence of manifest error, be conclusive and binding on the Trustee and the holders of the Bonds and the Coupons and the Trustee shall incur no liability to any person for acting in reliance upon it.

"Capital Markets Indebtedness" means any indebtedness for or in respect of any notes, bonds, debentures, debenture stock, loan stock or other securities.

(d) *Entitlement of the Trustee*

Where, in connection with the exercise or performance of any right, power, trust, authority, duty or discretion under or in relation to these Conditions (including, without limitation, in relation to any modification, waiver, authorisation, determination or substitution as referred to above), the Trustee shall have regard to the interests of the Bondholders as a class but shall not have regard to any interests arising from circumstances particular to individual Bondholders or Couponholders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise or performance for individual Bondholders or Couponholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Trustee shall not be entitled to require, nor shall any Bondholder or Couponholder be entitled to claim from the Issuer, the Guarantor, the Trustee or any other person any indemnification or payment in respect of any tax consequences of any such exercise upon individual Bondholders or Couponholders.

16 Enforcement

The Trustee may at any time, at its discretion and without notice, take such action, step or proceedings against the Issuer or the Guarantor as it may think fit to enforce the provisions of the Trust Deed, the Bonds and the Coupons, but it shall not be bound to take any such action, step or proceedings or any other action in relation to the Trust Deed, the Bonds or the Coupons unless (i) it shall have been so directed by an Extraordinary Resolution of the Bondholders or so requested in writing by the holders of at least one-fifth in principal amount of the Bonds then outstanding, and (ii) it shall have been indemnified and/or secured and/or prefunded to its satisfaction. No Bondholder or Couponholder shall be entitled to proceed directly against the Issuer or the Guarantor unless the Trustee, having become bound so to proceed, fails so to do within a reasonable period and the failure shall be continuing.

17 The Trustee

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including relieving it from taking proceedings unless indemnified and/or secured and/or prefunded to its satisfaction. The Trustee is entitled to enter into business transactions with the Issuer and the Guarantor and any entity related to the Issuer or the Guarantor without accounting for any profit. The Trustee may rely without liability to Bondholders or Couponholders on a report, confirmation or certificate or any advice of the Issuer, the Guarantor, any accountants, financial advisers or financial institution, whether or not addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto entered into by the Trustee or in any other manner) by reference to a monetary cap, methodology or otherwise, and if so relied upon such report, confirmation or certificate or advice shall be binding on the Issuer, the Guarantor, the Trustee and the Bondholders and Couponholders.

18 Notices

Notices to Bondholders will be valid if published in a leading English language daily newspaper circulating in the United Kingdom (which is expected to be the *Financial Times*) or, if in the

opinion of the Trustee such publication shall not be practicable, in an English language newspaper of general circulation in Europe. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication is made. Couponholders will be deemed for all purposes to have notice of the contents of any notice given to the Bondholders in accordance with this Condition.

If publication as provided above is not practicable, notice will be given in such other manner, and shall be deemed to have been given on such date, as the Trustee may approve.

19 Further Issues

The Issuer may from time to time without the consent of the Bondholders or Couponholders create and issue further securities, whether in registered or bearer form, either having the same terms and conditions as the Bonds in all respects (or in all respects except for the first payment of interest on them and the first date on which Conversion Rights may be exercised) and so that such further issue shall be consolidated and form a single series with the outstanding securities of any series (including the Bonds) or upon such terms as the Issuer may determine at the time of their issue. References in these Conditions to the Bonds include (unless the context requires otherwise) any other securities issued pursuant to this Condition and forming a single series with the Bonds. Any further securities forming a single series with the outstanding securities of any series (including the Bonds) constituted by the Trust Deed or any deed supplemental to it shall, and any other securities may (with the consent of the Trustee), be constituted by a deed supplemental to the Trust Deed. The Trust Deed contains provisions for convening a single meeting of the Bondholders and the holders of securities of other series where the Trustee so decides.

20 Contracts (Rights of Third Parties) Act 1999

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

21 Governing Law

The Trust Deed, the Bonds and the Coupons, and any non-contractual obligations arising out of or in connection with them, are governed by, and shall be construed in accordance with, English law.

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

The Temporary Global Bond and the Global Bond contain provisions which apply to the Bonds while they are in global form, some of which modify the effect of the terms and conditions of the Bonds set out in this document. The following is a summary of certain of those provisions:

1. Exchange

The Temporary Global Bond will be exchangeable in whole or in part for interests in the Global Bond on or after a date which is expected to be 21 December 2009 upon certification as to non-US beneficial ownership in the form set out in the Temporary Global Bond. The Global Bond will become exchangeable, in whole but not in part (free of charge to the holder) for the definitive Bonds only:

- (a) if the Global Bond is held on behalf of a clearing system and such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so and no alternative clearing system satisfactory to the Trustee is available; or
- (b) if the Issuer would suffer a material disadvantage in respect of the Bonds as a result of a change in the laws or regulations (taxation or otherwise) or as a result of a change in the practice of a clearing system which would not be suffered were the Bonds represented by such Global Bond in definitive form and a certificate to such effect signed by two Directors of the Issuer is delivered to the Trustee.

Thereupon (in the case of (a) above) the holder of the Global Bond (acting on the instructions of one or more of the Accountholders (as defined below)) or the Trustee may give notice to the Trustee and the Principal Paying and Conversion Agent and (in the case of (b) above) the Issuer may give notice to the Trustee, the Principal Paying and Conversion Agent and the Bondholders, of its intention to exchange the Global Bond for definitive Bonds on or after the Exchange Date (as defined below) specified in the notice.

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

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

2. Payments

No payment will be made on the Temporary Global Bond unless exchange for the relevant interest in the Global Bond is improperly withheld or refused. Payments of principal and interest in respect of the Global Bond will, subject as set out below, be made to the bearer of such Global Bond and, if no further payment falls to be made on it, against surrender of the Global Bond to or to the order of the Principal Paying and Conversion Agent or such other Paying and Conversion Agent as shall have been notified to the Bondholders for such purpose. A record of each payment so made will be endorsed on the appropriate part of the schedule to the relevant Global Bond by or on behalf of the Principal

Paying and Conversion Agent, which endorsement shall be *prima facie* evidence that such payment has been made in respect of the Bonds. Payments of interest on the Temporary Global Bond (if permitted by the first sentence of this paragraph) will be made only upon certification as to non-US beneficial ownership unless such certification has already been made.

3. Notices

So long as the Bonds are represented by the Temporary Global Bond and/or the Global Bond and the Temporary Global Bond and/or the Global Bond is held on behalf of a clearing system, notices to Bondholders may be given by delivery of the relevant notice to that clearing system for communication by it to entitled Accountholders in substitution for publication as required by the Conditions, provided that, so long as the Bonds are admitted to the Official List and admitted to trading on the Professional Securities Market, the notice requirements of the UKLA and the LSE have been complied with. Any such notice shall be deemed to have been given to the Bondholders on the day on which such notice is delivered to Euroclear and/or Clearstream, Luxembourg (as the case may be).

4. Accountholders

For so long as all of the Bonds are represented by one or both of the Global Bonds and such Global Bond(s) is/are held on behalf of Euroclear and/or Clearstream, Luxembourg, each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or Clearstream, Luxembourg as the holder of a particular principal amount of such Bonds (each an **Accountholder**) (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the principal amount of such Bonds standing to the account of any person shall, in the absence of manifest error, be conclusive and binding for all purposes) shall be treated as the holder of such principal amount of such Bonds for all purposes (including but not limited to, for the purposes of any quorum requirements of, or the right to demand a poll at, meetings of the Bondholders and giving notice to the Issuer pursuant to Condition 8(e)) other than with respect to the payment of principal, the purchase price pursuant to Condition 8(e) and interest on such principal amount of such Bonds, the right to which shall be vested, as against the Issuer, the Guarantor and the Trustee, solely in the bearer of the relevant Global Bond in accordance with and subject to its terms and the terms of the Trust Deed. Each Accountholder must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for its share of each payment made to the bearer of the relevant Global Bond.

5. Prescription

Claims against the Issuer in respect of principal and interest on the Bonds while the Bonds are represented by the Global Bond will become void unless it is presented for payment within a period of 10 years (in the case of principal) and five years (in the case of interest) from the appropriate Relevant Date (as defined in the Conditions).

6. Meetings

The holder of the Global Bond will be treated at a meeting of Bondholders as having one vote in respect of each £50,000 in principal amount of Bonds.

