ITV delivers strong growth and continues to rebalance

Half Year Results 2013

30th July 2013

Agenda

Introduction & Highlights	Adam Crozier
2013 Half Year Financial Results	Ian Griffiths
Strategic / Operating Review & Outlook	Adam Crozier
Q&A	

Introduction & Highlights

Adam Crozier

30^{th} July 2013

Strategy is working and Transformation Plan is on track

A lean ITV that can create world class content, executed across multiple platforms and sold around the world

1. **Create a lean, creatively dynamic and fit for purpose organisation**

2. **Maximise audience and revenue share from existing free-to-air broadcast business**

3. **Drive new revenue streams by exploiting our content across multiple platforms, free and pay**

4. **Build a strong international content business**

Executing our strategy continues to deliver strong results

Revenue:		
External revenue	£1,144m	↑ 1%
NAR	£741m	↓ 3%
Non NAR	£568m	↑ 11%

Earnings:		
ITV Studios EBITA	£63m	↑ 26%
Broadcast & Online EBITA	£228m	↑ 7%
Group EBITA	£291m	↑ 11%
Adjusted PBT	£270m	↑ 16%
Adjusted EPS	5.3p	↑ 15%

Dividend	1.1p	↑ 38%

ITV delivers strong growth and continues to rebalance

- Improving on-screen performance
- Revenue growth and double digit profit growth in a tough H1 advertising market
- Further progress in rebalancing ITV
  - → Strong growth in Online, Pay & Interactive
  - → Building our production strength and scale through organic growth and acquisitions
  - → Non-NAR now 43% of total revenue
- Improving margins across Broadcast and Studios
- Continued strong cash generation
- Improving balance sheet efficiency
- Increasing shareholder returns

2013 Half Year Financial Results

Ian Griffiths

30th July 2013

HY 2013 Financial Highlights

External revenue	£1,144m	Up 1%, £14m	**Growth** despite H1 advertising
NAR	£741m	Down 3%, £24m	Shape of the year as **expected**
Non-NAR	£568m	Up 11%, £54m	Continuing to **rebalance**
EBITA *	£291m	Up 11%, £28m	**Improving** margins
EPS *	5.3p	Up 15%, 0.7p	**Double** digit profit growth
Net debt	£52m	£258m net outflow	**Strong** profit to cash conversion
Dividends	1.1p	Up 38%, 0.3p	**Increased** cash returns

Note: Following revisions to IAS 19, we have restated our prior period results which have resulted in a £2 million decrease in EBITA before exceptional items and 0.1p decrease in adjusted EPS.

* EBITA is before exceptional items and EPS is adjusted

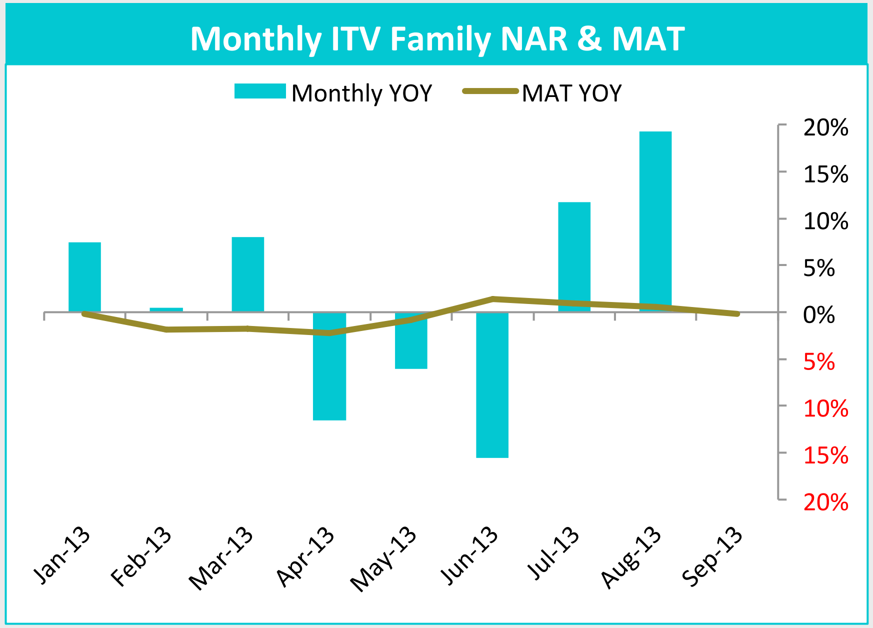
Revenue – Non-NAR revenues continue to drive growth

£m	2013	2012	Change
Broadcast & Online	914	924	(1)%
ITV Studios	395	355	11%
Total revenue	**1,309**	**1,279**	**2%**
Internal supply	(165)	(149)	(11)%
Total External Revenue	**1,144**	**1,130**	**1%**

£m	2013	2012	Change
ITV Family NAR	741	765	(3)%
Non-NAR revenue	568	514	11%
Internal Supply	(165)	(149)	(11)%
Total External Revenue	**1,144**	**1,130**	**1%**

- Revenue growth driven by Non-NAR up 11%
- Continued strong growth in Studios up 11%
- Studios growth in both internal and external
- Good organic growth with acquisitions starting to contribute
- Broadcast non-NAR revenues growing strongly
- Material contribution from Online, Pay & Interactive
- **Top line growth even with ITV Family NAR down 3%**

NAR – no surprises in how the advertising market is turning out



Category	H1 2013 (£m)	YOY % change
Retail	129.0	(2%)
Finance	77.5	(8%)
Entertainment & Leisure	68.7	2%
Food	60.3	(15%)
Cosmetics & Toiletries	53.9	(3%)
Telecommunications	40.0	(6%)
Airlines, Travel and Holidays	35.9	5%
Cars and Car Dealers	35.5	(16%)
Publishing and Broadcasting	32.0	14%
Household Stores	27.9	2%
Other	180.5	0%

At a market level there is arguably little change

- ITV Family NAR to end of Q3 is broadly flat
- Month to month volatility remains
- Big sporting events distort this more than normal
- There are movements across and within key categories

There is growth in highly competitive or technology led sectors:

