

OFFERING CIRCULAR DATED 22 APRIL 2010



TUI TRAVEL PLC

(incorporated in England and Wales with limited liability under registration number 6072876)

£400,000,000 4.90 per cent. Convertible Bonds due 2017

convertible into Ordinary Shares of TUI Travel PLC

Issue price: 100 per cent.

The £400,000,000 4.90 per cent. Convertible Bonds due 2017 (the "**Bonds**") of TUI Travel PLC (the "**Issuer**") will be convertible, in the limited circumstances provided in the Terms and Conditions of the Bonds, (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 7 June 2010 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 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 Event or on 27 October 2015 (subject as further described in "Terms and Conditions of the Bonds"). The initial Conversion Price will be £3.8234 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 27 April 2010 (the "**Closing Date**") at the rate of 4.90 per cent. per annum. Interest on the Bonds will be payable semi-annually in arrear in equal instalments on 27 April and 27 October of each year (each an "**Interest Payment Date**"), commencing on 27 October 2010.

Unless previously purchased and cancelled, redeemed or converted, the Bonds will be redeemed at 100 per cent. of their principal amount on 27 April 2017 (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 at any time on or after 12 May 2014 (the "**First Call Date**"), if the Parity Value (as defined herein) 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 130 per cent. of the principal amount of a Bond; (ii) at the option of the Issuer, in the event of certain changes affecting taxes of the United Kingdom; (iii) at the option of the Issuer, if Conversion Rights (as defined herein) 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 for this purpose shall include Further Bonds) (as defined herein); (iv) at the option of Bondholders, on the 14th London business day after the expiry of the Change of Control Period if a Change of Control Event (each as defined herein) shall have occurred; or (v) at the option of Bondholders on 27 October 2015. See "Terms and Conditions of the Bonds - Redemption and Purchase".

Applications have 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 LSE's 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 trade on the LSE's market for listed securities under the symbol "TT".

None of the Bonds nor the Ordinary Shares to be delivered upon conversion of the Bonds have been or will be registered under the U.S. 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 U.S. tax law requirements and may not be sold to U.S. 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 7 June 2010 (the "**Exchange Date**"), upon certification as to non-U.S. beneficial ownership. Interests in the Global Bond will be exchangeable for definitive Bonds in bearer form in the denomination of £100,000 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 under the heading "Risk Factors" on page 8.

Joint Bookrunners

Deutsche Bank

RBS Hoare Govett

Barclays Capital

Citi

Commerzbank

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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 (the “**Listing Rules**”) for the purpose of giving information with regard to the Issuer, the Group (as defined in the Conditions) and the Bonds.

The Issuer (the “**Responsible Person**”) accepts responsibility for the information contained in this Offering Circular. To the best of the knowledge of the Issuer (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 Bookrunners (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 Bookrunners, 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 the documents which are 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 Bookrunners 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 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 Bookrunners 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 such information.

No person is or has been authorised by the Issuer, the Bookrunners 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, any of the Bookrunners or the Trustee.

The investors acknowledge that: (i) they have not relied on the Bookrunners or any person affiliated with the Bookrunners 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 Group or the Bonds 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 or the Bookrunners.

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, any of the Bookrunners or the Trustee that any recipient of this Offering Circular or of 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. 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, any of the Bookrunners 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 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 at any time subsequent to the date indicated in the document containing the same. The Bookrunners and the Trustee expressly do not undertake to review the financial condition or affairs of the Issuer 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 their own examination, analysis and enquiry of the Issuer 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 Bonds nor the Ordinary Shares to be delivered upon conversion of the Bonds have been or will be registered under the Securities Act, and such Bonds and Ordinary Shares may not be offered or sold or delivered within the United States, or to or for the accounts of U.S. persons (each as defined in Regulation S), absent registration or an applicable exemption from registration under the Securities Act. In addition, the Bonds are subject to U.S. tax law requirements and may not be sold to U.S. 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".

None of the Issuer, the Bookrunners, 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 Bookrunners 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. In particular, no action has been taken by the Issuer, the Bookrunners or the Trustee which is intended to permit a public offering of the Bonds or the possession or distribution of this Offering Circular (or any other offering or publicity materials or application form(s) relating to the Bonds) (a) in the United Kingdom, other than to (i) persons who have professional experience in matters relating to investments who fall within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "**Order**"), (ii) high net worth entities and other persons to whom it may otherwise be lawfully communicated falling within Article 49(1) of the Order or (iii) persons to whom it may otherwise lawfully be communicated or (b) in any jurisdiction where action for that purpose is required. 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”.

The Bonds are subject to restrictions on resale and may not be transferred or resold except as permitted under applicable securities laws and regulations. Investors should be aware that they may be required to bear the financial risks of this investment for an indefinite period of time.

All references in this document to “**pounds sterling**”, “**Sterling**”, “**£**” and “**pence**” are to the lawful currency of the United Kingdom and references to the “**United Kingdom**” or “**UK**” are to the United Kingdom of Great Britain and Northern Ireland. All references to “**U.S. Dollar**”, “**U.S. \$**” and “**\$**” refer to United States dollars. All references to “**Euro**” or “**€**” refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community, as amended.

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DOCUMENTS INCORPORATED BY REFERENCE

Presentation of financial information

Unless otherwise stated, all financial information relating to the Issuer incorporated by reference in this Offering Circular has been prepared in accordance with International Financial Reporting Standards (“IFRS”) and in pounds sterling.

Documents incorporated by reference

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

1. the audited consolidated annual financial statements of the Issuer as at, and for the financial year ended 30 September 2008, together with the audit report thereon and excluding the unaudited pro forma income statement for the year ended 30 September 2007 (page 60) and all other pro forma financial information contained therein (including the pro forma information in pages 13, 74, 76, 77, 122 and 123);
2. the audited consolidated annual financial statements of the Issuer as at, and for the financial year ended 30 September 2009, together with the audit report thereon;
3. the unaudited condensed consolidated financial statements of the Issuer contained in its interim management statement (page 10) for the first quarter ended 31 December 2009; and
4. the pre-close trading update announced by RNS on 24 March 2010,

each of which have been previously published or is published simultaneously with this Offering Circular and has been approved by the Financial Services Authority or filed with it.

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 or from the Issuer's website.

Forward-looking statements

Some of the statements in this Offering Circular include forward-looking statements which reflect current views with respect to financial performance, business strategy, plans and objectives of management for future operations. These statements include forward-looking statements both with respect to the Issuer and the Group and the sectors and industries in which the Group operates. Statements which include the words “expects”, “intends”, “plans”, “believes”, “projects”, “anticipates”, “will”, “targets”, “aims”, “may”, “would”, “could”, “continue” and similar statements are of a future or forward-looking nature.

All forward-looking statements address matters that involve risks and uncertainties. Accordingly, there are or will be important facts that could cause the Group's actual results to differ materially from those indicated in

these statements. These factors include, but are not limited to, those described in the part of this Offering Circular entitled “Risk Factors”, which should be read in conjunction with the other cautionary statements that are included in this Offering Circular. Any forward-looking statements in this document reflect the Issuer's current views with respect to future events and are subject to these and other risks, uncertainties and assumptions relating to the Group's operations, results of operations, strategy and liquidity. Given these uncertainties, investors are cautioned not to place any undue reliance on such forward-looking statements.

These forward-looking statements speak only as at the date of this document. Subject to any obligations under the Listing Rules, or as otherwise required by law, the Issuer undertakes no obligation to update publicly or review any forward-looking statement, whether as a result of new information, future developments or otherwise. All subsequent written and oral forward-looking statements attributable to the Group or individuals acting on behalf of the Group are expressly qualified in their entirety by this paragraph. Prospective investors should specifically consider the factors identified in this document which could cause actual results to differ before making an investment decision.

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. The Issuer believes that the following factors may affect its ability to fulfil its obligations under the Bonds and/or the value of the Bonds and/or the Ordinary Shares. All of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring.

Factors which the Issuer believes may be material for the purpose of assessing the market risks associated with the Bonds are also described below.

The Issuer believes that the factors described below represent the principal risks inherent in investing in the Bonds, but the Issuer may be unable to pay interest, principal or other amounts on or in connection with the Bonds for other reasons which may not be considered significant risks by the Issuer based on information currently available to it or which it may not currently be able to anticipate and any of these risks could have the effects set forth above. The Issuer does not represent that the statements below regarding the risks of holding the Bonds are exhaustive. The Issuer has described only those risks relating to its operations that it considers to be material.

Prospective investors should also read the detailed information set out elsewhere in this Offering Circular (including the documents incorporated by reference herein) and reach their own views prior to making any investment decision.

The 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 the Offering Circular and in particular in this “Risk Factors” section.

Risks relating to the Group

The business of the Group may be affected by general economic conditions and other business conditions outside of its control.

Changing economic cycles may affect demand for tourism products. Such cycles may be influenced by global political events, such as terrorist acts, war and other hostilities as well as by market specific events, such as shifts in consumer confidence and consumer spending, labour or social unrest and political uncertainty.

Spending on travel and tourism is discretionary and price sensitive. An increase in interest rates, direct or indirect taxes, or the costs of living could lead to lower disposable income. Customers may reduce or stop their spending on travel or opt for lower-cost offers, in particular during periods of economic slowdown. Future economic downturns in any of the Group's source markets could have a material adverse impact on the financial performance of the Issuer in the case of that source market.

In addition, the introduction of travel taxes in any jurisdiction in which the Group operates may affect both customers' spending on travel and the Issuer's margin and could therefore have a material adverse impact on the financial performance of the Issuer or the Group as a whole.

The Group's business may be severely impacted by a continuation of the current financial crisis.

Further and/or sustained deterioration in the global economy could result in a significant decrease in demand for holidays and/or air travel as customers may be inclined to adopt cost-saving measures including taking advantage of offers from competitors of the Group or booking lower-priced flights. The current financial crisis has already had a significant impact on customer demand and were it to continue for a prolonged period, it could have a material adverse effect on the Group's financial condition and the results of its operations.

The Group may be affected by increasingly rigorous scrutiny of transactions by tax authorities.

Tax authorities around the world are being increasingly rigorous in their scrutiny of transactions and in the pursuit of tax recoveries which may lead to an increased overall tax rate for the Group as a whole.

The Group will be subject to changes in consumer behaviour and preferences.

In recent years, customers have been increasingly booking holidays nearer the time of travel than has traditionally been the case. This type of booking behaviour makes it considerably more difficult for tourism companies to engage in seasonal planning and has the potential of making the Group more vulnerable to short-term changes in customer demand. For example, bad weather at any of its destinations, or unseasonably warm weather in the any of the Group's source markets, could reduce demand for travel to the Group's "sun and beach" destinations. Successful execution of the Issuer's strategy will depend, among other things, upon its ability to anticipate changes in consumer preferences for leisure travel products across a number of source markets and destinations.

There is a further risk that customers may choose to travel less by aircraft if they believe that aircraft travel is harmful to the environment. This may adversely affect the Issuer's airline and holiday business.