7. Purchase and Cancellation

Cancellation of any Bond represented by the Temporary Global Bond or the Global Bond to be cancelled following its purchase will be effected by reduction in the principal amount of the Temporary Global Bond or the Global Bond (as the case may be).

8. Trustee's Powers

In considering the interests of Bondholders while the Temporary Global Bond or Global Bond is held on behalf of a clearing system the Trustee may have regard to any information provided to it by such clearing system or its operator or a participant in such system as to the identity (either individually or

by category) of its Accountholders with entitlements to the Temporary Global Bond or the Global Bond (as the case may be) and may consider such interests as if such Accountholders were the holder of the Temporary Global Bond or the Global Bond (as the case may be).

9. Conversion Rights

The Conversion Rights in respect of the Bonds may be exercised at any time during the Conversion Period by the relevant Accountholder giving notice to the Principal Paying and Conversion Agent in accordance with the standard procedures for Euroclear and/or Clearstream, Luxembourg (which may include notice being given on such Accountholder's instructions by Euroclear and/or Clearstream, Luxembourg or any common depository for them to the Principal Paying and Conversion Agent by electronic means) and in a form acceptable to Euroclear and/or Clearstream, Luxembourg, of the principal amount of Bonds in respect of which Conversion Rights are exercised and at the same time presenting or procuring the presentation of the Global Bond to the Principal Paying and Conversion Agent for endorsement of exercise within the time limits specified in Condition 6. Conversion Rights may not be exercised in respect of any Bond while such Bond is represented by the Temporary Global Bond.

10. Put Option

The Bondholders' put option in Condition 8(e) may be exercised by the relevant Accountholder in accordance with the standard procedures of Euroclear and/or Clearstream, Luxembourg (which may include notice being given on such Accountholder's instructions by Euroclear and/or Clearstream, Luxembourg or any common depository for them to the Principal Paying and Conversion Agent by electronic means), and in a form acceptable to Euroclear and/or Clearstream, Luxembourg, of the principal amount of Bonds in respect of which such option is exercised and at the same time presenting or procuring the presentation of the Global Bond to the Principal Paying Agent for endorsement of exercise within the time limits specified in Condition 8(e).

10. Election Right under Condition 8(c)

The Bondholders' right under Condition 8(c) to elect, after the Issuer has given a Tax Redemption Notice, that his Bonds shall not be redeemed by the Issuer under Condition 8(c) and that the provisions of Condition 10 shall not apply in respect of any payment of interest to be made under such Bonds by the Issuer which falls due after the relevant Tax Redemption Date, may be exercised by the relevant Accountholder giving notice to the Principal Paying and Conversion Agent within the time limits specified by Condition 8(c) and in accordance with the standard procedures of Euroclear and/or Clearstream, Luxembourg (which may include notice being given on such Accountholder's instructions by Euroclear and/or Clearstream, Luxembourg or any common depository for them to the Principal Paying and Conversion Agent by electronic means), and in a form acceptable to Euroclear and/or Clearstream, Luxembourg, of the principal amount of Bonds in respect of which such election right is exercised.

11. Euroclear and Clearstream, Luxembourg

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

USE OF PROCEEDS

The net proceeds of the issue of the Bonds will be used by the Issuer for general corporate purposes, and reducing or re-financing the Issuer's existing indebtedness.

DESCRIPTION OF THE ISSUER

1. OVERVIEW OF THE GROUP

1.1 Overview of operations

ITV plc (**ITV** or the **Issuer**) is the UK's leading commercial producer-broadcaster in terms of audience share and advertising revenues. ITV is comprised of two principal business segments: Broadcasting; and Global Content. Broadcasting is responsible for commissioning and scheduling programmes on ITV's channels, selling airtime on ITV's channels, marketing and programme publicity. The Broadcasting segment includes ITV's online operations, principally ITV.com. Global Content comprises ITV's UK and international content production and distribution businesses.

ITV television channels are broadcast on all the major broadcast platforms in the United Kingdom, including analogue terrestrial, digital terrestrial, cable and satellite. ITV1, which is also available on analogue television, broadcasts some of the most popular programmes on UK commercial television, including Coronation Street, Emmerdale, This Morning, I'm a Celebrity, The X Factor, Britain's Got Talent, Dancing on Ice, Champions League football, FA Cup Football and England home international football matches. ITV also broadcasts the digital channels ITV2, ITV3, ITV4, CITV and Men & Motors. In the 2008 financial year, ITV broadcasted the UK's top two commercial digital channels based on adult "Share of Commercial Impacts". In the broadcasting industry, a commercial impact is a single individual viewing of a 30-second advertisement. The Broadcaster's Audience Research Board is responsible for providing the official measurement of UK television audiences. A viewing panel of 5,100 television-owning private residential households is used to determine a channel's Share of Commercial Impacts. The panel is intended to be representative of television households across the UK.

Global Content includes ITV's UK and international television production and distribution businesses. ITV produces programming for a large number of UK and international broadcasters, including ITV itself, the BBC, Channel 4, BSkyB, NBC, Fox and RTL. ITV produces programming across a range of genres, including drama, soap operas, entertainment, factual, daytime, arts, current affairs, quiz and game shows. Programmes produced by ITV include Coronation Street, Emmerdale, I'm a Celebrity Get Me Out of Here, Dancing on Ice, University Challenge, The Street, Come Dine with Me and Countdown.

For the full years ended 31 December 2006, 31 December 2007 and 31 December 2008 and the half year ended 30 June 2009, ITV had revenues of £2,181 million, £2,082 million, £2,029 million and £909 million, respectively, and operating earnings before interest, taxation, depreciation, amortisation and exceptional items (EBITA before exceptional items) of £375 million, £311 million, £211 million and £46 million, respectively.

1.2 History

ITV1 consists of 15 regional broadcasting licences and a morning television licence. ITV1 began broadcasting in the London area in 1955 after the Television Act 1954 permitted the broadcasting of commercial television channels in the UK. Until 1990 each broadcasting licence was run by a separate company. The Broadcasting Act 1990 permitted any of the 15 regional broadcasting companies, subject to specific conditions, to merge for the first time allowing for consolidation in the UK broadcasting industry. By 2000, Granada plc (**Granada**, now Granada Limited) owned 6 regional licences and Carlton Communications plc (**Carlton**) owned 5 regional licences.

In February 2004, Granada and Carlton merged through a scheme of arrangement (the **Merger**). The Merger required an amendment to existing legislation, which was effected by the enactment of the Communications Act 2003, and UK Competition Commission approval, which was received subject to conditions. As part of the merger, ITV's current holding company was incorporated on 18 November 2003 as a private limited company under the laws of England and Wales with registration

number 4967001, which re-registered as a public limited company on 3 December 2003 under the name ITV plc. Following the merger, ITV plc now owns, directly or indirectly, the entire issued ordinary share capital of both Granada and Carlton and controls 11 of the 15 regional broadcasting licences. Since the merger, ITV has disposed of a number of non-core businesses, including certain Carlton Screen Advertising business and assets, its stakes in Arsenal and Liverpool football clubs (and associated broadband businesses) and MUTV (Manchester United Television). ITV's head office and registered office is at The London Television Centre, Upper Ground, London SE1 9LT, United Kingdom and its telephone number is 020 7528 2000.

Following an internal restructuring of the ITV group of companies, ITV plc moved ten of its Channel 3 licences into ITV Broadcasting Limited (previously called Anglia Television Limited) on 5 November 2008. ITV Broadcasting Limited already held the Channel 3 licence for Anglia. Following the restructuring, ITV Broadcasting Limited now holds all of ITV's broadcasting trade and assets.

ITV2 was launched on 7 December 1998, ITV3 was launched on 1 November 2004 and ITV4 on 1 November 2005. ITV launched CITV, on 11 March 2006. Men & Motors was launched on 1 October 1996. On 27 April 2005, ITV acquired SDN Limited (**SDN**), a UK terrestrial television multiplex operator, that leases spectrum to other content providers who want their channels broadcast on digital terrestrial television. ITV's online services include ITV.com, which was launched in 2002, and was rebranded in August 2007. Friends Reunited, a portfolio of social networking websites, was acquired by ITV in December 2005. On 6 August 2009, ITV announced the conditional sale of its 100 per cent. shareholding in Friends Reunited to Brightsolid Limited (a wholly owned subsidiary of D.C. Thomson Limited) for a total cash consideration of £25m payable on completion. The transaction remains subject to approval by the Competition Commission following referral by the Office of Fair Trading.