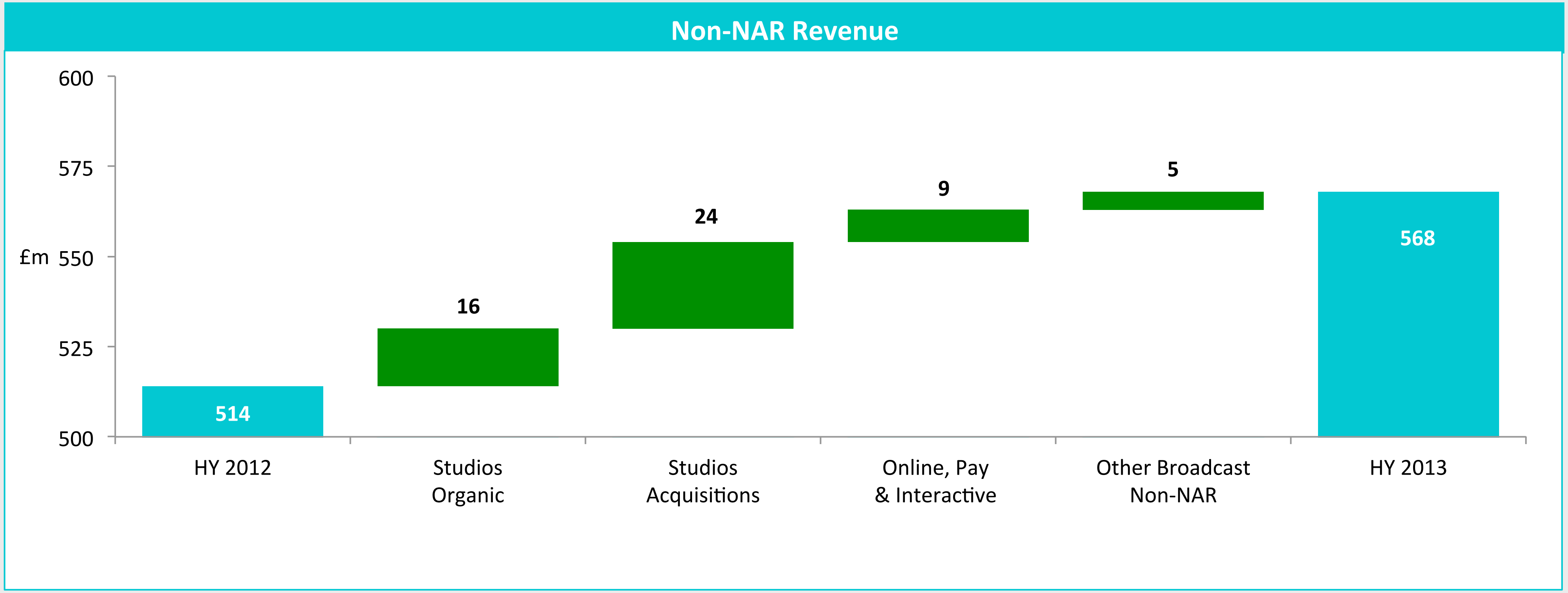
- Entertainment and Leisure – online and interactive
- Supermarkets
- Online finance

More 'traditional' sectors remain weak:

- Food
- High Street

NOTE: Monthly ITV NAR figures and category data based on total ITV Family advertising.

Non-NAR Revenue - strong growth in non-NAR continues to rebalance revenues

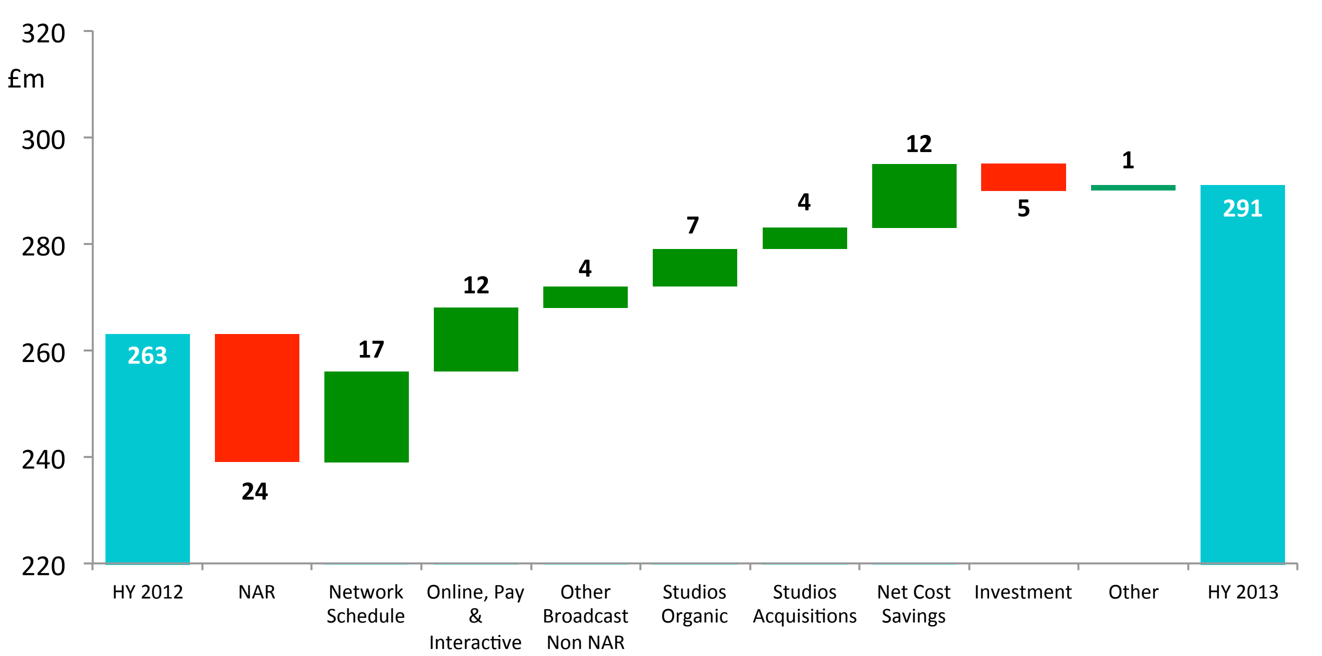


- 5% organic growth in Studios against tough comps
- Revenue growth through recent acquisitions
- 2012: SoTV, Gurney, Tarinatalo, MediaCircus - £20m revenue in H1
- 2013: The Garden, Thinkfactory and High Noon - £4m revenue in H1
- Further strong growth in Online, Pay & Interactive up 19%
- Other Broadcast Non-NAR driven by sponsorship, brand extensions and SDN
- Non-NAR is now 43% of total revenue (2012: 40%)

Group EBITA - growth in new revenue streams and continued focus on cost improves margins