Historically, the Group has generated most of its business from integrated package tours, enabling it to maximise efficiently the use of its aircraft and hotel capacity. In recent years, customers of the Group have been increasingly purchasing individual components of holidays, such as flights and hotel accommodation, particularly over the Internet. If demand for air package tours were to decline, this could lead to excess capacity on the Group's aircraft. In addition, the Internet allows travel customers to compare easily the costs of each component of their holiday, which could lead to increasing price pressure across the travel industry and could adversely affect the Group's financial performance.

To the extent that the Group purchases capacity from other airlines, it will be able to make capacity adjustments only to the extent permitted by its contracts with those airlines and there can be no assurance that the Group will continue to be able to maximise the use of its aircraft and hotel capacity as effectively as it has in the past.

Significant competition in the European travel and tourism industry could lead to reduced prices or a loss of customers.

The Group has numerous competitors in its core European market. Some of these competitors have already consolidated or are in the process of consolidating into pan-European tourism groups. These groups are able to utilise the synergies generated by integrating the various components of the tourism value chain to improve their competitive position by increasing their market shares. Some of the Group's competitors are focusing on offering modular holiday packages that the customers themselves combine, rather than integrated packages. Other competitors only offer dedicated individual components of holidays such as flights, hotels, accommodation or leisure activities, which customers can combine themselves, in particular by using the Internet. Internet-based travel and tourism businesses, such as online travel agencies, will continue to compete with the Group. The Group could lose customers or be forced to reduce its prices due to the significant competition in the European tourism industry.

Low-cost airlines compete successfully on many routes against charter airlines, including airlines operated by the Group. If the Group is unable to maintain a competitive cost structure for its airlines as compared to these low-cost carriers, it may be unable to offer competitive prices to its customers for package holidays that involve flights on its own aircraft. This may also affect the Group's ability to sell capacity on its flights to third party tour operators on the same terms and in the same amounts as it has done to date and its single-seat offerings may become uncompetitive, which would adversely affect its financial results.

The Group may be exposed to political instability, accidents, terrorism or the threat of terrorism, natural disasters or outbreaks of diseases or epidemics.

Airlines and package holiday providers are exposed to the risk of losses from political instability, accidents, terrorist attacks, acts of sabotage and natural catastrophes, climate change, outbreaks of diseases, epidemics, social unrest, civil war, international conflicts and failing governments, which could be of a magnitude that would threaten their economic viability. The Group operates in approximately 180 destinations worldwide and over 27 source markets, where its operations will be at risk of both domestic and international geo-political events impacting business performance as such events could directly affect customers' propensity to travel. This may lead to a reduction in consumer spending on holidays and leisure travel products which could adversely impact the performance of the Group.

The Group may not be adequately insured against all expenses that may result from such events, if at all. The Group may also be exposed to other civil law claims and be held liable for third-party losses if its insurers are unable to pay the resulting damages or refuse coverage. In addition, such losses could result in higher insurance premiums and could impose significant costs on the Group. Future terrorist attacks or the threat of such attacks could also result in aviation or other insurance becoming unavailable or prohibitively expensive. Should this occur, the Issuer would be unable to operate key parts of its business. If the Issuer is unable to fly its customers to their destinations, it would experience consequential losses throughout its business.

In addition, any accident or incident affecting the Group's aircraft, or the destinations they serve, could give rise to a public perception that its aircraft or the regions or countries in which it conducts tourism activities are less safe or reliable than those of its competitors, which could reduce demand for its products.

The total impact of the eruption of the Icelandic volcano Eyjafjallajökull on the Issuer and the travel industry in general is uncertain.

The Group has been (and continues to be) affected by the closure of much of Northern Europe's airspace since 15 April 2010, caused by volcanic dust in the atmosphere (see paragraph 11 of the section headed "Description of the Issuer").

If this disruption persists the Issuer will continue to be adversely affected by costs consisting largely of stranded passengers' accommodation and repatriation and the impact of holiday cancellations.

Any prolonged closure of European airspace could have a material adverse impact on the reported results of the Issuer's operations.

The Issuer is vulnerable to fluctuations in exchange rates, interest rates and fuel costs.

The Issuer faces significant financial risk due to the substantial cross-border element of its trading, which exposes its business and results of operations to fluctuations in exchange rates. This is due to the imbalance between the currencies in which revenue is generated and costs are incurred and also to certain of the Issuer's subsidiaries operating in functional currencies other than the Euro. Certain of the Group's direct operating costs, including hotels and aviation jet fuel, are denominated in currencies other than the currencies in which its customers pay for their holidays. This exchange rate risk is primarily in relation to the Euro/U.S. dollar and the Euro/pound sterling exchange rates.

The Issuer's risk management policy requires forecasted expenses to be hedged against the currency in which the related revenue is to be generated. To the extent that the Issuer does not adequately hedge its currency exposures, a significant negative change in exchange rates could result in an increase in its costs which could significantly reduce its results of operations.

In the event of rising interest rates, the Issuer's interest costs in respect of its borrowings will increase and its financial results will be adversely affected.

Aircraft fuel costs, which have fluctuated considerably since 2004, constitute a significant proportion of the operating costs of the Group's operating expenses. Fuel prices and availability are subject to economic and political factors which are beyond the control of the Issuer. Increases in fuel costs usually lead to increases in prices for holidays and to reduced demand for travel. In response to the rising fuel prices, the Issuer may need to impose fuel surcharges on its short, medium and long-haul flights, which could reduce demand for its travel products. In addition, upon the expiry of existing fuel hedges, the Issuer may not be able to enter into new hedging contracts at acceptable rates to help mitigate the risk of rising fuel prices.

The Group is subject to significant regulation and may be adversely affected by changes to existing regulation, the introduction of new regulation and/or a failure to comply with any such regulation.

The industries in which the Group operates are heavily regulated at various levels by European and other national regulators. Regulated areas include, among others, the provision of holiday services and associated consumer protection, the availability of take-off and landing slots at airports and ownership requirements. Applicable regulations, which include noise and emissions restrictions, could be extended to include further environmental protection or consumer protection. Compliance with such regulations imposes significant costs on the Group's business and could potentially limit its flexibility with respect to its business practices. In the event of non-compliance with certain regulations, such as those related to flight safety, a significant part of the Group's business could be affected, which would have a material adverse impact on its results of operations.

The Group is subject to significant regulation, which may limit its operational flexibility and/or involve material cost, and non-compliance with the applicable regulations could lead to legal or regulatory sanctions, as well as reputational damage. The need to comply with new or revised regulations, or new or changed interpretations or enforcement of existing regulations, may have a material adverse effect on the Group's business and financial performance.

European and national restrictions on airline ownership could result in the loss of the Group's airline operating and route licenses, force divestment of its airline business or result in other adverse effects on its business. In the European countries in which the Issuer operates as an air carrier, the Issuer is permitted to operate airline services only if it is majority owned, and effectively controlled, by member states of the EEA or their nationals. The carrier must be able to prove this at any time. Failure to do so may result in the withdrawal of, or a refusal to issue, the carrier's operating licence or route licences. Accordingly, the Issuer must remain majority owned and effectively controlled by EEA member states or their nationals in order for its airlines to maintain their operating and route licences. In addition there may be national ownership restrictions applicable to the grant of route licences to the Issuer's airlines. The Articles of Association of the Issuer are designed to ensure that the number of Ordinary Shares held by non-EEA nationals does not reach a level which could jeopardise the Issuer's entitlement to continue to hold or enjoy the benefit of any authority, permission, licence or privilege which it or any of its subsidiaries holds or enjoys and which enables an air service to be operated. See the section headed "Description of the Ordinary Shares".

As approximately 54.9 per cent. of the Issuer's Ordinary Shares are held or controlled by TUI AG (a company incorporated in Germany whose registered office is at Karl-Wiechert Allee 4, 30625 Hanover, "TUI AG"), the continuation of the Issuer's operating licences and route licences also depends on TUI AG itself continuing to be majority owned, and effectively controlled, by member states of the EEA or their

nationals. A change of control of TUI AG could therefore result in the withdrawal of the Issuer's airline operating and route licences.

The Group has significant liabilities in connection with under-funded pension benefit plans.

The Group operates a number of defined benefit plans, primarily in the UK and Germany. On the relevant accounting basis, the total combined deficit for these schemes and similar obligations as at 30 September 2009 was approximately £501 million. The schemes are subject to regular actuarial valuation and the deficits shown by these valuations are calculated on actuarial bases specific to the schemes and may be different to those disclosed on the relevant accounting basis.

The cost of funding these benefits depends on a number of factors, including the real returns that can be obtained on the assets and the longevity of the members. The contributions to the defined benefit schemes may therefore change as a result of changes in investment performance, mortality and as a result of other actuarial experience factors not matching the assumptions made by the actuary.

The Issuer has provided guarantees to the trustees of some of its UK defined benefit schemes in which the Issuer guarantees the payment of contributions to those schemes by its subsidiary undertakings and has given certain negative pledge commitments to those trustees.

The interests of TUI AG, as majority shareholder, may not always coincide with the interests of the Group.

TUI AG holds or controls approximately 54.9 per cent. of the Ordinary Shares. As a result, TUI AG has the voting majority necessary to block or adopt certain resolutions of the Issuer's shareholders, including those concerning the election of directors of the Issuer (“**Directors**”) and the distribution of dividends. Subject to the terms of the Relationship Agreement (as defined on page 73) between the Issuer and TUI AG, TUI AG can exercise influence over the Issuer (see paragraph 4 of the section headed “Description of the Issuer”). The concentration of ownership of the Issuer may have the effect of deterring offers by third parties to purchase some or all of the Ordinary Shares not held by TUI AG or otherwise bid for ownership of the Issuer. Such deterrence could deprive the Issuer's shareholders of opportunities to receive a premium for their Ordinary Shares as part of a sale of the Issuer, and that possibility may prospectively have a negative effect on the market price of the Ordinary Shares.

Further, subject to the terms of the lock-up arrangements referred to in the section headed “Subscription and Sale”, TUI AG may sell all or part of its holding of Ordinary Shares. Such a sale could result in an excess supply of Ordinary Shares in the market, which would in turn negatively impact the market price of the Ordinary Shares.

Although TUI AG and the Issuer currently anticipate a continuing strong relationship and alignment of interests between themselves, the business goals of the Issuer and TUI AG may not always coincide. A divergence of business goals may lead to TUI AG using its voting majority to adopt or block resolutions whose effects may not be in the best interests of the Issuer or its subsidiaries.

The Group may be exposed to risks associated with the limitation of greenhouse gas emissions and related trading schemes for allowances.

Under the United Nations Framework Convention on Climate Change and the Kyoto Protocol, certain contracting states entered into obligations to control and reduce emission of greenhouse gases. To comply with its obligations under public international law, the European Union introduced a scheme in 2003 to limit greenhouse gas emissions and for trading of allowances which applies to certain industrial installations.

Although the aviation industry is not currently facing limitations from this scheme, the European Union resolved to introduce a trading scheme for greenhouse gas emission allowances applicable to aircraft carriers

starting on 1 January 2012. Businesses operating aircraft routes within, to or from the EU would be required to measure their carbon dioxide emissions and account for those emissions by surrendering allowances. The future effects of this trading scheme for the Group are not currently foreseeable with any degree of certainty but it may lead to a decrease in demand for air travel and/or reduce the Issuer's profit margin on airline tickets.