1.3 UK broadcasting market

The main broadcast platforms currently operating in the UK are analogue terrestrial, digital terrestrial, digital satellite and digital cable. Analogue terrestrial television has been operated for over 50 years in the UK. Transmissions from over 1,100 sites and masts can be received by around 98.5 per cent. of UK homes through a conventional set-top or roof top aerial. Until the launch of satellite television, all UK television reception was via the analogue terrestrial platform. With the continued advances in digital broadcast technology and the launch of new products, analogue television has decreased in popularity and as at 31 December 2008, only 10 per cent. of UK homes were using analogue platforms with the balance using some form of digital platform for television reception. ITV's family of channels perform better on free-to-air platforms than subscription based platforms. Therefore ITV have been keenly involved in developing free-to-air digital terrestrial television.

Digital terrestrial television has been in operation in the UK since 1999. Digital terrestrial television is currently available to around 75 per cent. of UK homes, with the purchase of a set-top box decoder or an integrated digital set. ITV is a shareholder in DTV Services Ltd, the operator of Freeview, a joint venture between ITV, BBC, British Sky Broadcasting, Channel 4 and Arqiva launched in October 2002 to provide free-to-air digital television channels, radio stations and interactive services in the UK. Approximately 10 million UK homes use digital terrestrial television for television reception on their main television set, 39 per cent. of all homes. The majority of digital terrestrial television homes do not pay any subscription fees and only view the free-to-air digital terrestrial television channels available on Freeview. In addition, there are pay-television channels available on the digital terrestrial television platform, such as those operated by Top-Up TV. Around 40 broadcast channels are currently available through digital terrestrial television.

Through SDN, ITV also holds a multiplex broadcast licence permitting it to lease digital terrestrial television spectrum to other broadcasters. Although technological improvements and the switchover process to digital terrestrial television by the majority of UK homes may free up capacity for further channels, of the major digital platforms, digital terrestrial television has the most constraints on expanding its capacity. By 2012, digital terrestrial television coverage is forecast to have expanded to

around 98.5 per cent. of homes as the UK completes the full switchover from analogue to digital transmission. Any remaining analogue homes will be required to migrate to one of the digital platforms with analogue transmission ceasing by the end of 2012.

Digital satellite was launched in the UK in 1999, when British Sky Broadcasting started migrating its analogue satellite subscribers to digital. There are currently over 9 million digital satellite homes, with the majority using British Sky Broadcasting's pay-television service, which offers a variety of packages of channels, including sport and movie services with around 500 channels available to subscribers. There are few capacity constraints on the number of channels that are able to be offered on digital satellite television.

ITV is also part of the Freesat joint venture with the BBC. Freesat is a UK free-to-air digital satellite television service, which includes all of ITV's and the BBC's respective channels, including their high definition services, and a large number of third party channels, offering an alternative to the Freeview service on digital terrestrial television. The Freesat free-to-air digital satellite service was launched on 6 May 2008. British Sky Broadcasting itself offers free-to-air satellite service for current subscribers and former subscribers, who may retain their equipment and access such services. As of September 2008, Ofcom estimated that there were around 600,000 homes accessing free-to-view satellite services.

Approximately 3.3 million UK homes use digital cable television services. Digital cable services are only available to UK homes with access to the cable network, which represented about 50 per cent. of UK homes in 2008. Digital cable television is not constrained in its ability to offer a large number of broadcast channels. Digital cable offers the majority of channels available on digital satellite including British Sky Broadcasting's main sports and movie channels. Digital cable can also deliver a wide range of interactive services, including video-on-demand services, ITV Player and ITV.com.

1.4 Strategy

In September 2007, ITV launched a revised strategy aimed at delivering substantial operational and financial performance improvements, following several years of viewing and advertising share decline. For ITV's Broadcasting business, ITV's strategic priorities have been to stabilise the performance of ITV1, to invest in further digital channel growth and, overall across ITV's family of channels, to maximise audience and advertising share. ITV's online strategy is to develop an online business of scale. ITV's Global Content business strategy is to produce quality content for the ITV family of channels and for distribution to UK and international broadcasters by investing in the development of new programmes and formats and retaining and investing in creative talent.

However, given the current economic backdrop, ITV is focusing in particular on its core businesses, on tight control of costs and on cash generation and retention. ITV is implementing an efficiency programme intended to achieve cost savings across each of its business segments. In total, by 2011, ITV has committed to delivering £285 million of annual cost savings compared to the 2008 cost base. By 30 June 2009, ITV had already achieved £57 million of cost savings. In March 2009, ITV announced that it intends to cut 600 positions. This is in addition to a reduction of 1,000 positions announced in September 2008. These reductions, which are expected to be completed by the end of the 2009 financial year, together represent a 25 per cent. decrease in total headcount in ITV as compared to the end of the 2007 financial year. The Directors also expect that an additional range of activities may be outsourced to reduce ITV's fixed costs.

2. ITV'S BUSINESS

2.1 Broadcasting

In the 2008 financial year, ITV's Broadcasting division accounted for £1,647 million of revenue and £140 million of EBITA before exceptional items. From and including the half year ended 30 June 2009, ITV includes its Online operations within its Broadcasting division for the purpose of financial reporting. For the half year ended 30 June 2009, ITV's Broadcasting division accounted for £739

million of revenue and £6 million of EBITA before exceptional items. Broadcasting derives its revenue primarily from the sale of television advertising airtime. ITV1 is the UK's leading commercial channel, attracting 17.2 per cent. of the total television audience in the 2008 financial year. In the 2008 financial year, ITV's channels achieved a Share of Commercial Impacts of 41.0 per cent. of the total market and a share of UK advertising of 43.8 per cent., representing a small increase from their 2007 financial year share of 43.6 per cent. Programming on ITV channels also generates revenue through viewer competitions and voting delivered through premium rate telephone services. Other sources of revenue for the Broadcasting segment include selling advertising airtime on behalf of third parties and licence fees for leasing digital terrestrial television spectrum held through SDN to other broadcasters.

Broadcasting's two key customer groups are viewers and advertisers. ITV's Broadcast business relies on delivering content that appeals to viewers. This in turn helps to attract the audiences to which advertisers can market their products. ITV's programming schedules are intended to maximise the volume of audiences for ITV channels in aggregate and across a broad demographic of society, including the sub-demographic groups ABC1, 16 to 34 year old adults, housewives with children and adult males. ITV1 targets mass audiences in a broad demographic and the more upmarket, higher value adult viewing demographic, ITV2 targets 16 to 34 year olds, ITV3 targets housewives with children and ITV4 targets adult males.

The majority of ITV's television advertising airtime is sold to advertising agencies that have arrangements and relationships with the businesses which advertise products or services. Approximately 80 per cent. of ITV's television advertising revenue in the 2008 financial year was derived from five advertising agencies. Television advertising in the UK is generally purchased on the basis of annual share deals, under which an advertising agency commits in advance a certain proportion of their total spending on television advertising for the following year to a channel or broadcaster. Subject to the Content Rights Renewal framework described in section 6 below, ITV provides discounts to these advertising agencies depending on amongst other matters, the percentage of television advertising spend committed by an advertising agency. Discounts are generally provided on the cost of placing advertising in certain genres of programming or advertising during certain times of the day, consistent with an advertiser's, and its business customers', target audiences.

2.2 Online

ITV's Online operations focus on delivering video-on-demand services, including ITV programming, to viewers through personal computers and directly to television sets. ITV.com offers ITV channels streamed online as well as access to further ITV programming, clips and exclusive content. ITV.com earns the majority of its revenues from online advertising. In the 2008 financial year, Online accounted for £36 million of revenue and a loss of £20 million of EBITA before exceptional items. From and including the half year ended 30 June 2009, ITV includes its Online operations within its Broadcasting division for the purpose of financial reporting (please see the first paragraph under 2.1 "Broadcasting" above).

In connection with its goal of expanding its video-on-demand offerings ITV has announced plans to develop a broadband Freeview service with the BBC and BT that provides on-demand programming available through television sets by early 2010. This proposal, known as Project Canvas, aims to establish a standards based approach for the delivery of content to internet connected television sets. The service will be available on Freesat, free-to-air digital satellite television, and Freeview, free-to-air digital terrestrial television. Project Canvas is intended to combine television, radio and high definition services with on-demand catch-up and archive programming, films, web content and interactive television services.