£m	2013	2012	Change
Broadcast & Online	228	213	7%
ITV Studios	63	50	26%
Group EBITA*	**291**	**263**	**11%**
Group EBITA margin	25%	23%	

Group EBITA



- EBITA growth across the business
- 2% improvement in margins
- Online, Pay & Interactive are high margin new revenues
- Online, Pay & Interactive profits benefit from operational savings and no launch costs of Pay Player
- Organic growth in Studios and recent acquisitions contribute as expected
- Studios development spend phasing helps H1 profit
- Cost savings target of £20m remains on track
- Investments more H2 weighted

* EBITA is before exceptional items

Broadcast & Online - continuing to deliver profit growth with little help from the ad market

£m	2013	2012	Change
ITV NAR	**741**	**765**	**(3)%**
SDN external revenue	35	31	13%
Online, Pay & Interactive	56	47	19%
Other commercial income	82	81	1%
Broadcast & Online non-NAR Revenue	**173**	**159**	**9%**
Total Broadcast & Online Revenue	**914**	**924**	**(1)%**
Schedule costs	(490)	(507)	3%
Other costs	(196)	(204)	4%
Broadcast & Online EBITA*	**228**	**213**	**7%**
EBITA margin	25%	23%	

- ITV Family NAR down 3% in H1
- We estimate the overall TV ad market down 1%
- Shape of ITV Family NAR is as expected
- Strong growth in higher margin Non-NAR particularly Online, Pay & Interactive
- SDN benefitting from new video stream
- NPB benefits from lower sports costs partly offset by entertainment and drama
- Margins continue to improve – cost focus remains a priority

* EBITA is before exceptional items

ITV Studios - growth across the business and continued margin improvement

£m	2013	2012	Change
UK Productions	202	181	12%
International Productions	125	108	16%
Global Entertainment	68	66	3%
Total Revenue	**395**	**355**	**11%**
Total Studio costs	(332)	(305)	(9)%
ITV Studios EBITA*	**63**	**50**	**26%**
EBITA Margin	16%	14%	

£m	2013	2012	Change
Internal – ITVS to ITV Network	165	149	11%
External Revenue	230	206	12%
Total Revenue	**395**	**355**	**11%**

- Strong revenue growth across the business
- Organic revenue growth 5%, going against prior year which benefitted from front loaded delivery
- UK revenues up 12% with growth on and off-ITV
- UK growth driven by drama and entertainment - hours delivered both up around 15%
- International production growth driven by the US
- Growth in UK and US starting to feed Global Entertainment
- Continued focus on costs and acquisitions improves the margin

* EBITA is before exceptional items

Adjusted Results – double digit profit growth and increased returns to shareholders

£m	2013	2012*	Change
Total External revenue	**1,144**	**1,130**	**1%**
EBITA before exceptional items	**291**	**263**	**11%**
Associates and JVs	(1)	-	-
Internally generated amortisation	(6)	(5)	(20)%
Financing costs	(14)	(25)	44%
Profit before tax	**270**	**233**	**16%**
Tax	(63)	(53)	(19)%
Profit after tax	**207**	**180**	**15%**
Non-controlling interests	(1)	-	-
Earnings	**206**	**180**	**14%**
Adjusted EPS (p)	**5.3p**	**4.6p**	**15%**

Diluted Adjusted EPS (p)	5.1p	4.5p	13%
Statutory EPS (p)	3.4p	3.1p	10%

Dividend (p)	1.1p	0.8p	38%

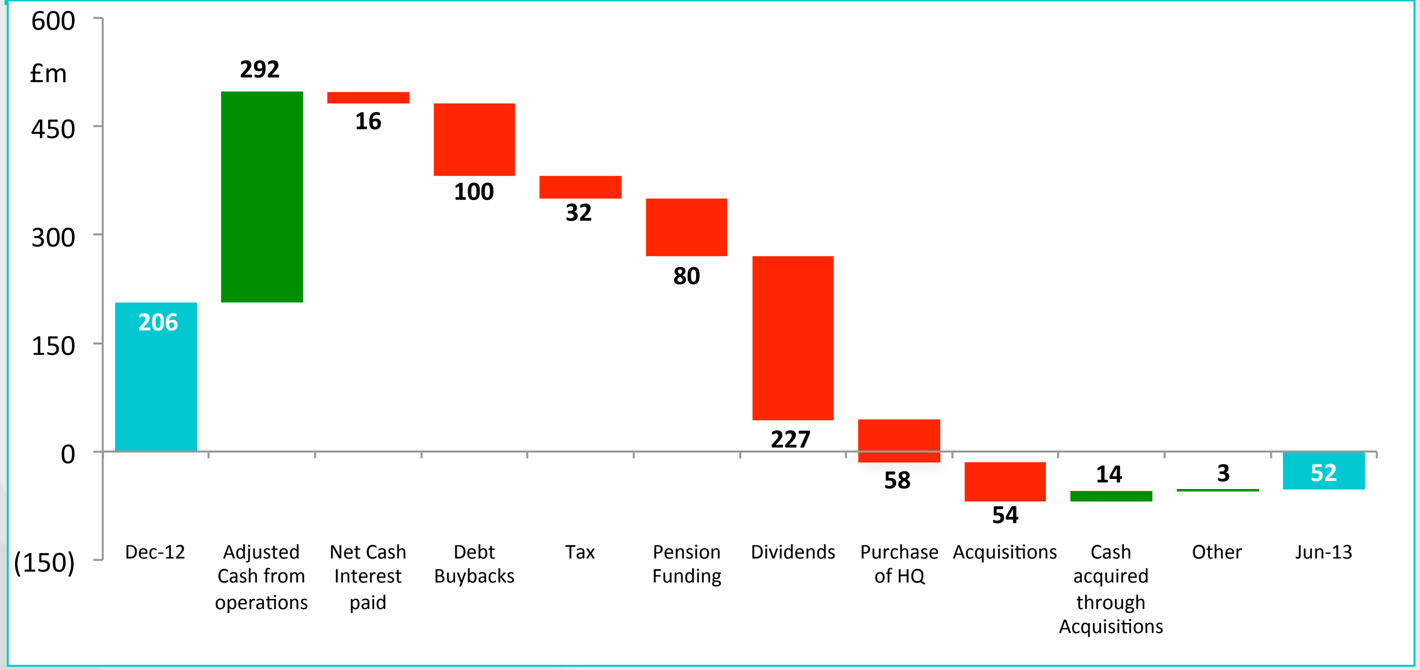
- Operating margins continue to improve
- Financing costs lower as a result of debt buybacks
- Tax rate of 23%
- Double digit profit and EPS growth
- Statutory EPS impacted by the £44m exceptional on debt buybacks
- 38% increase in interim dividend reflecting confidence in ongoing growth and cash generation

Note: Following revisions to IAS 19, we have restated our prior period results which have resulted in changes including a £2 million decrease in EBITA before exceptional items and 0.1p decrease in basic and adjusted EPS.