Moreover, further regulations on greenhouse gas emissions might be enacted in one or more of the Group's source markets. All of these factors may limit operational flexibility, increase costs and therefore may have a material adverse effect on the Issuer's financial position.

The Group's success depends on its ability to retain key management and it relies on having good relations with trade unions, works councils and employee representatives.

The Issuer requires effective management attention and focus. The performance and results of the Issuer's business depend upon the efforts and capabilities of the senior management team and other key personnel. The Issuer cannot guarantee that such employees will remain with the Group since competition for talented and qualified personnel is intense and, as such, the loss of key managers could lead to an adverse effect on the business, operating results and financial performance of the Group.

With over 50,000 employees around the world, relationships with employees, European and local works councils, trade unions and other employee representatives are an important part of the Issuer's strategy. Existing labour arrangements and relationships may not prevent a strike or disruption in the future, and should these relationships deteriorate, reduced customer service, loss of revenue and increased costs associated with industrial disputes could result.

The business of the Group depends on information technology systems.

The Group's business depends on information technology systems, especially in its yield management activities and in the provision of central administration. The reservation systems and administrative operations of the Group rely on the continuous functioning of their information technology systems as the Group engages in selling through travel agents and direct selling of holidays and travel services to its customers over the Internet. The Internet is growing in importance, not only as a distribution channel but also as basic technology for the automation of business processes between business partners. Any disruption to the Group's information technology systems could significantly hamper or prevent operations, reduce revenues, increase costs or otherwise adversely affect the operation of the Group's business.

The Group may be vulnerable to rapid changes in technology standards. Technology changes rapidly, especially in the consumer-oriented tourism business, and the business of the Group may suffer if it is unable to keep up with the latest information technology developments. In addition, the Group may be required to incur expenditure on information technology in order to keep up with the technological developments of its competitors.

The Group is dependent on third party service and facility providers.

The Group is dependent on the provision of services by third parties, such as hotel operators, other airlines, suppliers of aircraft services (ground handling, fuel, engineering and maintenance, in-flight and catering), aircraft manufacturers and third party tour operators. If any third party services or facilities on which the Group relies in conducting its business are restricted, temporarily halted (for example, as a result of technical problems or strikes), cease permanently or are not available on commercially acceptable terms, this could have a material adverse effect on the business, financial condition and results of operations of the Group, including through a deterioration in customers' confidence in the Group's ability to offer its services in a reliable manner. These adverse effects could also occur as a result of the loss or expiration of any of the Group's contracts with third party service or facility providers and the inability to negotiate replacement contracts with other service providers at comparable rates or to enter into such contracts in any new markets

the Issuer wishes to access. In addition, the efficiency, timeliness and quality of contract performance by third party providers will be largely beyond the Issuer's direct control.

The Group's business is subject to seasonal fluctuations.

Historically, the level of demand for the Group's services has fluctuated over the course of a calendar year, which caused its results to fluctuate. Demand has historically been highest in the summer season from May through to October and lowest in the winter season from November through to April (except for the days around Christmas, New Year and Easter). At the same time, a significant proportion of the Group's expenses are incurred more evenly throughout the year. Therefore, the Group's profitability fluctuates during the year, with the majority of its profits being generated in the summer season. When disruptions to the Group's business operations occur during the summer season, they may have a particularly strong adverse effect on the Group's business, financial condition and results of operations.

Expansion through acquisitions entails certain risks, which could have adverse consequences for the Issuer's business.

Part of the Issuer's strategy may involve expanding its business through acquisitions of other businesses or establishing new businesses. Acquisitions will require the integration of new operations into the Issuer's business. The Issuer's ability to realise the expected benefits from future acquisitions will depend, in large part, upon its ability to integrate new operations with existing operations in a timely and effective manner and to manage an increasingly larger business. It will also depend upon the Issuer's ability to recruit additional management as it cannot be assured that management of acquired businesses will continue to work for the Issuer or that any of its recruiting efforts will succeed.

In addition, the Issuer's acquisition strategy will involve numerous risks, including the potential inability to identify appropriate acquisition opportunities, the identification of liabilities in acquisition targets, possible failures of acquisitions to be profitable or to generate anticipated cash flows, the entry into markets and geographic areas where the Issuer has limited or no experience, diversion of management's time and resources from core operations and potential difficulties in integrating operations and systems with those of acquired companies. Also, possible anti-trust review by European or other anti-trust authorities could result in such authorities seeking to impede the Issuer's acquisition of new businesses.

The Issuer does not have absolute ownership of the TUI name and brand.

TUI AG has granted the Issuer an exclusive right to use the registered trade mark "TUI Travel" (both in word and logo form) and in its corporate holding business, as well as the right to use "TUI Travel" as its company name (see paragraph 4 of the section headed "Description of the Issuer" for a summary of the terms of Trade Mark Licence Agreement). The Trade Mark Licence Agreement is for an initial five-year period expiring on 14 August 2012, with a right for the Issuer to renew for a further five years on substantially similar terms. After such ten-year period, the parties have agreed, without obligation, to consider further renewal on comparable terms. As well as its use in the Issuer's name, the TUI brand is used extensively in the Group's tour operating and aviation activities in Europe. It may be that the Issuer and TUI AG are unable to agree terms for any further renewal of the Trade Mark Licence Agreement after the initial ten-year period, or that any agreement may only be reached at substantially greater cost to the Issuer than the initial licence fee.

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:

- (a) 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;
- (b) 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;
- (c) understand thoroughly the terms of the Bonds;
- (d) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Bonds; and
- (e) 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 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”). Further, there are restrictions in the articles of association of the Issuer on the number of Ordinary Shares which can be held by non-EEA nationals (see “Description of the Ordinary Shares”).

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 only be exercised during the Conversion Period (as defined in the Conditions) in the limited circumstances described in the Conditions and, subject as provided herein, at any time on or after 7 June 2010 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 Event or pursuant to Condition 7(e)(ii) on 27 October 2015. If the Conversion Rights are not exercised by Bondholders during the Conversion Period, the Bonds will be redeemed at their principal amount on 27 April 2017, 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 the event that there is a consolidation, reclassification or subdivision, capitalisation of profits, Capital Distribution (as defined in the Conditions), Extraordinary Dividend (as defined in the Conditions), 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.

TUI AG intends to subscribe for 50 per cent. of the Bonds.

TUI AG intends to subscribe for 50 per cent. of the Bonds. To the extent it does so subscribe the Bonds and continue to hold them, this may have an adverse effect on the liquidity of the Bonds, or affect the trading price 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 (subject to certain exceptions) for a period of 90 days from 20 April 2010 and TUI AG has agreed not to, among other things, sell any of the Ordinary Shares held by it (subject to certain exceptions) for a period of 90 days from 20 April 2010, 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.

Approximately 11.47 per cent. of the existing Ordinary Shares in the Issuer are held by Nero Finance Limited in connection with an issue by it in January 2008 of secured exchangeable bonds due 2013 which are, in certain circumstances, exchangeable for such Ordinary Shares in the Issuer (the “**Secured Exchangeable Bonds**”).

In addition, on 5 October 2009 the Company issued £350,000,000 6.0 per cent. Convertible Bonds due 2014 which are convertible, subject to their terms, for fully paid ordinary shares of the Issuer at any time up to the close of business of the date falling seven calendar days prior to 5 October 2014 (subject as further described in “Terms and Conditions of the Bonds” set out in the offering circular dated 1 October 2009).

Structural subordination to subsidiary debt.

The Issuer's operations are principally conducted through its subsidiaries. Accordingly, the Issuer is and will be dependent on its subsidiaries' operations to service its indebtedness, including the Bonds. The Bonds will be structurally subordinated to the claims of all holders of debt securities and other creditors, including trade creditors, of the Issuer's subsidiaries, and to all secured creditors of the Group. In the event of an insolvency, bankruptcy, liquidation, reorganisation, dissolution or winding up of the business of any subsidiary of the

Issuer, creditors of such subsidiary generally will have the right to be paid in full before any distribution is made to the Issuer.

Holding company structure - dependence on subsidiaries.

The Issuer's results of operations and financial condition are entirely dependent on the trading performance of members of the Group. The Issuer's ability to pay amounts due on the Bonds will depend upon the level of distributions, interest payments and loan repayments, if any, received from the Issuer's operating subsidiaries and associated undertakings, any amounts received on asset disposals and the level of cash balances. Certain of the Group's operating subsidiaries and associated undertakings are and may, from time to time, be subject to restrictions on their ability to make distributions and loans including as a result of restrictive covenants in loan agreements, foreign exchange and other regulatory restrictions and agreements with the other shareholders of such subsidiaries or associated undertakings.

Risks related to Bonds generally

Set out below is a brief description of certain risks relating to the Bonds generally:

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, 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 the Conditions (except as mentioned in the Trust Deed) and any waiver or authorisation of any 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. 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 or determination shall be binding upon the Bondholders and Couponholders.

EU Directive on the Taxation of Savings Income.

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, 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.

If a payment were to be made or collected through a Member State which has opted for a withholding system pursuant to the Savings Directive and an amount for, or on account of, tax were to be withheld or deducted from that payment, neither the Issuer nor any Paying and Conversion Agent nor any other person would be obliged to pay additional amounts with respect to any Bond or Coupon as a result of the imposition of such withholding or deduction. The Issuer will be required to maintain a Paying and Conversion Agent in a Member State that will not be obliged to withhold or deduct tax pursuant to the Savings Directive.

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 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.

Clearing Systems.

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 Bonds, 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.

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 advisers 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 Group, 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 £400,000,000 4.90 per cent. Convertible Bonds due 2017 (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 TUI Travel PLC (the “**Issuer**”) passed on 13 April 2010 and a resolution of a Committee of the Board of Directors of the Issuer passed on 19 April 2010. The Bonds are constituted by a trust deed dated 27 April 2010 (the “**Trust Deed**”) between the Issuer 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 27 April 2010 (the “**Agency Agreement**”) relating to the Bonds between the Issuer, 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 for the time being 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 £100,000 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**

The Bonds and Coupons constitute direct, unconditional, unsubordinated and (subject to Condition 3) 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 3.

3. Negative Pledge

So long as any Bond or Coupon remains outstanding (as defined in the Trust Deed), the Issuer will not, and will ensure that none of its Subsidiaries (as defined below) will create, or have outstanding, any mortgage, charge, lien, pledge or other security interest, upon the whole or any part of its present or future business undertaking, assets or revenues (including any uncalled capital) to secure any Relevant Indebtedness, or any guarantee or indemnity in respect of any Relevant Indebtedness, without at the same time or prior thereto according to the Bonds and the Coupons the same security as is created or subsisting to secure any such Relevant Indebtedness, guarantee or indemnity or such other security or arrangement as either (i) the Trustee shall in its absolute discretion deem not materially less beneficial to the interest of the Bondholders or (ii) shall be approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Bondholders.

In this Condition, “**Relevant Indebtedness**” means any present or future indebtedness which is in the form of, or represented or evidenced by, bonds, notes, debentures, loan stock or other securities which for the time being are, with the consent of the person issuing the same, quoted, listed or dealt in or traded on any stock exchange or over-the-counter or other established securities market.

4. Definitions

In these Conditions, unless otherwise provided:

“**Additional Ordinary Shares**” has the meaning provided in Condition 6(c).