2.3 Global Content

Global Content consists of two businesses: the UK and International production business, and ITV Global Entertainment, the distribution and merchandising business. In the 2008 financial year, Global Content generated £306 million of external revenue and £90 million of EBITA before exceptional

items. For the half year ended 30 June 2009, the respective amounts were £168 million and £40 million. Global Content also derives revenue within the Group through sales of programming to the Broadcasting business. Approximately 50 per cent. of Global Content's total revenues derives from sales to ITV's Broadcasting business. ITV Studios, ITV's UK-based and principal production company, produces content across a wide range of programme genres, including drama, soap operas, entertainment, factual, daytime, arts, current affairs, quiz and game shows for ITV channels and other UK broadcasters. UK production revenues were £68 million in the 2008 financial year. Programmes produced for the BBC and Channel 4 include University Challenge and Countdown, respectively.

ITV also operates international production centres in the United States, Germany, Sweden and Australia. A number of ITV produced programmes have been successfully sold to broadcasters outside of the UK including I'm a Celebrity, Come Dine with Me, Saturday Night Takeaway, Hells Kitchen, Kitchen Nightmares and Dancing on Ice. The Global Content business aims to produce programme formats that are not only successful in the UK but that also have international appeal. For example, Come Dine With Me is a programme produced by ITV for Channel 4 in the UK. Although originally intended as a daytime programme, the programme was broadcast by Channel 4 during peak time. ITV has succeeded in selling the programme format in France, Spain, Hungary, Croatia and the Netherlands. ITV also produces this programme for RTL in Germany. Silverback AB, a production company acquired by ITV in 2008 has been commissioned to produce a version of Come Dine With Me in Sweden. By the end of the 2008 financial year, this programme had generated cumulative revenues of over £30 million worldwide.

ITV Global Entertainment Limited (IGEL) is a commercial television distributor which distributes ITV-produced and third party programming worldwide and operates a worldwide merchandising and licensing business. IGEL is also a distributor of DVD entertainment produced by ITV and third parties within the UK. Its main customers are Fox in the United States and RTL Group and Fox in Germany.

3. COMPETITION/MARKET ENVIRONMENT

ITV competes in three closely related markets: the broadcasting market, the television production market and the online market. The transition to digital television has meant greater multi-channel competition and fragmentation of viewing audiences for established channels, including ITV1. In the second half of 2008, the pressures from the digital transition were compounded by the impact of the sharp global economic slowdown. Investment in advertising is particularly sensitive to declines in corporate profitability and sentiment.

4. REGULATION

ITV is subject to regulation under UK and European Union legislation. ITV also has production companies incorporated and registered in each of Australia, Germany, Sweden and the United States, which are subject to the laws of those jurisdictions. The regulatory regimes that affect ITV's business are primarily broadcasting, telecommunications and advertising laws and regulations. ITV's business is subject to regulation by various regulatory authorities. The primary regulator of ITV's business is Ofcom, the principal regulator for the UK broadcasting industry. However, other UK regulators that are particularly relevant to ITV's business are the Advertising Standards Authority, the Competition Commission, the Office of Fair Trading and PhonePayPlus.

The Public Service Broadcasters (**PSBs**) - ITV1, BBC, Channel 4 and Channel Five - are subject to additional tiers of content regulation, including production quotas for independent, regional and original production. The PSBs are also subject to additional quotas for particular genres of programming, such as news, current affairs, and – in the case of ITV1 – regional programming. The volume and nature of television advertising are also regulated, with the commercial public service broadcasters again subject to tighter restrictions than other channels.

5. THE CONTRACT RIGHTS RENEWAL FRAMEWORK

As a condition of the approval of the merger between Carlton Communications plc and Granada plc to form ITV plc in 2004, the Contract Rights Renewal (**CRR**) framework was agreed with the Competition Commission in relation to the sale of advertising on ITV1. The Contract Rights Renewal framework provides advertising agencies with the option of renewing the previous year's advertising contract with ITV on the same terms (including discounts). Agencies commit to ITV a proportion of the total annual television spend from their advertising business customers. This commitment is a percentage of the total annual spend of an agency and not the commitment of a monetary amount. If in the current year, ITV1's share of total UK television commercial impacts delivered is less than the previous year's, each agency's commitment to ITV1 (in terms of a share of that agency's total spend on UK television advertising) is reduced in proportion to the reduction in ITV1's share of commercial impacts delivered from the previous year.

The Office of Fair Trading began a review of the CRR framework applying to ITV in 2008. In 2009, the Office of Fair Trading consulted on possible relaxation of the CRR framework. On 29 May 2009, the Office of Fair Trading advised the Competition Commission to consider changes to ITV's Contract Rights Renewal Undertakings (**CRR Undertakings**).

On 15 September 2009, the Competition Commission published its provisional decision as to change of circumstance as part of its review of ITV CRR Undertakings. The Commission also published a notice of possible variations to the undertakings. The Commission's provisional decision is that ITV's release from the CRR Undertakings is not warranted, but there may be a case for some variation in the undertakings. The Commission is consulting on potential changes to CRR, including amendment to allow for the launch of ITV1+1 and ITV1 HD services. The Commission has said that it aims to publish its final decision by the end of the year in 2009.

6. DIRECTORS

The current Directors of the Issuer, each of whose business address is The London Television Centre, Upper Ground, London SE1 9LT, their function in relation to the Group and their principal outside activities (if any) of significance to the Group are as follows:

<u>Name</u>	<u>Function(s) within the Group</u>	<u>Principal outside activity</u>
Michael Grade	<i>Executive Chairman*</i>	Non-executive chairman of Pinewood Shepperton plc and Ocado Limited Trustee of David Lean BAFTA Foundation Director of The International Academy of Television Arts and Sciences Fellow of the Royal Television Society Vice –president of BAFTA
Sir George Russell	<i>Deputy Chairman</i>	Chairman of the Commission on Public Service Reform, North East
Sir James Crosby	<i>Senior Independent Non-Executive Director</i>	Non-executive director and Chairman designate of Misys plc

* ITV announced on 25 September 2009 that Michael Grade has agreed to stand down as Executive Chairman once a new non-Executive Chairman is appointed and in post.

		Senior independent director of Compass Group plc
		Trustee of Cancer Research (UK)
Mike Clasper	<i>Non-Executive Director</i>	Chairman of HM Revenue & Customs, Which? Ltd and the West London Consortium
John Cresswell	<i>Chief Operating Officer</i> [†]	
Ian Griffiths	<i>Group Finance Director</i>	
Andy Haste	<i>Non-Executive Director</i>	Group chief executive of RSA Insurance Group plc
Rupert Howell	<i>Executive Director</i>	Director of the Advertising Association
Heather Killen	<i>Non-Executive Director</i>	Partner of Hemisphere Capital LLP
		Director of Hemisphere Cap (UK) Limited
John Ormerod	<i>Non-Executive Director</i>	Non-executive director and Chairman of audit committee Computacenter plc and Gemalto NV
		Non-executive director of Merlin Claims Services Holding Limited, Negative Equity Protection Holdings Limited and Millen Group Limited
		Trustee of The Design Museum
		Senior independent director and Chairman of audit committee Misys plc
Baroness Usha Prashar	<i>Non-Executive Director</i>	Non-executive director of the Cabinet Office
		Chairman of the Judicial Appointments Commission
		Member of the House of Lords
Agnès Touraine	<i>Non-Executive Director</i>	Non-executive director of Neopost SA
		President of Act III Consultants
		Board member of Foundation de France

No potential conflicts of interest exist between any duties to the Issuer of the Board of Directors listed above (the **Board**) and their private interests or other duties.

[†] ITV announced on 12 October 2009 that John Cresswell has agreed to assume the role of Interim Chief Executive commencing on the arrival of Michael Grade's successor as Chairman and terminating on the appointment of a new Chief Executive. John Cresswell will leave ITV once a new Chief Executive is appointed.

7. RECENT DEVELOPMENTS

UK television advertising suffered its worst year-on-year decline on record over the first half of 2009, with net advertising revenues (**NAR**) falling by £277 million or 17 per cent. for the overall market. ITV outperformed the market, with ITV's NAR down £108 million or 15 per cent.

The rate of market decline has eased slightly in the third quarter of 2009 where ITV continued to outperform the market. ITV's NAR is currently forecast to be down 12 per cent. for the third quarter of 2009 as compared with the third quarter of 2008, and down seven per cent. for September 2009 as compared with September 2008.

ITV is implementing the plan detailed in March 2009 to mitigate the impact of market weakness. With substantial cost savings offsetting NAR decline, operating EBITA declined by £75 million to £46 million for the six months ended 30 June 2009. Notwithstanding the reduction in earnings, through working capital improvements and capital expenditure reductions, cash generated from operations before exceptional items and after the acquisition of property, plant, equipment and intangible assets were increased by £51 million to £168 million for the six months ended 30 June 2009.