Profit to cash conversion - strong cash conversion funds H1 cash committments

£m	2013	2012
EBITA before exceptional items	**291**	**263**
Working capital movement	(3)	15
Share based compensation and pension service costs	13	7
Capex – Tangible and Intangible Assets	(21)	(31)
Depreciation	12	13
Adjusted cash flow	**292**	**267**
Profit to cash ratio 6 months to 30 June	**100%**	**102%**
Profit to cash ratio 12 months rolling	**96%**	**97%**

Net (Debt)/Cash Movements



- Profit to cash conversion continues to be above our rolling three year target of 90%
- Capex primarily relates to move to MediaCity

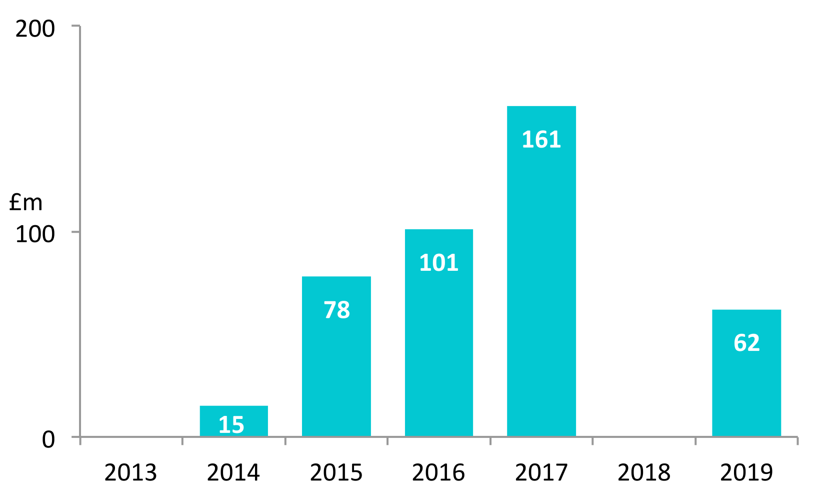
Significant cash outflows in H1

- £100m debt buyback
- £80m full year pension deficit funding contribution
- £227m dividends, including £156m special
- £58m for acquisition of the London headquarters
- £54m of acquisition cash costs, before performance based earn outs/contingent consideration

Cash & Net debt – further balance sheet efficiency and financing cost savings

- Free cash flow after financing costs, tax and pension funding up 22%, £164m in H1
- Adjusted leverage (including pension, leases and M&A commitments) is 2.0x EBITDA on a rolling 12 month basis
- No material debt repayments over next couple of years

Maturity profile at 30 June 2013*



* Excludes finance leases

£m	June 2013	June 2012
Adjusted cash flow	292	267
Net cash interest paid	(16)	(33)
Cash tax paid	(32)	(28)
Pension funding	(80)	(72)
Free cash flow – 6 months	**164**	**134**

£m	June 2013	Dec 2012
Cash and cash equivalents	401	690
Debt	(453)	(484)
Net (debt)/cash	**(52)**	**206**

£m	June 2013	Dec 2012
Net (debt)/cash	(52)	206
M&A - contingent consideration (max)	(175)	(58)
Pension deficit (IAS 19R)	(476)	(551)
Operating leases	(429)	(518)
Adjusted net debt	**(1,132)**	**(921)**

2013 Planning assumptions – no material change in key assumptions previously announced

NPB	£15m savings	Total NPB spend will be around **£980m** across all channels
Cost savings	£20m	Continued focus on non-programme **efficiency -** on track
Investments	£15-20m	Investment continues – slightly less than previous guidance
Interest	£27-28m	Interest **savings** from balance sheet initiatives
Tax	22-24%	Adjusted effective tax rate **remains** within previous guidance
Capex	£110-120m	No change in guidance - normal spend at around £55m plus LTVC Tower acquisition
Studios and Online, Pay & Interactive	Double digit revenue growth	Confident we will continue to deliver **strong** growth

Strategic / Operating Review & Outlook

Adam Crozier

30th July 2013

Strategy is working and Transformation Plan is on track

A lean ITV that can create world class content, executed across multiple platforms and sold around the world

1 Create a lean, creatively dynamic and fit for purpose organisation

2 Maximise audience and revenue share from existing free-to-air broadcast business

3 Drive new revenue streams by exploiting our content across multiple platforms, free and pay

4 Build a strong international content business

Priority 1: Create a lean, creatively dynamic and fit for purpose organisation

- Relentless focus on cost efficiency
  - → £20m savings target is on track
- Maintained focus on cash conversion and strong cash generation
  - → 100% profit to cash
  - → Free cash flow up 22%
- Driving value from our integrated producer/broadcaster model
- Improving creative, commercial and management talent
- ITV re-brand launched worldwide
  - → Building a modern media brand that connects with viewers and customers
- 4th consecutive year of revenue and earnings growth as we rebalance ITV
- Improving margins in Broadcast and Studios
- Robust, flexible balance sheet to support future growth and reward shareholders

Priority 2: Maximise audience and revenue share from our existing free-to-air business

- Strong fundamentals continue to underpin free-to-air business
- Increasingly strong, rich schedule on all our channels
- Improved marketing performance building strong connections with our viewers
  - → ITV now biggest terrestrial broadcaster on Twitter and Facebook
- Improving SOV and SOCI performance
  - → ITV main channel flat; ITV family +1%
  - → Improving competitive position
- ITV increasingly the antidote to fragmentation
  - → 99.8% of all commercial programmes over 5m viewers
- 9 months to end September forecast to be broadly flat
  - → ITV Family NAR down 3% in H1 as expected
  - → Q3 expected to be up 9%
- Maximising value of airtime through sponsorship, interactivity and brand extensions

Priority 3: Drive new revenue streams by exploiting our content across multiple platforms, free and pay