“**Additional Ordinary Shares Delivery Date**” means, in relation to the Additional Ordinary Shares to be delivered to a Bondholder following a Retroactive Adjustment, a date occurring not later than 14 London business days following the relevant Reference Date.

“**Auditors**” means the auditors of the Group from time to time.

“**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 Distribution**” has the meaning provided in Condition 6(b)(iii)(A).

“**Cash Dividend**” has the meaning provided in Condition 6(b)(iii)(B).

a “**Change of Control**” shall occur if (a) an 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(s) and/or any associate (as defined in Section 988(1) of the Companies Act) of the offeror(s)), to acquire all or a majority of the issued ordinary share capital of the Issuer or if any person proposes a scheme of arrangement or analogous proceeding with regard to such acquisition (other than an Exempt Newco Scheme) and (such offer or scheme of arrangement or analogous proceeding having become or been declared unconditional in all respects or having become effective) the right to cast more than 50 per cent. of the votes which may ordinarily be cast on a poll at a general meeting of the Issuer has or will become unconditionally vested in the offeror(s) or such person, as the case may be and/or any associate (as defined in Section 988(1) of the Companies Act) of the offeror(s) or such person, as the case may be; or (b) at any time the Free Float of the Issuer is less than 30 per cent. of the issued Ordinary Shares on each dealing day in a period of not less than 5 consecutive dealing days.

“**Change of Control Notice**” has the meaning provided in Condition 6(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 6(l).

“**Change of Control Put Date**” has the meaning provided in Condition 7(e)(i).

“**Change of Control Put Exercise Notice**” has the meaning provided in Condition 7(e)(i).

“**Closing Date**” means 27 April 2010.

“**Companies Act**” means the Companies Act 2006 of the United Kingdom.

“**Conversion Date**” has the meaning provided in Condition 6(g).

“**Conversion Notice**” has the meaning provided in Condition 6(g).

“**Conversion Period**” has the meaning provided in Condition 6(a).

“**Conversion Price**” has the meaning provided in Condition 6(a).

“**Conversion Right**” has the meaning provided in Condition 6(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).

“**Delivery Date**” means in relation to the Ordinary Shares to be delivered to a Bondholder following the exercise of Conversion Rights, a date occurring not later than 14 London business days following the relevant Conversion Date.

“**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 6(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, including references to the Issuer paying or making any Capital Distribution or making any Extraordinary Dividend, shall be construed accordingly.

“Effective Date relating to such Dividend or entitlement” means the first date on which the Ordinary Shares are traded ex- the relevant Dividend or entitlement on the Relevant Stock Exchange.

“Exchangeable Ordinary Shares” means those issued and outstanding Ordinary Shares underlying the outstanding Secured Exchangeable Bonds due 2013 issued by Nero Finance Limited on 16 January 2008.

“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.

“Exempt Person” means TUI AG, any of its associates (as defined in Section 988(1) of the Companies Act) and any persons acting in concert with it or them for the purposes of the City Code on Takeovers and Mergers.

“Existing Shareholders” has the meaning provided in the definition of “Newco Scheme”.

“Extraordinary Dividend” has the meaning provided in Condition 6(b)(iii)(B).

“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 27 April 2017.

“**Free Float**” means all issued and outstanding Ordinary Shares less the aggregate of those Ordinary Shares held by, or on behalf of, any Exempt Person and any Exchangeable Ordinary Shares.

“**Further Bonds**” means any further Bonds issued pursuant to Condition 18 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.

“**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 5(a).

“**London Stock Exchange**” means the London Stock Exchange plc.

“**Material Subsidiary**” means, at any time, a Subsidiary of the Issuer:

- (a) whose gross revenues or gross assets (consolidated in the case of a Subsidiary which itself has Subsidiaries) represent (or, in the case of a Subsidiary acquired after the end of the financial period to which the then latest audited consolidated financial statements of the Issuer relate, are equal to) not less than 10 per cent. of the consolidated gross revenues or consolidated gross assets of the Issuer, all as calculated respectively by reference to the then latest audited financial statements (consolidated or, as the case may be, unconsolidated) of such Subsidiary and the then latest audited consolidated financial statements of the Issuer, provided that

in the case of a Subsidiary of the Issuer acquired after the end of the financial period to which the then latest audited consolidated financial statements of the Issuer relate, the reference to the then latest audited consolidated financial statements of the Issuer for the purposes of the calculation above shall, until consolidated financial statements for the financial period in which the acquisition is made have been prepared and audited as aforesaid, be deemed to be a reference to such first-mentioned financial statements as if such Subsidiary had been shown in such accounts by reference to its then latest relevant audited financial statements, adjusted as deemed appropriate by the Issuer following consultation with the Auditors (as defined in the Trust Deed); or

- (b) to which is transferred the whole or substantially the whole of the business, undertaking and assets of a Subsidiary of the Issuer which immediately prior to such transfer is a Material Subsidiary, provided that the transferor Subsidiary shall upon such transfer forthwith cease to be a Material Subsidiary and the transferee Subsidiary shall immediately become a Material Subsidiary and provided that the transferee Subsidiary shall cease to be a Material Subsidiary pursuant to this subparagraph (b) on the date on which the consolidated financial statements of the Issuer for the financial period current at the date of such transfer have been prepared and audited as aforesaid but so that such transferor Subsidiary or such transferee Subsidiary may be a Material Subsidiary on or at any time after the date on which such consolidated financial statements have been prepared and audited as aforesaid by virtue of the provisions of subparagraph (a) above or, prior to or after such date, by virtue of any other applicable provision of this definition; or
- (c) to which is transferred an undertaking or assets which, taken together with the other undertaking or assets of the transferee Subsidiary, generated (or, in the case of the transferee Subsidiary being acquired after the end of the financial period to which the then latest audited consolidated financial statements of the Issuer relate, generate) gross revenues or gross assets (consolidated in the case of a Subsidiary which itself has Subsidiaries) equal to not less than 10 per cent. of the consolidated gross revenues or consolidated gross assets of the Issuer, all as calculated as referred to in subparagraph (a) above, provided that the transferor Subsidiary (if a Material Subsidiary) shall upon such transfer forthwith cease to be a Material Subsidiary unless immediately following such transfer its undertaking and assets generate gross revenues or gross assets (consolidated in the case of a Subsidiary which itself has Subsidiaries) equal to not less than 10 per cent. of the consolidated gross revenues or consolidated gross assets of the Issuer, all as calculated as referred to in subparagraph (a) above, and the transferee Subsidiary shall cease to be a Material Subsidiary pursuant to this subparagraph (c) on the date on which the consolidated financial statements of the Issuer for the financial period current at the date of such transfer have been prepared and audited but so that such transferor Subsidiary or such transferee Subsidiary may be a Material Subsidiary on or at any time after the date on which such consolidated financial statements have been prepared and audited as aforesaid by virtue of the provisions of subparagraph (a) above or, prior to or after such date, by virtue of any other applicable provision of this definition.

The Trustee is entitled to rely without further investigation or liability on a certificate provided by the Issuer (and signed by two directors of the Issuer) specifying those companies which are Material Subsidiaries as at the date of such certificate.

“**Nationality Declaration**” has the meaning provided in Condition 6(g).

“**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 6), the Events of Default (in Condition 10) and the Undertakings (in Condition 11)) 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 10(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.

“**Non-Cash Dividend**” has the meaning provided in Condition 6(b)(iii).

“**Optional Put Date**” has the meaning provided in Condition 7(e)(ii).

“**Optional Put Exercise Notice**” has the meaning provided in Condition 7(e)(ii).

“**Optional Redemption Date**” has the meaning provided in Condition 7(b).

“**Optional Redemption Notice**” has the meaning provided in Condition 7(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

$$PV = \text{the Parity Value}$$

$$N = \text{the number of Ordinary Shares that would fall to be issued or delivered on the exercise of Conversion Rights in respect of a Bond in the principal amount of £100,000, assuming the Conversion Date to be such dealing day}$$

$$VWAP = \text{the Volume Weighted Average Price of an Ordinary Share on such dealing day (provided that if on any such dealing day the Ordinary Shares shall have been quoted cum-Dividend or cum-any other entitlement, the Volume Weighted Average Price of an Ordinary Share on such dealing day shall be deemed to be the amount thereof reduced by an amount equal to}$$

the Fair Market Value of any such Dividend or entitlement per Ordinary Share as at the Effective Date relating to such Dividend or entitlement

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 the 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.

“**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 3.

“**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 6(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 6(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 depositary 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**” has the meaning provided in Section 1159 of the Companies Act.

“**Tax Redemption Date**” has the meaning provided in Condition 7(c).

“**Tax Redemption Notice**” has the meaning provided in Condition 7(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 a Spin-Off Security, as the case may be, 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 any successor page) 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 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, reclassification 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 6(a), (b), (c), (g) and (h) and Condition 11 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 6(b)(iv) and 6(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.

5. Interest

(a) *Interest Rate*

The Bonds bear interest from (and including) the Closing Date at the rate of 4.90 per cent. per annum calculated by reference to the principal amount thereof and payable semi-annually in arrear in equal instalments on 27 April and 27 October in each year (each an “**Interest Payment Date**”), commencing with the Interest Payment Date falling on 27 October 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 6(i)) or (ii) where such Bond is redeemed or repaid pursuant to Condition 7 or Condition 10, 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 5(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).

6. 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 £3.8234 per Ordinary Share. The Conversion Price is subject to adjustment in the circumstances described in Condition 6(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 6(b) and making any payment required to be made as provided in Condition 6(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 6.

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 7 June 2010 to the close of business (at the place where the relevant Bond is delivered for conversion) on the date falling seven calendar days prior to the Final Maturity Date (both days inclusive) or, if such Bond is to be redeemed pursuant to Condition 7(b) or 7(c) prior to the Final Maturity Date, then up to (and including) the close of business (at the place aforesaid) on the seventh calendar day before the date fixed for redemption thereof pursuant to Condition 7(b) or 7(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 17 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 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 7(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 during the Conversion Period in the following circumstances:

- (i) if the Conversion Date falls during the 15 dealing day period (as may be extended as provided below) commencing on the dealing day immediately following the last dealing day of any Bond Trading Price Calculation Period in relation to which the Bond Trading Price Conversion Condition shall have been satisfied; or
- (ii) if the Bonds have been called for redemption by the Issuer pursuant to Condition 7(b) or 7(c); or
- (iii) if the Conversion Date falls in the period commencing on (and including) 120 days prior to the Final Maturity Date; or
- (iv) if the Conversion Date falls during the Change of Control Period; or

- (v) on the occurrence of an Event of Default (as defined in Condition 10) (regardless of whether any notice has been given by the Trustee pursuant to Condition 10 and regardless of whether such event is continuing), in which case the Conversion Period shall commence on the date of the occurrence of such Event of Default and end on the date that falls 28 days following the date on which the Trustee has given notice pursuant to Condition 10 that the Bonds are due and repayable, in which case a Bondholder shall be entitled to elect, in lieu of having his Bond repaid, to exercise his Conversion Rights in respect of such Bond, save that no such election may be made in respect of a Bond which has been presented for payment on or after the date on which the Bonds become due and repayable pursuant to Condition 10; or
- (vi) if the Conversion Date falls during the 15 dealing day period (as may be extended as provided below) immediately following any 20 consecutive dealing day period in which the Parity Value for each dealing day in such period is at least £100,000.