ITV remains focussed on improving the operational performance of its core business, on delivering significant cost savings and on managing cash and its balance sheet, as evidenced by the following:

- ITV has held its peak audience across its family of channels and delivered record online user numbers and video views. In Global Content, with a strong performance in international production, ITV has continued to deliver revenue growth;
- ITV has delivered £57 million of cost savings across programming and off-screen over the six months ending 30 June 2009. ITV is on course to deliver at least £155 million of total savings over the full year 2009, rising to £215 million in 2010 and £285 million in 2011; and
- ITV has held its net debt flat at £728 million (2008 year end: £730 million). ITV's Exchange Offer to holders of its €500 million Series 2006-2 Fixed Rate Notes due 2011 has improved ITV's debt maturity profile, reducing the 2011 bond repayment by nearly £200 million and extending £126 million of bonds to 2014 (post currency swaps).

On 10 September 2009, Ofcom published its Review of ITV Networking Arrangements, which amended Ofcom's position on compliance sanctions. Ofcom may now, depending on the particular facts of the specific breach in question, impose a sanction against all Channel 3 regional licensees that broadcast material in breach of the Broadcasting Code, compared to Ofcom's historic practice of just fining the Channel 3 licensee who was responsible for ensuring the original compliance of the programme. Theoretically, this could mean fines of up to 5 per cent. of the qualifying revenue of each of the Channel 3 licensees and, therefore, in ITV being fined in relation to its licenses even where ITV or its licensees were not responsible for complying an offending programme. However, Ofcom has stated that it would take account of any specific steps taken by licensees who did not comply particular programmes to ensure that they had minimised the risk of a breach of the Broadcasting Code. Accordingly, on the same date, ITV announced that it would seek to establish new internal oversight and verification procedures. These procedures are intended to mitigate ITV's exposure to Ofcom's revised compliance sanctions. In particular, under these new procedures, ITV proposes to oversee and verify the compliance processes undertaken and advice given by any non-ITV owned licensee appointed as the compliance licensee in respect of a specific programme.

On 15 September 2009, the Competition Commission published its provisional decision as part of its Review of ITV CRR Undertakings. The Commission is consulting on potential changes to CRR, including amendment to allow for the launch of ITV1+1 and ITV1 HD services. The Commission has stated that it aims to publish its final decision by the end of 2009.

On 25 September 2009 ITV announced that the Nominations Committee was well-advanced in the search process to recruit a new non-executive Chairman and that the Executive Chairman, Michael Grade, would stand down when the new Chairman is appointed and in post. The new Chairman will lead the process to appoint a new Chief Executive.

ITV announced on 12 October 2009 that John Cresswell has agreed to assume the role of Interim Chief Executive commencing on the arrival of Michael Grade's successor as Chairman and terminating on the appointment of a new Chief Executive. John Cresswell will leave ITV once a new Chief Executive is appointed.

ITV announced on 13 October 2009 that it has entered into preliminary discussions with the Trustees of the ITV Pension Fund over a partnership arrangement under which SDN would provide asset backing to the pension scheme. Such a partnership would reduce the pension deficit (as at 30 June 2009, ITV's pension deficit under IAS19 was £538 million) on a funding basis, with ITV continuing to consolidate SDN's revenues and cashflows. On this basis, ITV announced that retaining SDN offered greater potential value for shareholders and it is therefore no longer planning to dispose of the business. SDN continues to trade in line with expectations, with full year revenues expected to exceed £40 million.

Litigation

On 22 September 2009, ITV Network Limited, ITV Consumer Limited and ITV Broadcasting Limited (together **ITV**) issued legal proceedings against STV Group Plc, STV Central Limited and STV North Limited (together **STV**) to recover a gross amount of approximately £38 million. The majority of the claim arises under various contracts pursuant to which STV agrees to contribute towards the costs of programming and running the Channel 3 Network.

ITV anticipates that STV will counterclaim for a similar amount (to that claimed by ITV) corresponding to a share of sponsorship revenues and other amounts alleged to be owed by ITV to STV, including rebates in respect of programmes that STV has attempted to opt out of. ITV asserts that STV is attempting retrospectively to opt out of an increasing number of peak time programmes, in contravention of existing agreements.

ITV is currently withholding monies from STV and currently believes the net debt owing to ITV to be approximately £15 million to £20 million.

DESCRIPTION OF THE GUARANTOR

Carlton Communications Limited was incorporated on 11 January 1939 in England and Wales as a private limited company with registered number 00348312. On 10 July 1981 it re-registered as a public limited company and changed its name to Carlton Communications plc as of 24 February 1983. On 27 September 2004 Carlton Communications plc re-registered as a private limited company and changed its name back to Carlton Communications Limited. Its registered address is The London Television Centre, Upper Ground, London SE1 9LT and its telephone number is 020 7528 2000.

The Issuer is the immediate parent company of the Guarantor and owns the entire share capital of the Guarantor. The Guarantor is the holding company, directly or indirectly, of all Group companies with the exception of the Issuer and the Friends Reunited group of companies (which is currently in the process of being sold by the Issuer).

Business

The Guarantor owns businesses in free-to-air television broadcasting and advertising sales, cinema screen advertising, post production and content production and distribution.

Directors

The Directors of the Guarantor, each of whose business address is The London Television Centre, Upper Ground, London SE1 9LT, their function in relation to the Group and their principal outside activities (if any) of significance to the Group are as follows:

<u>Name</u>	<u>Function(s) within the Group</u>	<u>Principal outside activity</u>
Andrew Garard	<i>Director</i>	Company Secretary of ITV plc
John Cresswell	<i>Director</i>	Chief Operating Officer of ITV plc

No potential conflicts of interest exist between any duties to the Guarantor of the Board of Directors listed above and their private interests or other duties.

Summary of Guarantee

The Bonds are unconditionally and (save as provided in Condition 15(c)) irrevocably guaranteed by the Guarantor. The obligations of the Guarantor under such Guarantee will be direct, unconditional, unsubordinated and subject to Condition 4 unsecured obligations of the Guarantor and will rank equally with all other present and future unsecured and unsubordinated obligations of the Guarantor (save for such exceptions as may be provided by applicable legislation).

The Issuer does not intend to request the removal of the Guarantee with respect to the Bonds under Condition 15(c) until the earlier of (a) 20 March 2013 and (b) the date on which the Issuer's £110,000,000 Series 2008-1 Floating Rate Notes due 2013 are redeemed in full.

DESCRIPTION OF THE ORDINARY SHARES

Share capital

As at 2 November 2009, the maximum number of ordinary shares of 10 pence each that the Issuer was authorised to allot was 8,000,000,000, and the Issuer's issued share capital was £388,912,975.10, comprising 3,889,129,751 shares of 10 pence each.

Description of the type and class of securities admitted

The Ordinary Shares have a nominal value of 10 pence each. The ISIN of the Ordinary Shares is GB0033986497. The Ordinary Shares were created under the Companies Act and the Memorandum and Articles of ITV.

The Ordinary Shares will be credited as fully paid and free from all liens, equities, charges, encumbrances and other interests, and rank in full for all dividends and distributions on the ordinary share capital of the Issuer declared, made or paid after the date of allotment and issue of the Ordinary Shares.

Listing

Application will be made for the Ordinary Shares to be issued on conversion of the Bonds to be admitted to the Official List maintained by the UK Listing Authority and to be admitted to trading on the London Stock Exchange's main market for listed securities.

Form and currency of the Ordinary Shares

The Ordinary Shares will be issued in registered form and will be capable of being held in certificated and uncertificated form.

Title to the certificated Ordinary Shares will be evidenced by entry in the register of members of the Issuer and title to uncertificated Ordinary Shares will, in respect of Shareholders, be evidenced by entry in the operator register maintained by Euroclear (which forms part of the register of the Issuer). The Registrars of the Issuer are Capita Registrars Limited.

If any Ordinary Shares are converted to be held in certificated form, share certificates will be issued in respect of those shares in accordance with the Articles and applicable legislation.

The Ordinary Shares will be denominated in Sterling.

Rights attaching to the Ordinary Shares

Dividends

It is the Board's policy to review the profits available for distribution, and the level of dividend (if any) payable, on a regular basis (acting in accordance with the Companies Act and the Articles).