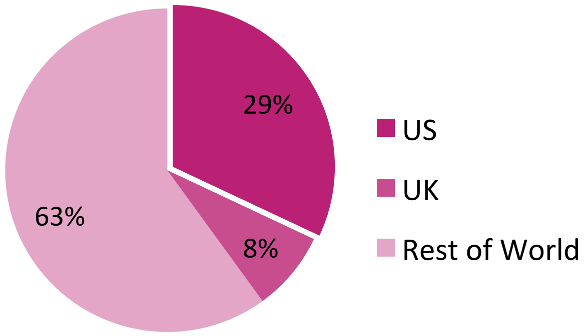
- Improved distribution and quality of ITV Player
  - → YouView connections building momentum
  - → 9m+ downloads of ITV Player app (+30% yoy)
  - → Potential for further deals
- Long form video requests up by 17% to 276m
  - → Driven by mobile viewing
- Strong demand from advertisers holding up Online rates and driving revenues
- Developing pay services
  - → Re-negotiated Virgin deal
  - → Trialing opportunities on ITV Pay Player
  - → Trialing ad-free subscription on Apple
- Increasing 2nd screen interactivity and engagement from viewers and advertisers
- Online, Pay & Interactive revenues up by 19% to £56m

Priority 4: Build a strong international content business

- Strong global demand for high quality content
- Investing in a healthy creative pipeline in genres that travel
- ITV Studios delivering strong growth across all 3 divisions
  - → EBITA up 26% to £63m
- Building on strong organic growth with strategic acquisitions and partnerships
  - → UK: The Garden, Big Talk
  - → USA: High Noon, Thinkfactory
- Strengthening our international distribution business with both ITV and 3rd party content
  - → Growth from traditional broadcasters and digital platforms

Priority 4: Strong global demand for quality content

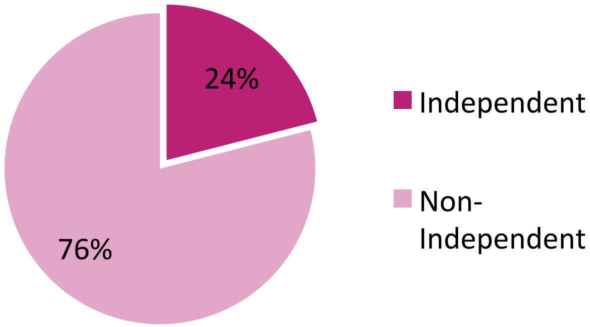
Global Content Market



Global market ~$50bn

Source: Internal Forecasts

US Content Market

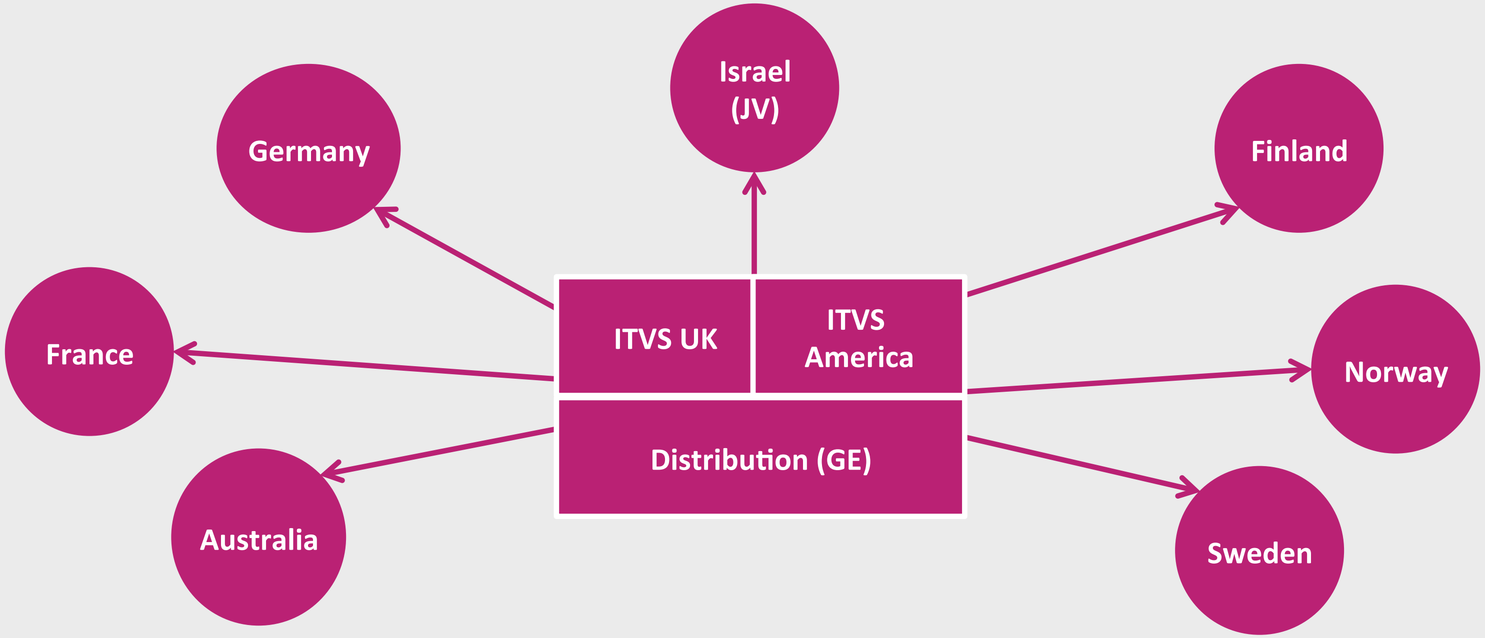


US Content Market ~$15bn

Source: Internal Forecasts

- Increasingly competitive broadcast markets worldwide
- Broadcasters de-risking schedules
- Worldwide entertainment / factual entertainment formats still dominate
- Resurgence of drama and comedy / rise of reality programmes
- Pay TV market worldwide is maturing
  - → increased demand for original programming
- Growth in digital platforms provides opportunities
  - → archive and brand defining original commissions
- Declining DVD market
- US and UK are the two key creative markets

Priority 4: investing in a strong, healthy creative pipeline in key creative markets



Developing hit programmes in key creative engine markets
→ own I.P.