The “**Bond Trading Price Conversion Condition**” shall be satisfied if on each dealing day in the relevant Bond Trading Price Calculation Period, the Bond Trading Price per Bond is less than 98 per cent. of the Parity Value in respect of such dealing day.

“**Bond Trading Price Calculation Period**” means the period of five consecutive dealing days commencing on the second dealing day following satisfaction of the Bond Trading Price Condition Precedent.

The “**Bond Trading Price Condition Precedent**” shall be satisfied at any time if:

- (i) the Quoted Price in respect of a Bond shall have been less than 98 per cent. of the Parity Value on not less than two dealing days in any period of five consecutive dealing days prior to the giving of a Calculation Request Notice by a Bondholder to the Issuer; or
- (ii) a Bondholder shall have given a Calculation Request Notice to the Issuer, together with reasonable evidence that the trading price per Bond is or would reasonably be likely to be less than 98 per cent. of the Parity Value.

“**Calculation Request Notice**” means a notice in the form (for the time being current) obtainable from any Paying and Conversion Agent from a Bondholder to the Issuer requesting a determination of the Bond Trading Price on each dealing day in the relevant Bond Trading Price Calculation Period and specifying the basis of the satisfaction of the Bond Trading Price Condition Precedent, and which shall be delivered to the specified office of any Paying and Conversion Agent.

“**Quoted Price**” means, in respect of any dealing day, the average of the midpoint of the bid/ask price per Bond quoted by the Reference Banks as appearing on Bloomberg under page ALLQ (or if such page is not available, such other screen based page that provides such information) as at or about 19.00 (London time) on such dealing day, or if fewer than six such quotes appear, the average of the midpoint of such quotes provided that not fewer than two such quotes appear, or if only one such quote appears, the midpoint of such bid/ask price.

“**Reference Banks**” means Barclays Bank PLC, Citigroup Global Markets Limited, Commerzbank Aktiengesellschaft, Deutsche Bank AG, London Branch, ING Bank N.V. and RBS Hoare Govett Limited (or any affiliate of any of them).

If the Bond Trading Price Condition Precedent shall be satisfied and a Calculation Request Notice shall be given by a Bondholder, the Bond Trading Price shall be determined in respect of each dealing day in the Bond Trading Price Calculation Period as follows:

- (i) The Bond Trading Price in respect of a dealing day shall be the average of the midpoint of the most recent bid/ask price quoted for a Bond by the Reference Banks as appearing on Bloomberg under page ALLQ (or if such page is not available, such other screen based page that provides such information) as at or about 12.00 noon (London time) on such dealing day, or if fewer than six such quotes appear, the average of the midpoint of such quotes provided that not fewer than two such quotes appear, or if only one quote appears, the midpoint of such bid/ask price. If for any reason no such quotes are available as at or about 12.00 noon (London time) on a dealing day, then the Issuer shall, on such dealing day, appoint an Independent Financial Adviser who shall determine in good faith the Bond Trading Price in respect of such dealing day in accordance with the following paragraph.
- (ii) The Independent Financial Adviser shall, as at or about 12.00 noon (London time), or as soon as reasonably practicable thereafter, on the relevant dealing day, request two internationally recognised brokers to provide a bid/ask price for £1,000,000 principal amount of Bonds, and the Bond Trading Price for such dealing day shall be the average of the midpoint of such quotes (or if only one such quote is provided, the midpoint of such quote).
- (iii) If (x) the Issuer for any reason fails or is unable to appoint an Independent Financial Adviser on any dealing day in accordance with paragraph (ii) above, or (y) the Independent Financial Adviser as so appointed by the Issuer for any reason fails or is unable to determine the Bond Trading Price for a dealing day in accordance with paragraph (ii) above, the Bond Trading Price shall be deemed to be less than 98 per cent. of the Parity Value in respect of such day.

The Issuer shall give notice to Bondholders by not later than the dealing day following the end of any Bond Trading Price Calculation Period specifying whether or not the Bond Trading Price Conversion Condition shall have been satisfied and specifying the Bond Trading Price in respect of each dealing day in such Bond Trading Price Calculation Period.

In the case of sub-paragraphs (i) and (vi) above, if any Bondholder shall exercise Conversion Rights such that the Conversion Date falls on the last two dealing days of the relevant period during which Conversion Rights may be exercised (as may previously have been extended) such period shall be extended for a further three dealing days, provided that such period shall not in any such case be extended beyond the seventh calendar day prior to the Final Maturity Date or any earlier date for redemption of the Bonds as provided in Condition 7 or beyond the date falling 28 days following the date on which the Trustee has given notice pursuant to Condition 10 that the Bonds are due and repayable.

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 6(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 6(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 Delivery Date. Any Additional Ordinary Shares to be issued or transferred and delivered pursuant

to Condition 6(c) will be deemed to be issued or transferred and delivered on or as of the relevant Additional Ordinary Shares Delivery 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 Capital Distribution to the 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 Capital Distribution attributable to one Ordinary Share, with such portion being determined by dividing the Fair Market Value of the aggregate Capital Distribution by the number of Ordinary Shares entitled to receive the relevant Capital Distribution (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 Capital Distribution is capable of being determined as provided herein.

“**Effective Date**” means, in respect of this 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, the first date on which the Ordinary Shares are traded ex- the relevant Spin-Off on the Relevant Stock Exchange.

“**Capital Distribution**” means any Non-Cash Dividend.

“**Non-Cash Dividend**” means any Dividend which is not a Cash Dividend, and shall include a Spin-Off.

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

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

where:

- A is the Current Market Price of one Ordinary Share on the Effective Date;
- B is the portion of the Fair Market Value of the aggregate Extraordinary Dividend attributable to one Ordinary Share, with such portion being determined by dividing the Fair Market Value of the aggregate Extraordinary Dividend by the number of Ordinary Shares entitled to receive the relevant Dividend; and
- C is the amount (if any) by which the Threshold Amount in respect of the Relevant Fiscal Year exceeds an amount equal to the aggregate of the Fair Market Values of any previous Cash Dividends per Ordinary Share paid or made in such

Relevant Fiscal Year (where C shall be zero if such previous Cash Dividends per Ordinary Share are equal to, or exceed, the Threshold Amount in respect of such Relevant Fiscal Year). For the avoidance of doubt “C” shall equal the Threshold Amount in respect of the Relevant Fiscal Year where no previous Cash Dividends per Ordinary Share have been paid or made in such Relevant Fiscal Year.

Such adjustment shall become effective on the Effective Date or, if later, the first date upon which the Fair Market Value of the relevant Extraordinary Dividend can be determined.

“**Effective Date**” means, in respect of this paragraph (b)(iii)(B), the first date on which the Ordinary Shares are traded ex-the relevant Dividend on the Relevant Stock Exchange.

“**Extraordinary Dividend**” means any Cash Dividend (the “**Relevant Dividend**”) paid or made in respect of a fiscal year of the Issuer (the “**Relevant Fiscal Year**”), if (a) the Fair Market Value of the Relevant Dividend per Ordinary Share or (b) the sum of (i) Fair Market Value of the Relevant Dividend per Ordinary Share and (ii) an amount equal to the aggregate of the Fair Market Value or Fair Market Values of any other Cash Dividend or Cash Dividends per Ordinary Share in respect of the Relevant Fiscal Year exceeds the Threshold Amount in respect of such Relevant Fiscal Year, and in that case the Extraordinary Dividend shall be the Relevant Dividend.

“**Threshold Amount**” means in respect of any Relevant Fiscal Year, the amount per Ordinary Share corresponding to such Relevant Fiscal Year as set out below (adjusted *pro rata* for any adjustments to the Conversion Price made pursuant to the provisions of this paragraph (b)).

	Threshold Amount
	(£)
In respect of the fiscal year ending:	
30 September 2010	0.110
30 September 2011	0.115
30 September 2012	0.121
30 September 2013	0.127
30 September 2014	0.134
30 September 2015	0.141
30 September 2016	0.148
30 September 2017	0.155

“**Cash Dividend**” means (i) any Dividend which is to be paid or made in cash (in whatever currency), but other than falling within paragraph (b) of the definition of “**Spin-Off**” and (ii) any Dividend determined to be a Cash Dividend pursuant to paragraph (a) of the definition of “**Dividend**”, and for the avoidance of doubt, a Dividend falling within paragraph (c) or (d) of the definition of “**Dividend**” shall be treated as being a Non-Cash Dividend.

- (C) 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.
- (D) In making any calculations for the purposes of this paragraph (b)(iii), such adjustments (if any) shall be made as an Independent Financial Adviser may determine in good faith to be appropriate to reflect (i) any consolidation or sub-division of any Ordinary Shares or (ii) the issue of

Ordinary Shares by way of capitalisation of profits or reserves (or any like or similar event) or (iii) any increase in the number of Ordinary Shares in issue in the Relevant Fiscal Year in question.

- (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:

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

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:

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

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, in respect of this paragraph (b)(viii), 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 (the “**Change of Control Conversion Price**”) shall be determined as set out below:

$$\text{COCCP} = \text{OCP} / (1 + (\text{CP} \times c/t))$$

where:

- COCCP = means the Change of Control Conversion Price
OCP = means the Conversion Price in effect on the relevant Conversion Date
CP = means 33 per cent. (expressed as fraction)
c = means the number of days from and including the date the Change of Control occurs to but excluding the Final Maturity Date
t = means the number of days from and including the Closing Date to but excluding the Final Maturity Date

- (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 Delivery 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. Notwithstanding the foregoing, in the event that any Cash Dividend is declared or paid by reference to a record date which falls between the Conversion Date and the Delivery Date, such Cash Dividend shall not give rise to a Retroactive Adjustment pursuant to this Condition 6(c) but the Company will, in lieu of such Cash Dividend, pay the relevant Bondholder a sum equivalent to the relevant Cash Dividend in respect of the number of Shares to which such Bondholder is entitled on Conversion.

(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 £0.0100, shall be rounded down to the nearest whole multiple of £0.0100. 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 17 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 8 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 10 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 12), but not thereafter.

Each Bondholder exercising Conversion Rights will be required in the Conversion Notice to give a declaration (a “**Nationality Declaration**”) in the form prescribed from time to time by the Issuer together with such other information (if any) as the Issuer may require to prove the title of the person exercising the Conversion Right or as to the matters referred to in the Nationality Declaration.

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 6(g) and payment of any other amount payable by the relevant Bondholder pursuant to the third paragraph of this Condition 6(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 14 London business days following the relevant Conversion Date (or, in the case of any Additional Ordinary Shares, not later than 14 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, when issued, be fully paid and will in all respects rank *pari passu* with the fully paid Ordinary Shares in issue on the relevant Delivery Date or, in the case of Additional Ordinary Shares, on the relevant Additional Ordinary Shares Delivery 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 Delivery Date or, as the case may be, the relevant Additional Ordinary Shares Delivery Date.
- (ii) Save as provided in Condition 6(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 7(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 5(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 14 calendar 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 17 (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 7(e)(i).