Subject to the provisions of the Companies Act and the Articles, the Issuer may pay dividends upon a recommendation by the Board and approval by a majority of the Shareholders, who have the right to decrease but not to increase the amount of the dividend recommended by the Board. Such dividends are known as final dividends and become a debt payable to Shareholders when they are approved by the Shareholders. Subject to the provisions of the Companies Act and the Articles, the Board may declare and pay dividends without Shareholder approval. Such dividends are known as interim dividends and, unlike final dividends, become a debt payable to the Shareholders only upon actual payment.

Dividends are payable to persons registered as Shareholders on the record time relating to the relevant dividend.

All dividends will be divided and paid in proportions based on the amounts paid up on the Ordinary Shares during any period for which the dividend is paid.

If a Shareholder owes the Issuer any money for calls on shares or money in any other way relating to his/her shares, the Directors can deduct any of this money from any dividend or other money payable to the Shareholder on or in respect of any share held by him/her. Money deducted in this way can be used to pay amounts owed to the Issuer.

The Issuer may pay any dividend or other monies payable in cash in respect of shares by direct debit, bank or other funds transfer system (subject always, in the case of uncertificated shares, to the facilities and requirements of the relevant system concerned, where payment is to be made by means of such system). The Issuer may also pay by cheque, dividend warrant or money order and may remit the same by post directed to the registered address of the holder or person entitled thereto (or, in the case of joint holders or of two or more persons entitled thereto, to the registered address of the person whose name stands first in the register of members), or to such person and to such address as the holder or joint holders or person or persons may in writing direct. The Issuer will not be responsible for any loss of any such cheque, warrant or order nor for any loss in the course of any such transfer or where it has acted on any such directions. Any one of two or more joint holders of any share, or any one of two or more persons entitled jointly to a share in consequence of the death or bankruptcy of the holder or otherwise by operation of law, may give effectual receipts for any dividends or other monies payable or property distributable on or in respect of the share.

Subject to the rights attaching to, or the terms of issue of, any shares, no dividend or other monies payable on or in respect of a share will bear interest against the Issuer.

If a dividend or other money has not been claimed for 12 years after being declared or becoming due for payment, it will be forfeited and go back to the Issuer.

The dividends (in UK pence) paid on the Ordinary Shares in respect of the last three years were as follows:

<i>Year ending 31 December</i>	<i>Dividend paid per Ordinary Share (pence)</i>	
	<i>Interim</i>	<i>Final</i>
2006	1.35	1.8
2007	1.35	1.8
2008	0.675	Nil

Description of restrictions on free transferability

Save as set out below, the Ordinary Shares are freely transferable.

The Issuer may, under the Companies Act, send out statutory notices to those it knows or has reasonable cause to believe have an interest in its shares, asking for details of those who have an interest and the extent of their interest in a particular holding of shares. When a person receives a statutory notice and fails to provide any information required by the notice within the time specified in it, the Issuer can apply to the court for an order directing, among other things, that any transfer of the shares which are the subject of the statutory notice is void.

The Directors may also, without giving any reason, refuse to register the transfer of any Ordinary Shares which are not fully paid.

Disapplication of pre-emption rights

Section 561(1) of the Companies Act 2006 prohibits the allotment by a company of equity securities unless that company has made an offer to each person who holds ordinary shares in the company to allot to him on the same or more favourable terms a proportion of those securities that is as nearly as practicable equal to the proportion in nominal value held by him of the ordinary share capital of the company (the right of such existing shareholder referred to herein as **Pre-emption Rights**). Section 570(1) of the Companies Act 2006 allows the directors of a company to disapply Pre-emption Rights where *inter alia* a special resolution to that effect has been passed by the company (a **Section 570 Disapplication**).

The Pre-emption Group, which is a body constituted by key institutional investors, including the Association of British Insurers and the Investment Management Association, has published a Statement of Principles (the **Statement of Principles**) on the disapplication of Pre-emption Rights, in which it suggests that a Section 570 Disapplication should, generally, be limited to 5 per cent. of a company's ordinary share capital in any one year, with a cumulative limit of 7.5 per cent. of the company's ordinary share capital in any three year rolling period. ITV, as a company whose ordinary shares are traded on the Main Market of the London Stock Exchange plc, seeks to act in accordance with the Statement of Principles.

ITV's directors were authorised to allot up to 194,000,000 Ordinary Shares under Resolution 9 of ITV's annual general meeting held on 14 May 2009 (the **General Meeting**). Resolution 10 of the General Meeting disapplied Pre-emption Rights with respect to 194,000,000 Ordinary Shares, which represents approximately 4.99 per cent. of ITV's issued share capital. ITV intends to issue up to 194,000,000 Ordinary Shares under the Directors' authority to allot and the disapplication of Pre-emption Rights granted in the General Meeting, in order to effect any Conversion of the Bonds into Ordinary Shares in accordance with the Conditions. In issuing and allotting any such Ordinary Shares ITV will act in accordance with the relevant provisions of the Companies Act 2006 and the Statement of Principles.

Mandatory takeover bids, squeeze-out and sell-out rules

Other than as provided by the City Code and Chapter 3 of Part 28 of the Companies Act 2006, there are no rules or provisions relating to mandatory bids and/or squeeze-out and sell-out rules relating to the Ordinary Shares.

Public takeover bids in the last and current financial years

There have been no public takeover bids by third parties in respect of the share capital of the Issuer in the last or current financial year.

Taxation

Please see the Section of this document headed "Taxation" for information relating to UK taxation (including a discussion of UK stamp duty and SDRT, which is relevant to holders of Ordinary Shares irrespective of their tax residence).

SHARE PRICE HISTORY

The table below sets out, for the periods indicated, the reported high and low historic prices per Ordinary Share on the LSE, the principal market for the Ordinary Shares. As at 3 November 2009, the closing price per Ordinary Share on the LSE was 42.88 pence.

Period	Price per Share	
	High	Low
	(in pence)	
2007		
First Quarter	114.50	105.25
Second Quarter	121.50	110.00
Third Quarter	115.00	100.50
Fourth Quarter	105.90	82.30
2008		
First Quarter	84.20	63.20
Second Quarter	68.30	44.70
Third Quarter	51.00	38.30
Fourth Quarter	42.25	26.00
2009		
First Quarter	43.00	17.50
Second Quarter	40.00	20.00
Third Quarter	55.05	32.00
October	51.15	42.32
November (up to 3 November)	44.14	42.88

(Source: Bloomberg Professional)

Note: All prices to 2 decimal places

Information about the past and the further performance of the Ordinary Shares and their volatility can be obtained from the Issuer's website at <http://www.itvplc.com/investors/> and from the London Stock Exchange website at <http://www.londonstockexchange.com/prices-and-news/prices-news/home.htm>.

TAXATION

The United Kingdom

The comments below are of a general nature based on the Issuer's understanding of current law and HM Revenue & Customs (HMRC) practice in the United Kingdom and are not intended to be exhaustive. They apply only to persons who are the absolute beneficial owners of Bonds and Ordinary Shares and may not apply to certain classes of person such as dealers or certain professional investors and persons connected with the Issuer. The United Kingdom tax treatment of prospective Bondholders and Shareholders will depend on their individual circumstances and may be subject to change in the future, possibly with retrospective effect. Prospective Bondholders and Shareholders who may be subject to tax in a jurisdiction other than the United Kingdom or who are unsure as to their tax position should seek their own professional advice.

A. Withholding Tax on Interest on the Bonds

Payments of interest on the Bonds may be made without deduction of or withholding on account of United Kingdom income tax provided that the Bonds are and continue to be listed on a "recognised stock exchange" within the meaning of section 1005 of the Income Tax Act 2007. The Professional Securities Market is operated by the London Stock Exchange, which is a recognised stock exchange. Securities will be treated as listed on the London Stock Exchange if they are included in the Official List (within the meaning of and in accordance with the provisions of Part 6 of the Financial Services and Markets Act 2000) and admitted to trading on the Professional Securities Market. Provided, therefore, that the Bonds remain so listed (as is intended), interest on the Bonds will be payable without withholding or deduction on account of United Kingdom tax.

If the Bonds cease to be so listed at any time, interest will generally be paid by the Issuer under deduction of United Kingdom income tax at the basic rate (currently 20 per cent.), subject to any direction to the contrary from HMRC in respect of such relief as may be available pursuant to the provisions of any applicable double tax treaty.

B. HMRC Information Powers

Bondholders may wish to note that, in certain circumstances, HMRC has power to obtain information (including the name and address of the beneficial owner of the interest) from any person in the United Kingdom who either pays or credits interest to or receives interest for the benefit of a Bondholder. Information so obtained may, in certain circumstances, be exchanged by HMRC with the tax authorities of the jurisdiction in which the Bondholder is resident for tax purposes.

