

Examples of ARM calculations for long-term deals

Advertiser with a 55% Share of Broadcast in 2004 - new protected contract

EXAMPLE 1		
	Advertiser B 2 year deal Adjusted annually by ARM	Advertiser B Annual Broadcast Spend £50,000,000
2004	55%	£27,500,000
2005	52.44% <i>adjusted by ARM 2004 vs 2003</i> 0.953	£26,220,930
<i>new 2 year deal</i>		
2006	49.88% <i>adjusted by ARM 2005 vs 2004</i> 0.951	£24,941,860
2007	48.60% <i>adjusted by ARM 2006 vs 2005</i> 0.974	£24,302,326
<i>new 2 year deal</i>		
2008	47.33% <i>adjusted by ARM 2007 vs 2006</i> 0.974	
Total ITV Spend 2004-2007		£102,965,116

EXAMPLE 2		
	Advertiser A 2 year fixed deal No ARM	Advertiser A Annual Broadcast Spend £50,000,000
2004	55%	£27,500,000
2005	55% <i>no ARM</i>	£27,500,000
<i>new 2 year deal</i>		
2006	49.88% <i>adjusted by ARM 2005 vs 2003</i> 0.907	£24,941,860
2007	49.88% <i>no ARM</i>	£24,941,860
<i>new 2 year deal</i>		
2008	47.33% <i>adjusted by ARM 2007 vs 2005</i> 0.949	
Total ITV Spend 2004-2007		£104,883,721

EXAMPLE 3		
	Advertiser C 2 year fixed deal - split into 2 x 1 year deals No ARM	Advertiser C Annual Broadcast Spend £50,000,000
2004	55%	£27,500,000
2005	55.00% <i>no ARM</i>	£27,500,000
<i>new 2 year deal</i>		
2006	52.32% <i>adjusted by ARM 2005 vs 2004</i> 0.951	£26,158,537
2007	52.32% <i>no ARM</i>	£26,158,537
<i>new 2 year deal</i>		
2008	50.94% <i>adjusted by ARM 2007 vs 2006</i> 0.974	
Total ITV Spend 2004-2007		£107,317,073

Share of Commercial Impacts used in examples	
	% SOCI
2003	43
2004	41
2005	39
2006	38
2007	37

NB. These are not real or predicted figures

NOTES:

Example 1 Two Year Deal - ARM

If an advertiser agrees a 2 year deal with ITV, the Share of Broadcast (SOB) commitment is adjusted annually in line with Clause 7 of The Undertakings. There will be no difference between the SOB over a long term period and the SOB if a series of 1 year deals had been rolled over under Contracts Rights Renewal. Every year the Audience Ratchet Mechanism (ARM) calculation is adjusted by the change in Share of Commercial Impacts between the previous year and the base year. This assumes each new contract is made the new protected contract.

Example 2 Two Year Deal - Fixed SOB

If an advertiser agrees a 2 year deal with ITV with a fixed Share of Broadcast over the 2 year period, the advertiser waives its rights under Clause 7 of The Undertakings. There will be no annual adjustment using the Audience Ratchet Mechanism (ARM). At the end of the 2 year deal period, if terms are rolled over under Contracts Rights Renewal, then the 2004 Share of Broadcast figure will be adjusted by ARM. As 2003 is the base year for any new protected contracts in 2004, the SOB will be adjusted by the change in Share of Commercial Impacts in 2005 vs 2003 (ie a 2 year period). The second year (2007) of the new deal will be fixed at the same level as year one (2006).

Example 3 Two Year Deal - Split into 2 x 1 Year Contracts

If an advertiser agrees a 2 year deal with ITV with a fixed Share of Broadcast over the 2 year period, the advertiser waives its rights under Clause 7 of the Undertakings. The advertiser may also agree with ITV to split the 2 year deal into two consecutive 1 year contracts. After the initial 2 year deal has concluded, if the advertiser wishes to roll over terms under Contract Rights Renewal, the 2005 Share of Broadcast will be adjusted by the Audience Ratchet Mechanism as if it were a 1 year deal, assuming it has been made the new protected contract. The ARM calculation would use the change in Share of Commercial Impacts for 2005 vs 2004 (ie a 1 year period). The second year (2007) of the new deal will be fixed at the same level as year one (2006).