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 6(b)(x) during the Change of Control Period on the basis of the Conversion Price in effect immediately prior to the occurrence of the Change of Control;
- (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.

7. 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 7(b) or 7(c).

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

On giving not less than 45 nor more than 60 days' notice (an "**Optional Redemption Notice**") to the Trustee and to the Bondholders in accordance with Condition 17, the Issuer may redeem all but not some only of the Bonds 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 12 May 2014 (the "**First Call Date**"), if the Parity Value 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 130 per cent. of the principal amount of a Bond; or
- (ii) 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 shall have been 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 45 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 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 has or will become obliged to pay additional amounts pursuant to Condition 9 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 20 April 2010, and (ii) such obligation cannot be avoided by the Issuer 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 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 stating that the obligation referred to in (i) above cannot be avoided by the Issuer 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 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 9 shall not apply in respect of any payment of interest to be made on such Bonds by the Issuer which falls due after the relevant Tax Redemption Date, whereupon no additional amounts shall be payable by the Issuer in respect thereof pursuant to Condition 9 and payment of all amounts of such interest on such Bonds shall be made subject to the deduction or withholding of any United Kingdom taxation required to be withheld or deducted by the Issuer. 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 irrevocable 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

(i) 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 fourteenth 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 the subject of Change of Control Put Exercise Notices delivered as aforesaid on the Change of Control Put Date.

(ii) *Redemption on 27 October 2015*

The holder of each Bond will have the right to require the Issuer to redeem that Bond on 27 October 2015 (the “**Optional Put Date**”) at its principal amount as at such date together with accrued and unpaid interest to such date. To exercise such right, the holder of the relevant Bond must deliver such Bond 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, Transfer and Conversion Agent (the “**Optional Put Exercise Notice**”) not earlier than 60 calendar days nor less than 45 calendar days prior to the Optional Put Date.

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

An Optional Put Exercise Notice, once delivered, shall be irrevocable and the Issuer shall redeem all Bonds the subject of Optional Put Exercise Notices delivered as aforesaid on the Optional 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 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 hereto) 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 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 14(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 any 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 7, the first of such notices to be given shall prevail.

8. 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 8(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 ten years after the Relevant Date in respect of the relevant Bond (whether or not the Coupon would otherwise have become void pursuant to Condition 12) or, if later, five years after the date on which the Coupon would have become void pursuant to Condition 12, but not thereafter.

(d) *Payments*

Each payment in respect of the Bonds pursuant to Conditions 8(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 9.

(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 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)). The initial Paying and Conversion Agents and their initial specified offices are set out below. 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 17.

(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.

9. Taxation

All payments of principal and interest made by or on behalf of the Issuer in respect of the Bonds 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 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 9 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 7(c).

10. Events of Default

If any of the events listed in paragraphs (a) to (k) of this Condition 10 (“**Events of Default**”) occurs, and upon the Trustee giving written notice to such effect to the Issuer, the outstanding Bonds shall become immediately due and repayable at their principal amount together with accrued interest (if any) as provided in the Trust Deed.

If the event falls within any of paragraphs (b), (c) or (d) (insofar as it relates to a Material Subsidiary) or (e) to (k) no such notice may be given by the Trustee unless the Trustee certifies to the Issuer that the happening of such event is in its opinion materially prejudicial to the interests of the Bondholders. Subject thereto, the Trustee may, and if so requested in writing by the holders of not less than one-quarter in principal amount of the outstanding Bonds or if so directed by an Extraordinary Resolution of the Bondholders shall, in each case if indemnified and/or secured and/or prefunded to its satisfaction, give such notice as aforesaid.

The said events are that:

- (a) there is default for more than 14 days in the payment of any interest due in respect of the Bonds or if there is default for more than seven days in the payment of any principal due in respect of the Bonds; or
- (b) there is default in the performance or observance by the Issuer of any obligation under the Trust Deed or the Bonds (other than any obligation for the payment of any principal or interest in respect of the Bonds) or failure to perform or observe any obligation under Condition 11 which would, but for the provisions of applicable law, be a breach thereof, in each case which continues for more than 45 days (or such longer period as the Trustee may permit) after written notice thereof shall have been given to the Issuer by the Trustee (except where the Trustee shall have certified in writing to the Issuer that such, default is, in its opinion, incapable of remedy, when no such notice or continuation shall be required); or
- (c) as a result of default by the Issuer or any of its Material Subsidiaries:
 - (i) the Issuer or any Material Subsidiary becomes bound to repay any of its indebtedness for borrowed moneys prior to its stated maturity and steps are taken to obtain repayment thereof; and/or
 - (ii) any such indebtedness for borrowed moneys or any guarantee or indemnity of the Issuer or any Material Subsidiary of any indebtedness for borrowed moneys of any person is not, when due, called or demanded, repaid or paid by the later of its due date and the expiry of any applicable grace period and (if payment is prevented by any applicable law) 15 days after the first date on which payment is permitted,

provided that any such acceleration of maturity, default or failure to pay under this Condition 10(c), as the case may be, shall not constitute an event upon the happening of which the outstanding Bonds may (subject as mentioned above) become immediately due and repayable if such indebtedness, guarantee or indemnity to which (i) and/or (ii) above applies either alone or in aggregate shall amount to an outstanding aggregate principal amount of not more than £25,000,000 or its equivalent in any other currency or currencies or if its existence or enforceability is being contested in good faith by appropriate proceedings; or

- (d) a resolution is passed, or a final order of a court in the United Kingdom is made, or an order of a court of competent jurisdiction outside the United Kingdom is made and, where possible, not discharged or stayed within a period of 30 days, that the Issuer or any of its Material Subsidiaries be wound up or dissolved (otherwise than for the purposes of a restructuring, amalgamation or merger the terms of which have previously been approved in writing by the Trustee or by an Extraordinary Resolution of the Bondholders); or
- (e) an encumbrancer takes possession or a receiver, administrative receiver, administrator manager, judicial manager or other similar person is appointed of the whole or, in the opinion of the Trustee, substantially all of the assets or undertaking of the Issuer or any of its Material Subsidiaries or an administration order is

made in relation to the Issuer or any of its Material Subsidiaries and such taking of possession, appointment or order is not released, discharged or cancelled within 60 days; or

- (f) a distress, execution or seizure before judgment is levied or enforced upon or sued out against substantially all of the assets or undertaking of the Issuer or any of its Material Subsidiaries and is not discharged, dismissed or stayed within 60 days thereof; or
- (g) the Issuer or any of its Material Subsidiaries stops payment generally or (otherwise than for the purposes of a restructuring, amalgamation or merger the terms of which have previously been approved in writing by the Trustee or by an Extraordinary Resolution of the Bondholders) ceases or threatens to cease to carry on all or substantially all of its business or is unable to pay its debts generally as and when they fall due; or
- (h) the Issuer or any of its Material Subsidiaries makes an assignment for the benefit of creditors generally or admits in writing its inability to pay its debts generally as they become due;
- (i) any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in any of the foregoing paragraphs.

11. 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 6(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 11(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 opinion 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 11 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 6(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 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 6(b)(x) and Condition 7(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 11(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 6(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 6(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 depositary 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 listing and trading on the Relevant Stock Exchange 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) 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 depositary 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 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 6), the Events of Default (in Condition 10) and the Undertakings (in Condition 11)) 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 listing and admitted to trading on the Relevant Stock Exchange 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 shall be admitted to listing and trading on the Relevant Stock Exchange or 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 has undertaken in the Trust Deed to deliver to the Trustee annually a certificate signed by two of its 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 with the undertakings set forth in this Condition 11, nor be liable to any person for not so doing.

12. Prescription

Claims in respect of principal and interest will become void unless presentation for payment is made as required by Condition 8 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 6(g) and 8(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.

13. 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.

14. 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 a clear majority 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 Optional Put 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 7 (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 11(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 any previous substitute or substitutes) under Condition 14(c)), or (ix) or modify certain other provision of these Conditions or 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 75 per cent, or at any adjourned meeting not less than 25 per cent, 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 17.

(c) *Substitution*

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. Any such change 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 17.

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 11(a)(ix).

(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 Trustee or any other person any indemnification or payment in respect of any tax consequences of any such exercise upon individual Bondholders or Couponholders.

15. Enforcement

The Trustee may at any time, at its discretion and without notice, take such proceedings against the Issuer 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 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-quarter 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 unless the Trustee, having become bound so to proceed, fails so to do within a reasonable period and the failure shall be continuing.

16. 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 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, any accountants, financial advisers or financial institution (including an

Independent Financial Adviser), 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 Trustee and the Bondholders and Couponholders.

17. 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.

18. 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.

19. 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.

20. 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 7 June 2010 upon certification as to non-U.S. 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 (i) 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, or (ii) 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) of any jurisdiction referred to in Condition 9 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 (i) above) the holder may give notice to the Trustee and the Principal Paying and Conversion Agent and (in the case of (ii) 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 (ii) 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 Schedule 1 to 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 falling not less than 60 days after that on which the notice requiring exchange is given and on which banks are open for business in the city in which the specified office of the Principal Paying and Conversion Agent is located and, except in the case of exchange pursuant to (i) above, in the city 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 be made against presentation for endorsement and, if no further payment falls to be made on it, 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 in the appropriate schedule to the Global Bond, which endorsement will be *prima facie* evidence that such

payment has been made in respect of the Bonds. Condition 8(b)(i) will apply to the definitive Bonds only.

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. 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 Condition 4).

5. Meetings

The holder of the Global Bond will be treated at a meeting of Bondholders as having one vote in respect of each £1,000 in principal amount of Bonds.

6. 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).

7. Trustee's Powers

In considering the interests of Bondholders while the Temporary Global Bond or Global Bond is held on behalf of Euroclear and/or Clearstream, Luxembourg, 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).

8. Conversion Rights

Subject to certain conditions for conversion being met, 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 depositary 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.

9. Redemption at the option of the Bondholders

The Bondholders' put options in Condition 7(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 and Conversion Agent for endorsement of exercise within the time limits specified in Condition 7(e).

10. Election Right under Condition 7(c)

The Bondholders' right under Condition 7(c) to elect, after the Issuer has given a Tax Redemption Notice, that his Bonds shall not be redeemed by the Issuer under Condition 7(c) and that the provisions of Condition 9 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 7(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 Bond 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 assist the Issuer to ensure that the Group is well placed to exploit its strong pipeline of attractive acquisition opportunities and to extend and diversify its debt maturity profile and broaden its sources of finance. The Issuer is taking advantage of current favourable convertible bond market conditions and build on the success of its debut convertible bond issue in October 2009 and reduce the need to refinance all of the existing banking facilities in the future (due in June 2012).

DESCRIPTION OF THE ISSUER

1. General Information

The Issuer was incorporated and registered in England and Wales on 29 January 2007 with registered number 6072876 under the name Coppereagle PLC. By virtue of a special resolution dated 19 June 2007, Coppereagle PLC changed its name to TUI Travel PLC, effective on 21 June 2007.

The principal legislation under which the Issuer operates is the Companies Act 2006 (the “**Companies Act**”) and regulations made thereunder.

On 3 September 2007, 1,118,010,670 Ordinary Shares were issued by the Issuer in connection with the business combination of the Tourism Division of TUI AG and First Choice Holidays PLC (“**First Choice**”) and, on that date, the Issuer's Ordinary Shares were admitted to the Official List and to trading on the London Stock Exchange's main market for listed securities.