C. Taxation of Returns on the Bonds

The United Kingdom taxation treatment of a Bondholder that is within the charge to corporation tax will depend on, among other things, the accounting treatment of the Bonds in the Bondholder's hands, including, in particular, whether or not the Bonds are bifurcated into a host contract and an "embedded derivative" as an accounting matter. The accounting treatment will also affect the tax treatment of a disposal of the Bonds (including a disposal occurring on redemption or conversion).

Bondholders (whether corporate or non-corporate) should consult their own accounting and tax advisers concerning their tax liabilities that may arise as a result of holding the Bonds, or as a result of the disposal or conversion of the Bonds.

Subject to the above, Bondholders (other than certain trustees) who are not resident for tax purposes in the United Kingdom and who do not carry on a trade, profession or vocation in the United Kingdom through a

permanent establishment, branch or agency in connection with which the returns on the Bonds are received or to which the Bonds are attributable, will generally not be liable to United Kingdom tax on the returns on the Bonds.

D. Dividends on Ordinary Shares

The Issuer will not be required to withhold tax at source when paying a dividend in respect of the Ordinary Shares.

Shareholders who are within the charge to United Kingdom corporation tax will be subject to corporation tax on dividends paid by the Issuer, unless the dividends fall within an exempt class and certain other conditions are met. It is expected that the dividends paid by the Issuer would generally be exempt from corporation tax.

Shareholders (whether corporate or non-corporate) are recommended to seek their own professional advice on the tax treatment of dividends that are paid by the Issuer in respect of the Shares.

E. United Kingdom Stamp Duty and Stamp Duty Reserve Tax (SDRT)

No United Kingdom stamp duty or SDRT is payable on the issue or redemption of the Bonds. No United Kingdom stamp duty will be payable on a transfer by delivery of the Bonds. No SDRT will generally be payable on an agreement to transfer the Bonds, including transfers within a clearance system, so long as (a) the Bonds are held by (or by a nominee or agent for) a provider of clearance services and such person has not made an election under Section 97A Finance Act 1986 or (b) no such agreement is entered into in contemplation of, or as part of, a takeover of the Issuer and both the Bonds and the Ordinary Shares continue (as is intended) to be listed on a recognised stock exchange (as described above in respect of the Bonds in "Withholding Tax on Interest on the Bonds").

No United Kingdom stamp duty or SDRT is payable on the issue of the Ordinary Shares upon conversion of the Bonds, other than an issue to issuers of depositary receipts or providers of clearance services (or their nominees or agents (see further below)). Pursuant to Condition 7(g) of the Bonds the Issuer will be liable to pay any United Kingdom stamp duty or SDRT which is payable in respect of the issue or transfer of the Ordinary Shares upon conversion of the Bonds, other than in respect of an issue or a transfer to issuers of depositary receipts or providers of clearance services (or their nominees or agents (see further below)).

The conveyance or transfer on sale of Ordinary Shares by means of an instrument of transfer will generally be subject to ad valorem stamp duty, generally at the rate of 0.5 per cent. of the amount or value of the consideration for the transfer, and rounded-up to the nearest £5. The purchaser normally pays the stamp duty.

An unconditional agreement to sell an Ordinary Share will generally give rise to a liability on the purchaser to SDRT, at the rate of 0.5 per cent. of the amount or value of the consideration for the sale. If a duly stamped transfer in respect of the agreement is produced within six years of the date that the agreement is entered into or (if later) the date that it becomes unconditional, any SDRT paid is repayable, generally with interest, and the SDRT charge is cancelled.

Issues or transfers of Ordinary Shares (a) to, or to a nominee or agent for, a person whose business is or includes issuing depositary receipts within Section 67 or Section 93 Finance Act 1986 or (b) to, or to a nominee or agent for, a person providing a clearance service within Section 70 or Section 96 Finance Act 1986, will (subject to what is said below regarding the recent European Court of Justice decision) generally be subject to stamp duty or SDRT at 1.5 per cent. of the amount or value of the consideration or, in certain circumstances, the value of the Ordinary Shares transferred (rounded up to the nearest £5 in the case of stamp duty) unless, in the case of a transfer to a clearance service, the clearance service in question has made an election under Section 97A Finance Act 1986 which applies to the Ordinary Shares. Under Section 97A Finance Act 1986, clearance services may, provided they meet certain conditions, elect for the 0.5 per cent. rate of stamp duty or SDRT to apply to transfers of

securities within such services instead of the 1.5 per cent. rate applying to an issue or transfer of such securities into the clearance service.

The European Court of Justice decision in *HSBC Holdings plc and Vidacos Nominees Ltd. v. HMRC* handed down on 1 October 2009 found that the 1.5 per cent. charge on issuing UK shares into clearance services mentioned above is contrary to EU law, at least in certain circumstances. Also on 1 October 2009, HMRC announced that, with immediate effect, it will not seek to apply the 1.5 per cent. SDRT charge on the issue of shares into a clearance service within the European Union, and that new legislation will be introduced. It remains to be seen what changes will be made to UK legislation.

Under the CREST system for paperless share transfers, no stamp duty or SDRT will arise on a transfer of Ordinary Shares into the CREST system unless such transfer is made for a consideration in money or money's worth, in which case a liability to SDRT (usually at a rate of 0.5 per cent.) will arise. Paperless transfers of Ordinary Shares within CREST are generally liable to SDRT rather than stamp duty, at the rate of 0.5 per cent. of the amount or value of the consideration payable. CREST is obliged to collect SDRT on relevant transactions within the CREST system.

F. EU Savings Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income (the **Savings Directive**), each Member State is required to provide to the tax authorities of other Member States details of payments of interest and other similar income paid by a person within its jurisdiction to an individual resident in another Member State or to certain limited types of entities established in another Member State. However, for a transitional period, Belgium, Luxembourg and Austria may instead (unless during that period they elect otherwise) impose a withholding system (subject to a procedure whereby, on meeting certain conditions, the beneficial owner of the interest or other income may request that no tax be withheld), the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries. A number of non-EU countries and territories including Jersey and Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

On 15 September 2008 the European Commission issued a report to the Council of the European Union on the operation of the Savings Directive, which included the European Commission's advice on the need for changes to the Savings Directive. On 13 November 2008 the European Commission published a more detailed proposal for amendments to the Savings Directive, which included a number of suggested changes. The European Parliament approved an amended version of this proposal on 24 April 2009. If any of the proposed changes are made in relation to the Savings Directive, they may amend or broaden the scope of the requirements described above.

SUBSCRIPTION AND SALE

Credit Suisse Securities (Europe) Limited and UBS Limited (the **Joint Bookrunners** and the **Joint Lead Managers**) have, pursuant to a Subscription Agreement dated 13 October 2009 (the Subscription Agreement), agreed with the Issuer and the Guarantor, subject to the satisfaction of certain conditions, to subscribe for the aggregate principal amount of the Bonds set out opposite their respective names below (at an issue price of 100 per cent. of such aggregate principal amount):

	Principal amount of Bonds (£)
Credit Suisse Securities (Europe) Limited.....	67,500,000
UBS Limited.....	67,500,000
Total.....	135,000,000

The Issuer (failing whom, the Guarantor) has agreed to pay to the Joint Lead Managers a combined management and underwriting commission and selling concession in consideration of the agreement to act as Joint Bookrunner and Joint Lead Managers.

The Issuer (failing whom, the Guarantor) has agreed to reimburse the Joint Lead Managers for certain of their expenses in connection with the issue of the Bonds. The Joint Lead Managers are entitled in certain circumstances to be released and discharged from their obligations under the Subscription Agreement prior to the closing of the issue of the Bonds.