→

Pushed out to local production hubs <u>or</u> sold as finished programmes/ formats around the world

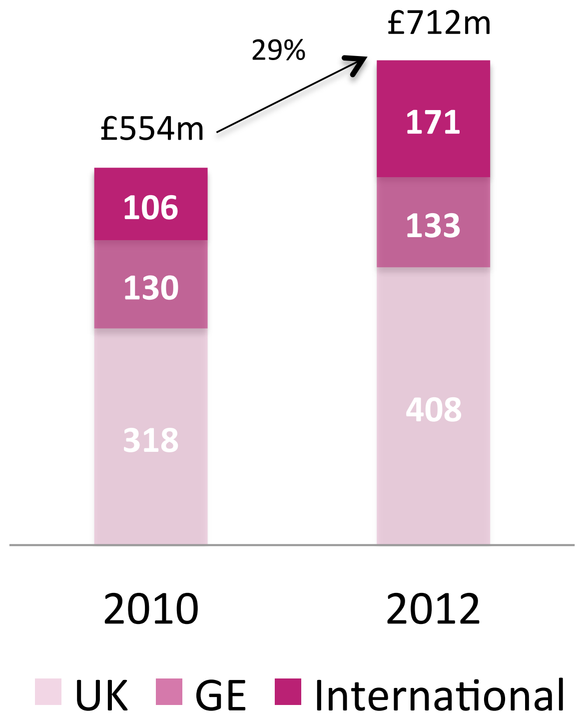
→

Leveraging our competitive advantage:

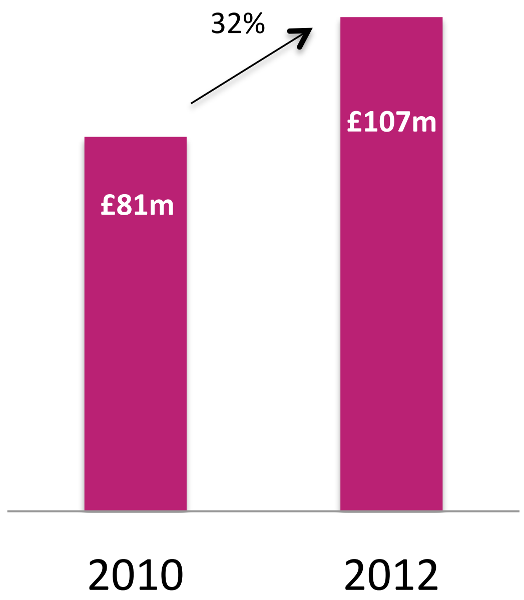
- No.1 commercial producer in UK
  → UK creative renewal
- <u>Now</u> top 5 Indie in US
- <u>Now</u> top 3 European distributer
- Integrated producer broadcaster

Priority 4: ITV Studios delivering strong growth across all three divisions

Revenue by Division* £m



Total ITV Studios EBITA* £m



2013 H1 vs 2012 H1

Revenue
- → UK +12%
- → International +16%
- → GE +3%

EBITA +26%

Margin 16% (vs 14%)

* 12 months

Priority 4: building on strong organic growth with strategic acquisitions and partnerships

Strategic Criteria

- Key market for developing creative content that travels?
- Strength of management team/next generation?
- Key genres that travel?
- Quality/age of programme slate?
- Quality of development pipeline?
- Ownership of I.P/potential to generate I.P?
- Trajectory of business/lifestage of business?
- Strict financial criteria

Adding value from ITV

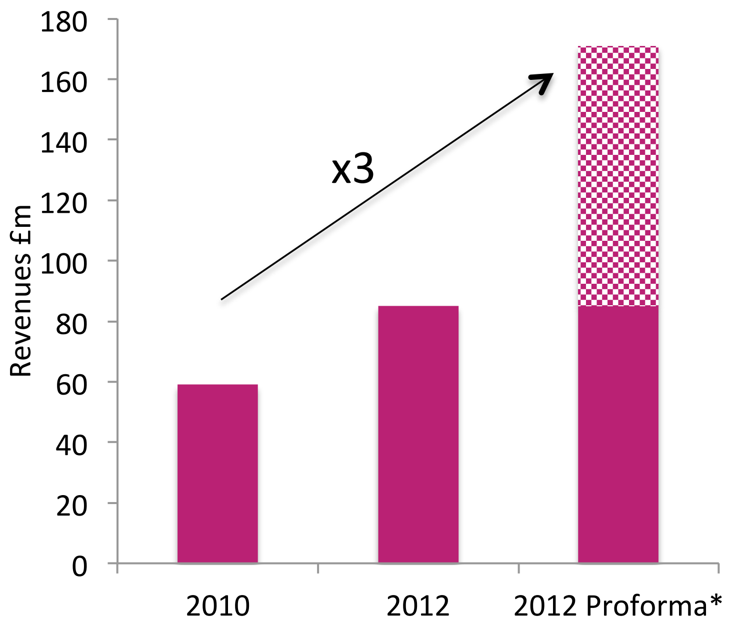
- Strength of relationship with all major broadcasters and platforms
- Leverage
  - → Commercial deals
  - → Talent availability and management
  - → Rights ownership and exploitation
- Financial strength to invest in creative development
- Strength in international distribution
- Business management

Priority 4: building on strong organic growth with strategic acquisitions and partnerships

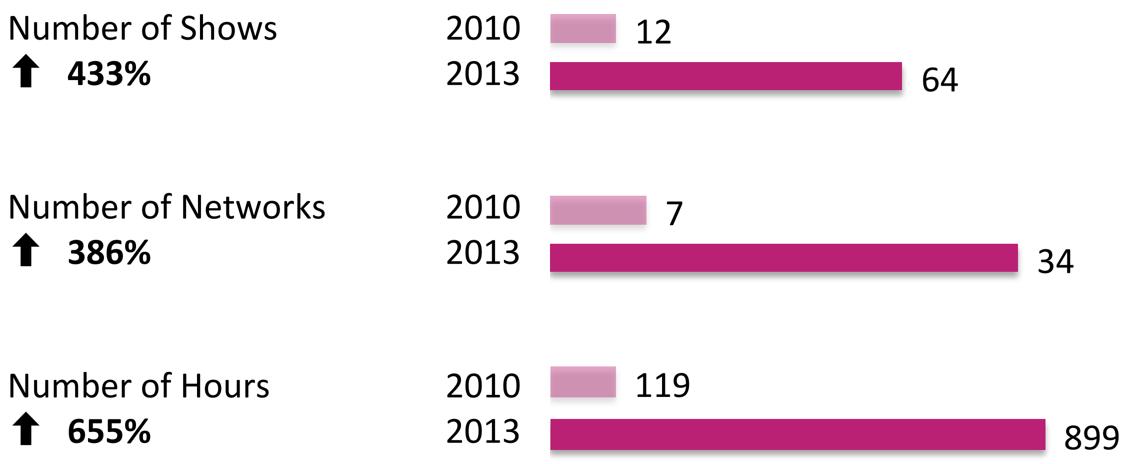
Acquisitions and partnerships to date			
	UK	**Rest of World**	**US**
2012	SO TELEVISION	tarinatalo mediacircus	Gurney PRODUCTIONS
2013	THE GARDEN PRODUCTIONS LTD bigtalkproductions		HIGHNOON ENTERTAINMENT THINKFACTORY MEDIA
Strategic rationale:	→ enhancing key strategic genres that travel → strong brands and development pipeline → established management teams with very good creative reputations and the ability to create global formats	→ acquisitions and partnerships help establish presence in emerging creative markets → young creative talent with potential to create hits → early lifestage of the business	→ building strength and scale in the largest creative market → strong creative talent → quality brands and programme slate in genres that travel → reality is a rapidly growing genre