The registered office of the Issuer is at TUI Travel House, Crawley Business Quarter, Fleming Way, Crawley RH10 9QL and its telephone number is 01293 645700.

2. Organisational Structure

The Issuer is a holding company. The Group's operations are carried out through the Issuer's subsidiaries and its investments in associates.

Principal activities

The Group is one of the world's leading international leisure travel groups operating in over 180 countries with more than 30 million customers in 27 source markets, with a revenue of £13,863 million for the year ended 30 September 2009. The first quarter results for the three months ended 31 December 2009 reported a revenue of £2,533 million.

Principal operating subsidiaries and investments in associates

The Issuer's principal operating subsidiaries and investments in associates as at 13 April 2010 are shown in Table 1 below and includes all those principal operating subsidiaries and investments in associates which significantly impact the results or assets of the Issuer. The subsidiaries are wholly-owned except where indicated.

Table 1

<u>Legal Entity</u>	<u>Nature of business</u>	<u>Country of incorporation and principal operations</u>
Mainstream – Northern Region		
Falcon Leisure Group (Overseas) Limited	Tour Operator	United Kingdom

First Choice Holidays Finance Limited	Treasury Operation	United Kingdom
Thomson Airways Limited	Airline	United Kingdom
TUI Holding Nordic AB	Tour Operator	Sweden
TUI UK Limited	Tour Operator	United Kingdom
TUI UK Retail Limited	Travel Agent	United Kingdom
TUIfly Nordic AB	Airline	Sweden
Mainstream – Central Europe		
Berge & Meer Touristik GmbH	Tour Operator	Germany
Hapag-Lloyd Express GmbH	Airline	Germany
Hapag-Lloyd Fluggesellschaft mbH	Airline	Germany
L'TUR Tourismus AG (70%)	Tour Operator	Germany
TUI (Suisse) AG	Tour Operator	Switzerland
TUI Austria Holding GmbH	Tour Operator	Austria
TUI Aviation GmbH	Aircraft Leasing	Germany
TUI Deutschland GmbH	Tour Operator	Germany
TUI Leisure Travel GmbH	Travel Agent	Germany
TUI Österreich GmbH	Tour Operator	Austria
Mainstream – Western Europe		
First Choice Nederland B.V.	Tour Operator	Netherlands
Groupe Marmara SAS	Tour Operator	France
Groupe Nouvelles Frontières S.A.S.	Tour Operator	France
JetAir N.V.	Tour Operator	Belgium
TUI Airlines Belgium N.V.	Airline	Belgium
TUI Airlines Nederland B.V.	Airline	Netherlands
TUI Travel Belgium N.V.	Tour Operator	Belgium
TUI Nederland N.V.	Tour Operator	Netherlands

Société d'Investissement Aérien S.A. (Jet4You)	Airline	Morocco
Societe Polynesienne Promotion Hoteliere	Hotel Operator	French Polynesia
Specialist & Emerging Markets Sector		
Aventuria SA	Tour Operator	France
Caradonna Dive Adventures, Inc	Tour Operator	USA
Citalia Holidays Limited	Tour Operator	United Kingdom
Country Walkers, Inc	Tour Operator	USA
Educational Tours, Inc	Tour Operator	USA
EEFC, Inc	Tour Operator	USA
Hayes & Jarvis (Travel) Limited	Tour Operator	United Kingdom
I Viaggi del Turchese Srl	Tour Operator	Italy
International Expeditions, Inc	Tour Operator	USA
Les Tours Jumpstreet Tours Inc	Tour Operator	Canada
Meon Travel Limited	Tour Operator	United Kingdom
National Events Inc.	Tour Operator	USA
Interspecialists SL	Tour Operator	Spain
Educatours Ltd	Tour Operator	Canada
TCS & Starquest Expeditions Inc.	Tour Operator	USA
StudentCity.com, Inc	Tour Operator	USA
Tourinter SAS	Tour Operator	France
TRAVCOA Corporation	Tour Operator	USA
Travelmood Limited	Long-Haul Travel	United Kingdom
Your Man Tours, Inc	Tour Operator	USA
Travel Adventures, Inc	Tour Operator	USA
Your Man Tours, Inc	Tour Operator	USA
Travel Adventures, Inc	Tour Operator	USA

Activity Sector

Adventures Worldwide Limited	Tour Operator	United Kingdom
Australian Pinnacle Holidays Pty Limited	Tour Operator	Australia
Australian Sports Tours Pty Limited	Tour Operator	Australia
CHS Tour Services Limited	Tour Operator	United Kingdom
Clipper Cruise Line, LLC	Cruise Vessel Operator	USA
Crown Blue Line Limited	Tour Operator	United Kingdom
Events International Limited	Tour Operator	United Kingdom
Exodus Travels Limited	Tour Operator	United Kingdom
Fanatics Sports & Party Tours Pty Limited	Tour Operator	Australia
Gullivers Sports Travel Limited	Tour Operator	United Kingdom
Mariner International Travel, Inc	Tour Operator	USA
MyPlanet International A/S	Tour Operator	Denmark
Peregrine Adventures Pty Ltd	Tour Operator	Australia
Quark Expeditions, Inc	Tour Operator	USA
Real Travel Limited	Tour Operator	United Kingdom
Sawadee Amsterdam BV	Tour Operator	Netherlands
Ski Bound Limited	Tour Operator	United Kingdom
Sportsworld Group Limited	Tour Operator	United Kingdom
Sunsail Limited	Tour Operator	United Kingdom
Sunsail Worldwide Sailing Limited	Tour Operator	United Kingdom
The Imaginative Traveller Limited	Tour Operator	United Kingdom
The Moorings Limited	Tour Operator	British Virgin Islands
	Tour Operator	United Kingdom
The Moorings Sailing Holidays		

Limited

World Challenge Holdings Limited	Tour Operator	United Kingdom
Yachts International Limited	Tour Operator	British Virgin Islands
Active Safari Pty Ltd	Tour Operator	Australia
Thomson Sport (UK) Limited	Sports Tour	United Kingdom
FanFirm Pty Limited	Sports Tour	Australia
Sport Abroad (UK) Limited	Tour Operator	United Kingdom
Teamlink Travel Limited	Tour Operator	United Kingdom
Edwin Doran Travel Limited	Tour Operator	United Kingdom
Master Yachting GmbH	Tour Operator	Germany
Student Skiing Limited	Tour Operator	United Kingdom
Zegrahm Expeditions Inc.	Small Ship/Cruise Services	USA
Adventure Tours Australia Group Pty Ltd	Tour Operator	Australia
Williment World Travel Group Limited	Tour Operator	New Zealand

Accommodation & Destinations Sector

Asiarooms Pte Limited	Online Accommodation	Singapore
Intercruises Shoreside & Port Services Inc.	Cruise Services	USA
Hotelbeds (Shanghai) Commercial Services Co, Limited	Destination Services	China
Hotelbeds SLU	Online Accommodation	Spain
Hotelbeds Spain SLU	Destination Services	Spain
Hotelbeds USA, Inc	Destination Services	USA
Hotelopia SL	Online Accommodation	Spain
Hotels London Limited	Online Accommodation	United Kingdom

Late Rooms Limited	Late Accommodation	United Kingdom
Pacific World Limited	Destination Services	Hong Kong
Pacific World Singapore Pte Limited	Destination Services	Singapore
Trina Tours Limited	Destination Services	United Kingdom
TUI España Turismo S.A.	Destination Services	Spain
Aragon Tours Limited	Cruise Handling Business	United Kingdom

Investments in associates and joint ventures

Associate	<u>Percentage of equity owned</u>	<u>Nature of business</u>	<u>Country of incorporation and principal operations</u>
Turismo Asia Company Ltd	49%	Incoming Agency	Thailand
Joint Ventures			
Travco Group Holding SAE	50%	Incoming Agency	Egypt
Le Passage to India Tours and Travel Private Ltd	50%	Incoming Agency	India
Atlantica Hellas SA	50%	Hotel Operator	Cyprus
Atlantica Hotels & Resorts Limited	49.9%	Hotel Operator	Cyprus
Togebi Holdings Limited	49%	Tour Operator/Travel Agency	Cyprus
Keifel Trading Limited	36.75%	Tour Operator	Cyprus

Furaigon Holdings Limited	36.75%	Tour Operator	Russia and CIS
Sunwing Travel Group Inc.	49%	Tour Operator	Canada
Wiblor Holdings Limited	36.75%	Tour Operator	Cyprus

3. Description of the Business

The business of the Issuer is organised and managed through the following four sectors:

- Mainstream;
- Specialist & Emerging Markets;
- Activity; and
- Accommodation & Destinations.

Mainstream Sector

The Mainstream Sector includes the sale of flights, accommodation, car hire, transfers and excursions, in addition to package holidays within the mainstream segment of the leisure travel marketplace.

This sector is the largest sector within the Issuer's operations in terms of revenue, underlying operating profit and employee numbers. It services over 22 million customers each year and comprises a number of vertically integrated tour operators across Europe, such as Thomson, First Choice and TUI Deutschland, which, on a combined basis, operate a fleet of 146 aircraft and approximately 3,500 retail shops.

The Mainstream Sector reported an underlying operating profit of £305 million for the year ended 30 September 2009.

The Mainstream Sector operates within two key segments of the mainstream segment of the leisure travel market:

Package holidays: this includes the sale of differentiated and exclusively available content, such as the Holiday Village hotels and long-haul travel, in addition to more traditional package holidays.

Component: this includes the sale of flights, accommodation, car hire, transfers and excursions, either as separate components or together as part of a customer assembled package holiday. The component element of sales in this segment is increasingly provided via the Internet through a number of branded web portals such as Thomson.co.uk and TUIfly.com.

The Mainstream Sector consists of three geographical divisions.

Northern Region

The Northern Region comprises tour operating, distribution and aviation businesses in the source markets of the United Kingdom and Republic of Ireland, the Nordic countries and Canada. Brands include Fritidsresor, the Nordic tour operator and retailer; First Choice and Thomson, UK high street brands; and Signature Vacations, now part of Sunwing, a tour operator in Canada.

The Northern Region reported an underlying operating profit of £206 million for the year ended 30 September 2009.

Central Europe

The Central Europe division comprises the tour operating, distribution and aviation businesses in Germany, Switzerland, Austria and the Eastern European markets. Brands include TUI Austria and TUI Deutschland, both of which are travel and tourism companies.

The Central Europe division reported an underlying operating profit of £66 million for the year ended 30 September 2009.

Western Europe

The Western Europe division comprises the tour operating, distribution and aviation businesses in France, Belgium and the Netherlands. Brands include Nouvelles Frontières and Marmara, tour operators in France; Jetair, one of the largest holiday brands in Belgium; and TUI Nederland, the only vertically integrated tour operator for the Dutch source market.

The Western Europe division reported an underlying operating profit of £33 million for the year ended 30 September 2009.