The Issuer has agreed with the Joint Lead Managers that, during the period commencing on the date of the Subscription Agreement and ending 90 days thereafter (both dates inclusive) it will not, and will procure that none of its subsidiaries will, without the prior written consent of the Joint Lead Managers (i) directly or indirectly, issue, offer, pledge or otherwise create or permit to subsist any security interest over, sell, contract to issue or sell, issue or sell any option or contract to purchase, purchase any option or contract to issue or sell, grant any option, right or warrant to purchase or otherwise transfer or dispose of, directly or indirectly, any Ordinary Shares or Relevant Securities or any securities convertible into or exercisable or exchangeable for Ordinary Shares or Relevant Securities or (ii) enter into any swap or any other agreement or any transaction that transfers, in whole or in part, directly or indirectly, any of the economic consequences of ownership of Ordinary Shares or Relevant Securities, whether any such swap or transaction described in paragraph (i) or (ii) above is to be settled by delivery of Ordinary Shares or Relevant Securities or such other securities, in cash or otherwise. The foregoing sentence shall not apply to (a) the issue of the Bonds or (b) any Ordinary Shares issued pursuant to the conversion of the Bonds or (c) the issue of Ordinary Shares pursuant to any options, warrants or other rights existing at the date thereof and as have been disclosed in writing to the Joint Lead Managers on or prior to the date of the Subscription Agreement or (d) the issue of Ordinary Shares pursuant to any employee share schemes existing at the date thereof and as have been disclosed in writing to the Joint Lead Managers on or prior to the date of the Subscription Agreement or (e) pursuant to any other employee share schemes set up after the date of the Subscription Agreement, the purchase of any Ordinary Shares or Relevant Securities to be held in treasury for the purpose of such employee share schemes, and the grant of any options or other rights to new or existing employees in relation to any such purchased Ordinary Shares or Relevant Securities. For the purposes of this paragraph, **Relevant Securities** shall include any participation certificates and any depositary or other receipt, instrument, rights or entitlement representing Ordinary Shares.

United States

The Bonds, the Guarantee and the Ordinary Shares to be issued or delivered upon conversion of the Bonds have not been and will not be registered under the U.S. Securities Act 1933 (the Securities Act) and may not be offered or sold within the United States except pursuant to an exemption from, or in a

transaction not subject to the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

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

United Kingdom

Each Joint Lead Manager has represented, warranted and agreed that:

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

General

No action has been or will be taken in any jurisdiction by the Joint Lead Managers, the Issuer or the Guarantor that would to the best of their knowledge permit a public offer of the Bonds, or possession or distribution of this Offering Circular or any other offering or publicity material relating to the Bonds, in any country or jurisdiction where action for that purpose is required.

Purchase of Bonds

The Bonds are a new issue of securities with no established trading market. Accordingly, none of the Issuer, the Guarantor or the Joint Lead Managers can assure the liquidity of the trading market for the Bonds.

From time to time, the Joint Lead Managers and their respective affiliates have or may have engaged in, and may continue to engage in transactions with the Issuer and other members of the Group (including credit agreements and credit lines and the provision of investment banking services) for which they may have been or will be paid customary fees.

In connection with the offering of the Bonds, the Joint Lead Managers and/or their respective affiliates may act as investors for their own account and may take up Bonds in the offering and in that capacity may retain, purchase or sell for their own account such Bonds and any securities of the Issuer or related investments and may offer or sell such securities or other related investments otherwise than in connection with the offering.

Accordingly, references herein to the Bonds being offered or placed should be read as including any offering or placement of Bonds to the Joint Lead Managers and/or their respective affiliates acting in such capacity. Such persons do not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

GENERAL INFORMATION

1. Authorisation

The issue of the Bonds was duly authorised by a resolution of the Board of Directors of the Issuer dated 12 October 2009, and resolutions of the General Purpose Committee of the Board of Directors of the Issuer dated 12 October 2009 and 4 November 2009, and the giving of the Guarantee was duly authorised by resolutions of the Board of Directors of the Guarantor dated 12 October 2009 and 4 November 2009.

2. Listing

Application has been made to the UK Listing Authority for the Bonds to be admitted to the Official List and to the LSE for the Bonds to be admitted to trading on the LSE's Professional Securities Market. It is expected that admission of the Bonds to the Official List and admission to trading of the Bonds on the Professional Securities Market will be granted on or about 6 November 2009, subject only to the issue of the Temporary Global Bond. It is expected that dealings in the Bonds will commence on 9 November 2009. The expenses in connection therewith are expected to be £17,975.

The Issuer has undertaken to use all reasonable endeavours to ensure that the Ordinary Shares issued upon conversion of the Bonds will as soon as practicable be admitted to the Official List and admitted to trading by the LSE.

3. Clearing Systems

The Bonds have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The ISIN for this issue is XS0458521134 and the Common Code is 045852113. The ISIN for the Ordinary Shares is GB0033986497.

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels and the address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg.

4. No Significant Change

There has been no significant change in the financial or trading position of the Issuer or of the Group taken as a whole since 30 June 2009 or of the Guarantor since 31 December 2008 and there has been no material adverse change in the financial position or prospects of the Issuer, the Guarantor or of the Group since 31 December 2009 or of the Guarantor since 31 December 2008.

5. Litigation

Save as disclosed in the section entitled "Litigation" on page 66 in "Description of the Issuer - Recent Developments" above, neither the Issuer, the Guarantor nor any other member of the Group is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer or the Guarantor is aware) during the 12 months preceding the date of this Offering Circular which may have or have had, in the recent past, significant effects on the financial position or profitability of the Issuer or the Guarantor or the Group.

6. Auditors

The auditors of the Issuer are KPMG Audit Plc, Chartered Accountants and Registered Auditors, who have audited the Issuer's consolidated accounts, without qualification, in accordance with IFRS for each of the two financial years ended on 31 December 2008 and 31 December 2007. The auditors of the Issuer have no material interest in the Issuer.

The auditors of the Guarantor are KPMG Audit Plc, who have audited the Guarantor's accounts, without qualification, in accordance with generally accepted auditing standards in the United Kingdom for each of the two financial years ended on 31 December 2008 and 31 December 2007. The auditors of the Guarantor have no material interest in the Guarantor.

7. US Tax

The Bonds and Coupons will contain the following legend: "Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code."

8. Yield

The yield of the Bonds is 4.00 per cent. per annum, calculated on the basis of the issue price and as at the date of this Offering Circular.

9. Joint Lead Managers transacting with the Issuer

Save for any fees payable to the Joint Lead Managers, so far as the Issuer is aware, no person involved in the issue of the Bonds has an interest material to the offer.

10. Documents Available

For the period of 12 months starting on the date on which this Offering Circular is made available to the public, copies of the following documents will, when published, be available, during usual business hours on any weekday (Saturdays and public holidays excepted), for inspection at the specified office of the Paying Agents:

- (a) the Memorandum and Articles of Association of the Issuer and the Guarantor;
- (b) the consolidated audited financial statements of the Issuer in respect of the financial years ended 31 December 2008 and 2007, in each case together with the audit reports in connection therewith. The Issuer currently prepares audited consolidated financial statements on an annual basis and the Guarantor currently prepares audited non-consolidated financial statements on an annual basis;
- (c) the most recently published audited annual financial statements of the Issuer and the Guarantor and the most recently published unaudited interim financial statements (if any) of the Issuer and the Guarantor, in each case together with any audit or review reports prepared in connection therewith. The Issuer currently prepares unaudited consolidated interim accounts on a semi-annual basis;
- (d) the Trust Deed (which contains the Guarantee);
- (e) the Agency Agreement; and
- (f) this Offering Circular.

This Offering Circular will be published on the website of the Regulatory News Service operated by the London Stock Exchange at www.londonstockexchange.com/exchange/prices-and-news/news/marketnews/market-news-home.html.

11. Post-issuance information

The Issuer does not intend to provide any post-issuance information in relation to the issue of the Bonds.

12. Third-party information

The Issuer confirms that the information sourced from Bloomberg on page 71 of this document has been accurately reproduced and as far as the Issuer is aware and is able to ascertain from information published by Bloomberg, no facts have been omitted which would render the reproduced information inaccurate or misleading.

ISSUER

ITV plc
The London Television Centre
Upper Ground
London SE1 9LT
United Kingdom

GUARANTOR

Carlton Communications Limited
The London Television Centre
Upper Ground
London SE1 9LT
United Kingdom

TRUSTEE

The Law Debenture Trust Corporation p.l.c.
Fifth Floor
100 Wood Street
London EC2V 7EX
United Kingdom

PRINCIPAL PAYING AND CONVERSION AGENT

Citibank N.A. London Branch
Citigroup Centre
Canada Square
London E14 5LB
United Kingdom

LEGAL ADVISERS

To the Issuer as to English law

Lovells LLP
Atlantic House
Holborn Viaduct
London EC1A 2FG
United Kingdom

*To the Joint Lead Managers and the Trustee as to
English law*

Linklaters LLP
One Silk Street
London EC2Y 8HQ
United Kingdom

AUDITORS

To the Issuer and the Guarantor

KPMG Audit Plc
Chartered Accountants and Registered Auditors
10 Upper Bank Street
London E14 5GH
United Kingdom