Priority 4: building on strong organic growth with strategic acquisitions and partnerships → significant growth in the key US market

Acquisitions made in US will enhance organic growth



ITV Studios America



* 2012 Proforma is an estimate assuming all acquisitions made in 2012 and 2013 were actually made on 1st Jan 2012

Priority 4: building on strong organic growth with strategic acquisitions and partnerships → ITV US acquisitions 2012 and 2013

- Total initial cash consideration of £64m for initial stakes in the three US acquisitions
- Put and call arrangements in place to be exercised over 3 to 5 year period with total amount payable based upon performance of the business
- Total maximum consideration for the three US acquisitions of £197m (undiscounted) including initial cash consideration. To earn the maximum consideration continued significant growth is required.

December 2012

Gurney Productions

Key Shows:
Duck Dynasty, Auction Hunters, American Digger and Haunted Collector

Network:
A&E, Discovery, Spike, SyFy

May 2013

High Noon Entertainment

Key Shows:
Cake Boss, Guinness Records Gone Wild, Tough Love, Prospectors

Network:
TLC, TruTV, VH1, Weather Channel

June 2013

Thinkfactory Media

Key Shows:
R&B Divas, Preachers' Daughters, Marriage Bootcamp, Hatfields & McCoys

Network:
TVOne, Lifetime, WE tv, History

Summary & Outlook

Summary	Outlook
Improving on-screen performance	**On track for positive performance**
Revenue growth and double digit profit growth in tough H1 ad market	**Improved 3rd quarter advertising/broadly flat to end September**
Further progress in re-balancing ITV → Strong growth in Online, Pay & Interactive → Increasing strength and scale in content	**Expect double digit revenue growth in Studios and Online, Pay & Interactive**
Improving margins across Broadcast and Studios	**Expect improved full year margins**
Improving balance sheet efficiency Increasing shareholders returns	**Continue to examine ways to improve efficiency of the balance sheet and:** → **maintain flexibility to invest in growth** → **maintain capital discipline**

Appendix

Half Year Results 2013

30th July 2013

Reported numbers

£m	2013	2012	Change
Revenue	1,144	1,130	1%
EBITA before exceptional items	291	263	11%
Amortisation and Impairment	(31)	(28)	(11)%
Exceptional items (total)	(5)	2	-
JVs and associates	(1)	-	-
Profit before interest and tax	**254**	**237**	**7%**
Net financing costs*	(75)	(76)	1%
Profit before tax	**179**	**161**	**11%**
Tax	(44)	(42)	(5)%
Profit after tax	**135**	**119**	**13%**
Non-controlling interests	(1)	-	-
Earnings	**134**	**119**	**13%**
Earnings per share (p)	**3.4p**	**3.1p**	**10%**

* Includes £44m exceptional cost relating to bond buybacks in 2013 (2012: £36m)

Reconciliation between 2013 reported and adjusted earnings

£m	Reported	Adjustments	Adjusted
EBITA before exceptional items	291	-	291
Exceptional items (total)	(5)	5	-
Amortisation and impairment	(31)	25	(6)
Financing costs	(75)	61	(14)
JVs and associates	(1)	-	(1)
Profit before tax	**179**	**91**	**270**
Tax	(44)	(19)	(63)
Profit after tax	**135**	**72**	**207**
Non-controlling interests	(1)	-	(1)
Earnings	**134**	**72**	**206**
Number of shares*	3,901		3,901
Earnings per share (p)	**3.4**		**5.3**

* Diluted number of shares of 4,137m (2012: 4,116m shares)

Reconciliation between 2012 reported and adjusted earnings

£m	Reported	Adjustments	Adjusted
EBITA before exceptional items	263	-	263
Exceptional items (total)	2	(2)	-
Amortisation and impairment	(28)	23	(5)
Financing costs	(76)	51	(25)
Profit before tax	**161**	**72**	**233**
Tax	(42)	(11)	(53)
Earnings	**119**	**61**	**180**
Number of shares	3,883		3,883
Earnings per share (p)	**3.1**		**4.6**

Broadcast schedule costs

£m	2013	2012	Change
Commissions	266	244	9%
Sport	81	118	(31)%
Acquired	13	20	(35)%
ITN News and Weather	22	22	-
Total ITV	382	404	(5)%
Regional news and non-news	30	33	(9)%
ITV Breakfast	21	20	5%
Total ITV inc regional & Breakfast	433	457	(5)%
ITV2, ITV3, ITV4, CITV	57	50	14%
Total schedule costs	**490**	**507**	**(3)%**

Financing costs

£m	2013	2012
€50m Eurobond at 10% Coupon Jun 14	(1)	(6)
£78m Eurobond at 5.375% Coupon Oct 15	1	(1)
£101m Convertible Bond at 4% Coupon Nov 16 (£34m repaid in H1)	(3)	(3)
£161m Eurobond at 7.375% Coupon Jan 17	(4)	(8)
£62m Loan Mar 19 (£138m repaid in H1)	(2)	(6)
Financing costs directly attributable to bonds and loans	**(9)**	**(24)**
Other	(1)	3
Cash-related financing costs	**(10)**	**(21)**
Non-cash movements		
Amortisation of bonds	(4)	(4)
Adjusted net financing costs	**(14)**	**(25)**
Mark-to-market on bonds and swaps	(6)	(7)
Imputed pension interest	(10)	(8)
Losses on buybacks	(44)	(36)
Other net financing income	(1)	-
Statutory net financing costs	**(75)**	**(76)**

Exceptional costs

£m	2013	2012
Acquisition related expenses	(5)	-
Total operating exceptional items	**(5)**	**-**
Gain on sale and impairment of subsidiaries and investments	-	2
Total non-operating exceptional items	**-**	**2**
Total exceptional items	**(5)**	**2**

