

**Further submission following the undertakings given in relation to the proposed merger of Carlton Communications Plc and Granada Plc**

**ANNEXE 1 – Calculation of Revised Share of Broadcast Commitment**

Under a given Initial Share of Broadcast Commitment within a Protected Contract a Media Buyer or Advertiser will have purchased Commercial Airtime in the Current Year against  $n$  different demographic audiences with Carlton and Granada, where  $n \geq 1$ . For audience  $a$  let  $S_a$  be the share of the total revenue committed by the Media Buyer or Advertiser against a given audience under that Initial Share of Broadcast Commitment in the Current Year, calculated as follows:

$$S_a = \frac{\text{Sum of all REVENUES bought against Audience } a \text{ committed in the Current Year by the Advertiser or Media Buyer under the Protected Contract in the Regions and, where relevant, in the Time Periods to which the Initial Share of Broadcast Commitment relates.}}{\text{Sum of all REVENUES bought against all } n \text{ Audiences committed in the Current Year by the Advertiser or Media Buyer under the Protected Contract in the Regions and, where relevant, in the Time Periods to which the Initial Share of Broadcast Commitment relates.}}$$

Such that

$$\sum_{a=1}^n S_a = S_1 + S_2 + S_3 + \dots + S_n = 100\%$$

of the total spend committed by the Advertiser or Media Buyer under the Initial Share of Broadcast Commitment(s) within the Protected Contract in the Current Year

For these same  $n$  audiences, the relevant share of Commercial Impacts, or SOCI% across year  $y$  (where  $y$  may be the Current Year, the Base Year or Year 2002, as explained below), is calculated from BARB data (subject to note 1 below) as follows:

$$I_a^y = \frac{\text{Sum of all Commercial Impacts for Audience } a \text{ generated by Commercial Airtime in Year } y \text{ in the Regions, in the months and, where relevant, in the Time Periods to which the Initial Share of Broadcast Commitment relates.}}{\text{Sum of all Commercial Impacts for Audience } a \text{ generated by all television channels in Year } y \text{ in the Regions, in the months and, where relevant, in the Time Periods to which the Initial Share of Broadcast Commitment relates.}}$$

**The CRR Ratchet**

The ratchet  $R$  is to be applied to the Initial Share of Broadcast Commitment(s) ( $SOB_{Initial}$ ) to determine the Revised SOB Commitment(s) pursuant to Clause 7 of the undertakings, as shown in the calculation below.

For the given Protected Contract across  $n$  demographic audiences given  $S_a$  and  $I_a^y$  (as defined above) and *Current Year* and *Base Year* (as defined below)

$$R = S_1 \cdot \left( \frac{I_1^{Current}}{I_1^{Base}} \right) + S_2 \cdot \left( \frac{I_2^{Current}}{I_2^{Base}} \right) + S_3 \cdot \left( \frac{I_3^{Current}}{I_3^{Base}} \right) + \dots + S_n \cdot \left( \frac{I_n^{Current}}{I_n^{Base}} \right)$$

Unless  $R$  is greater than one in which case  $R$  is capped at one i.e.  
**If  $R \leq 1$  then  $R = R$ , however, if  $R > 1$  then  $R = 1$**

### **Calculation of Revised SOB Commitment**

The Revised SOB Commitment(s) shall be calculated annually as soon as reasonably practicable after the relevant data becomes available and shall take effect on the same day of the year the Protected Contract came into force, for each Initial Share of Broadcast Commitment as follows:

Revised SOB Commitment =  $R \times \text{SOB}_{\text{Initial}}$

### **Definitions**

**Base Year** means the following:

Where a Protected Contract came into force prior to 1 January 2004, Base Year is the calendar year 2002 if the Protected Contract runs on a calendar year basis, or, if the Protected Contract runs on any other basis, 2002-2003 on that same basis;

Where a Protected Contract came into force on or after 1 January 2004, Base Year is the 12 month period prior to the Protected Contract coming into force.

**Current Year** means the 12 month period prior to the date on which the Revised SOB Commitment takes effect pursuant to clause 7 of the Undertakings.

**Initial Share of Broadcast Commitment(s)** ( $\text{SOB}_{\text{Initial}}$ ) means the following:

Where a Protected Contract came into force prior to 1 January 2004,  $\text{SOB}_{\text{Initial}}$  is the Share of Broadcast committed by the Media Buyer or Advertiser to Carlton and Granada (including to individual regions) under that Protected Contract in the final 12 months of that Protected Contract;

Where a Protected Contract came into force on or after 1 January 2004,  $\text{SOB}_{\text{Initial}}$  is the Share of Broadcast committed by the Media Buyer or Advertiser to Carlton and Granada (including to individual regions) in the first 12 months of that Protected Contract;

**Region** means an ITV franchise region which is available individually to Advertisers and Media Buyers for purchase of Commercial Airtime.

**Revised SOB Commitment** means the Share of Broadcast Commitment(s) which will apply pursuant to clause 7 of the Undertakings.

**Time Period** means any period of time of less than a week which is specified in the Protected Contract as the sole time period for which the Advertiser or Media Buyer will purchase Commercial Airtime against a given audience (including without limitation peak, off-peak, weekend, weekday, children's airtime).

## **Explanatory Notes**

### **Note 1:**

*BARB does not report multichannel impacts by region. The data processing organisation, DDS, uses a series of factors to impute impacts at a regional level and, in the future, other organisations may provide such a service.*

### **Note 2:**

*Where the Protected Contract contains a Share of Broadcast Commitment specific to a particular Region or Time Period, then the Ratchet shall be calculated at the level at which that Share of Broadcast Commitment is contracted. Where the Protected Contract contains any other form of specific quantified commitment to a particular Region or Time Period, the Ratchet will be weighted to reflect the form of this commitment.*

### **Note 3:**

*Carlton and Granada undertake to provide Media Buyers and Advertisers with the most accurate forecasts of Commercial Impacts available to them and the estimated Revised SOB Commitment at least two months prior to calculation of the Revised SOB Commitment and updates upon request of the Media Buyer or Advertiser throughout the negotiations. Where the Revised SOB Commitment is calculated on the basis of an estimated level of Commercial Impacts, the Revised Share of Broadcast Commitment shall be subsequently adjusted once the Commercial Impacts figures are finalised.*