P&L tax charge and tax cash on reported basis

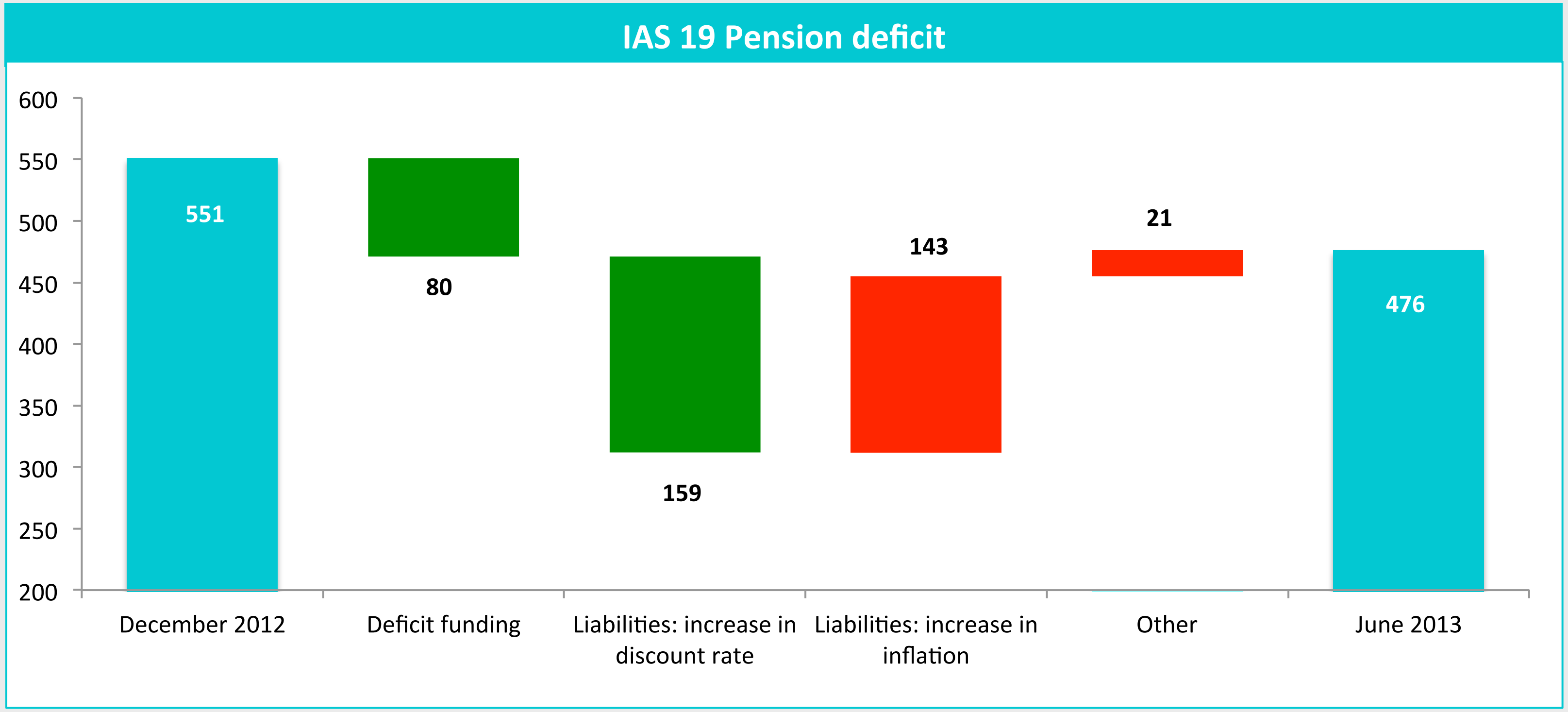
£m	2013	2012
Profit before tax as reported	179	161
Exceptional items (net)	5	(2)
Amortisation and impairment of intangible assets*	25	23
Adjusted to net financing costs	61	51
Adjusted profit before tax	**270**	**233**
Tax charge as reported	(44)	(42)
Net credit for exceptional and other items	1	7
Charge in respect of amortisation and impairment of intangible assets*	(6)	(6)
Charge in respect of adjustments to net financing costs	(14)	(12)
Adjusted tax charge	**(63)**	**(53)**
Effective tax rate on adjusted profits	**23%**	**23%**
Total cash paid	**(32)**	**(28)**

* In respect of intangible assets arising from business combinations

Analysis of net (debt) / cash

£m	June 2013	Dec 2012
€50m Jun 14	(14)	(14)
£78m Oct 15	(78)	(78)
£101m Convertible Nov 16 (£34m repaid in H1)	(99)	(132)
£161m Jan 17	(166)	(167)
£62m Mar 19 (£138m repaid in H1)	(62)	(200)
Finance Leases	(40)	(45)
Amortised cost adjustment	6	7
£138m Gilts Mar 19	-	145
Cash and cash equivalents	401	690
Net (debt) / cash	**(52)**	**206**

Pension deficit



Impact of revised IAS19 £m	June 2013 - under revised IAS19	June 2013 under IAS19
Operating costs – pension service cost	6	4
Unadjusted financing costs	10	3

Pension contributions – 15 year plan

Section A:

The fixed payments to the main section of the scheme will be as follows:

- 2013 & 2014: £35 million plus an additional £5 million if there are no initiatives in the previous year which reduce the scheme deficit by at least £10 million, compared with the level had such initiatives not been implemented. This has not changed from the previous funding plan;
- 2015 to 2019: £48 million rising by £0.5 million per annum to £50 million in 2019;
- 2020 to 2025: £50 million per annum but reduced by performance criteria set out below.

The performance related payments to the main section of the scheme will be as follows:

- During the period 2012 to 2020 if our reported EBITA before exceptional items exceed £300 million, we will contribute an amount representing 10% of EBITA before exceptional items over the threshold level. This is subject to an annual cap for total contributions which averages to £70 million per annum over the period 2015-2020. If the additional profit-related contributions are paid at the expected rate then the £50 million per annum fixed contributions scheduled to be paid between 2021 and 2025 (inclusive) may not be required.

In addition to the agreed deficit funding contributions above, the SDN partnership established in 2010 provides an annual distribution of £11 million to this section of the Scheme from 2013 to 2022 (£10 million in 2012).

Section B and C:

Following completion of actuarial valuations of Sections B and C as at 1 January 2011 we have agreed with the Trustee to make deficit funding contributions of £5.5 million per annum in order to eliminate the deficits in these sections by 31 March 2021.