Specialist & Emerging Markets Sector

Operating in North America, Europe and a number of emerging markets including Russia, the Specialist & Emerging Markets Sector is comprised of over 40 specialist travel companies. Brands include TCS & Starquest Expeditions Inc., private jet tour operator; Sovereign and Hayes & Jarvis, luxury brands; and Turchese and Mostravel, destination specialists. The Specialist & Emerging Markets Sector reported an underlying operating profit of £31 million for the year ended 30 September 2009.

Activity Sector

The Activity Sector has over 40 activity travel companies that operate in the market segments of Marine, Adventure, Ski, Student and Sport. Brands include Quark Expeditions, the largest polar travel company in terms of offering the most ships and most departures to the Polar regions; Sunsail and The Moorings, leading yacht chartering and beach club brands; and Crystal, Europe's biggest ski operator.

The Activity Sector reported an underlying operating profit of £59 million for the year ended 30 September 2009.

Accommodation & Destinations Sector

The Accommodation & Destinations Sector (previously, the Online Destination Services Sector) combines a portfolio of business-to-business (B2B) and business-to-customer (B2C) businesses providing destination services to tour operators, travel agencies and individual clients worldwide. Services include transfers, excursions, hotel accommodation, organising meetings, incentives, conferences and events, as well as providing port services, turnarounds and shore excursions to cruise lines.

The Issuer provides its destination services through a portfolio of destination agencies in 48 countries worldwide. The majority of these agencies are wholly-owned, although joint ventures with local partners and minority interest investments also form part of the portfolio ownership structure.

Brands include Hotelbeds and Bedsonline, delivering accommodation and destination services to tour operators and tour agencies; LateRooms, an online seller of late availability in the UK; TUI España and TUI Hellas, destination services agencies.

The Accommodation & Destinations Sector reported an underlying operating profit of £60 million for the year ended 30 September 2009.

4. Relationship with TUI AG

Relationship Agreement

Since completion of the merger between the Tourism Division of TUI AG and First Choice in September 2007 (the “**Merger**”), TUI AG has held or controlled a majority of the Ordinary Shares in the Issuer and currently holds or controls approximately 54.9 per cent. of the Ordinary Shares. A relationship agreement was entered into between TUI AG and the Issuer on 29 June 2007 and took effect from completion of the Merger on 3 September 2007 (the “**Relationship Agreement**”). The Relationship Agreement sets out the principle that the Issuer will operate independently of TUI AG and records the understanding between TUI AG and the Issuer regarding the relationship between them and the governance of TUI Travel.

The Relationship Agreement will remain in force until either the Ordinary Shares are no longer admitted to listing on the Official List and to trading on the London Stock Exchange, or TUI AG has less than 10 per cent. of the rights to vote at general meetings of the Issuer. In addition, in the event that a person (acting alone or in concert with other persons) acquires control of TUI AG during the term of the Relationship Agreement, TUI AG will lose certain rights under the Relationship Agreement including its rights in respect of the composition of the Board of Directors of the Issuer from time to time (the “**Board**”).

The Relationship Agreement provides that the Board shall have a maximum of 17 Directors, a majority of whom shall be independent. It confers on TUI AG the right to appoint two Non-Executive Directors to the Board (being “**Shareholder Directors**”) for so long as TUI AG holds 30 per cent. or more of the voting rights in the Issuer. In addition, for so long as TUI AG holds 40 per cent. or more of the voting rights in the Issuer, TUI AG may appoint one of its Shareholder Directors as the Chairman of the Board. The Relationship Agreement also allows TUI AG to relinquish its right to appoint the Chairman and instead to appoint the Chief Executive of the Issuer.

Under the Relationship Agreement, certain matters require the prior approval of 80 per cent. of the Directors present at the meeting of the Board at which such matter is considered, including material changes to the business of any Group company, acquisitions and disposals of a value which exceeds

£10 million, the entry into, variation or redemption prior to their due date of any borrowing facilities and the approval of the annual budget of the Issuer.

The Relationship Agreement also contains restrictions on the acquisition by TUI AG of additional Ordinary Shares which result in the increase of its shareholding to more than 55 per cent. of the voting rights in the Issuer on a fully diluted basis (taking account of all outstanding options over, and any other rights to subscribe for or acquire Ordinary Shares (including the Bonds) save where TUI AG makes a general offer to acquire all Ordinary Shares. TUI AG has anti-dilution rights under the Relationship Agreement in respect of further issues of Ordinary Shares other than on a pre-emptive basis.

TUI AG intends to participate in the Bonds offering to prevent potential dilution of its majority shareholding by subscribing (through a financing vehicle) for 50 per cent. of the Bonds on offer at the issue price. Furthermore, TUI AG intends subsequently, to convert the Bonds it holds at the same time, and in the same proportion, as any third party conversions to prevent dilution. On this basis, TUI AG has agreed to waive its right under the Relationship Agreement to be offered new Ordinary Shares to protect it from the potential dilution of its shareholding through the issue of the Bonds.

Other arrangements

Shareholder Loan Agreement

At the time of agreement to the Merger, the Issuer and TUI AG entered into an agreement (the “**Shareholder Loan Agreement**”), under which TUI AG lent €2 billion (the “**Shareholder Loan**”) to the Issuer in September 2007. The maturity date of the Shareholder Loan is 15 January 2011 and the balance currently outstanding to TUI AG is approximately €669 million.

Under its terms, the raising of certain third party indebtedness by the Issuer (including the issue of the Bonds) triggers mandatory repayment of the balance due. On 28 September 2009, the Issuer and TUI AG entered into an amendment agreement amending the terms of the Shareholder Loan which varied the operation of the mandatory repayment provision, extended the final maturity date and set out a schedule of repayments as follows:

- (a) €100 million on 30 September 2009;
- (b) €250 million on 1 April 2010;
- (c) €509 million on 1 December 2010 (adjusted upwards or downwards for any other movements in the balance due (other than (a) or (b) above) prior to that date); and
- (d) any remaining outstanding balance on 30 April 2011.

The €250 million instalment was repaid on 1 April 2010 in accordance with terms of the Shareholder Loan, as amended in September 2009.

TUI AG has given its consent and waived the operation of the mandatory repayment provision under the Shareholder Loan in connection with the issue of the Bonds.

The Issuer is entering its seasonal cash high period over the summer and autumn when it expects to have excess funds on deposit. Accordingly, in order to benefit from interest at a rate which is economically attractive relative to current deposit rates, the Issuer will place the net proceeds of the Bond issue (and may place other surplus funds over this period) on a deposit with TUI AG which,

unless withdrawn prior to 1 December 2010, can be set-off against the instalment of the Shareholder Loan due on that date.

Trade Mark Licence Agreement

The Issuer and TUI AG have also entered into a trade mark licence agreement dated 14 August 2007 (the “**Trade Mark Licence Agreement**”), under which TUI AG has granted to the Issuer an exclusive right to use the registered trade mark “TUI Travel” (both in word and logo form) in the Issuer's corporate holding business, as well as the right to use “TUI Travel” as its company name. The Issuer pays to TUI AG an annual licence fee of €200,000.

The Trade Mark Licence Agreement is for an initial term of five years with an option for the Issuer to extend the licence for a further five years thereafter (in each case, unless terminated earlier by either party). TUI AG's termination rights are limited to the right to terminate for the Issuer's material breach or insolvency. On expiry of any additional five year term, the parties shall consider (without any obligation on either party) a further extension of the licence on comparable terms.

In addition to the grant of the licence relating to the Issuer's corporate holding business, the Trade Mark Licence Agreement provides for the replacement of certain existing trade mark licences granted from TUI AG to members of the Group in relation to the Group's use of the “TUI” name and logo and other trade marks from within TUI AG's portfolio of trade marks used in the Issuer's business. Amongst other things, these replacement licences limit TUI AG's right to terminate the licences and standardise both the duration of the licences (to a standard term of five years with an option for the relevant licensee to extend for a further five years) and the licence fees payable under each licence (to an annual fee equal to 0.02 per cent. of the average annual gross revenue of the relevant licensee under the relevant trade marks licence measured over a three year period).

The Trade Mark Licence Agreement also established a framework whereby members of the Group can request additional rights from TUI AG under the “TUI” name and logo and other trade marks from within TUI AG's portfolio of trade marks used in the Group's business (including requests for additional licences and requests for increases in the scope of existing licences). TUI AG has to give its consent to such requests except in limited circumstances. All new licences and replacement licences granted under this framework will be on the standard terms and conditions of a pro forma licence annexed to the Trade Mark Licence Agreement.

5. Regulation

The industries in which the Group operates are heavily regulated at various levels by European and other national regulators.

Package Holidays and Tours

The European Economic Community Council Directive on Package Travel Package Holidays and Package Tours imposes various obligations upon marketers of travel packages, such as disclosure obligations to consumers and liability to consumers for improper performance of the package, including supplier failure.

Airline industry

The airline industry is subject to a high degree of international, European and UK government regulation covering most aspects of airline operations. The basis for international regulation of airline operations derives from the Chicago Convention of 1944, to which nearly all countries are parties. The Convention established the International Civil Aviation Organization under the auspices

of which rules establishing minimum operational standards are normally agreed on a multilateral basis. Airlines' rights to fly over, or make stops in, foreign countries for technical reasons in operating their international scheduled services are generally derived from the International Air Services Transit Agreement of 1944 to which most countries are parties. However, rights to carry traffic between countries and the regulation of fares are normally agreed on a bilateral basis between governments. A notable exception is the multilateral single market arrangements which apply within the EU.

Airlines operating in the United Kingdom are also affected by wider European and UK policies, laws and regulation, particularly in relation to competition, airports and air traffic control.

6. Administrative, management and supervisory bodies

Board of Directors

The Directors of the Issuer as at 13 April 2010 are listed in Table 2 below, together with their functions and the principal activities performed by each of them outside the Issuer.

Table 2

Director	Function	Functions and principal activities performed outside the Issuer
Dr Michael Frenzel	Chairman	Michael has been a member of the Board since June 2007. He has held the position of Chief Executive and Chairman of TUI AG since January 1994 and is also currently a member of the supervisory board of a number of companies including Norddeutsche Landesbank, AXA Konzern AG and Volkswagen AG.
Sir Michael Hodgkinson	Deputy Chairman and Senior Independent Director	Sir Michael joined the Board in June 2007 as Non-Executive Deputy Chairman and is the Senior Independent Director. He was previously a Non-Executive Director and later Chairman of First Choice. He is also a Non-Executive Director of Transport for London Limited and Dublin Airport.
Peter Long	Chief Executive	Peter has been a member of the Board since June 2007, having previously been Group Managing Director and Chief Executive of First Choice. Prior to joining First Choice, Peter was Chief

		Executive of Sunworld Holidays. Peter is a member of the management board of TUI AG. He is also a Non-Executive director of Rentokil Initial PLC.
Paul Bowtell	Chief Financial Officer	Paul has been a member of the Board since June 2007, having previously been Group Finance Director of First Choice. Prior to that, Paul was Finance Director of British Gas. He is an Associate of the Institute of Chartered Accountants and is also a Non-Executive Director of SThree PLC.
William Waggott	Commercial Director	William has been a member of the Board since June 2007. William joined Airtours PLC in 1992 prior to joining Thomson Travel Group in 2001 and later went on to become Chief Financial Officer of TUI Tourism.
Dr Volker Böttcher	Managing Director, Central Europe	Volker has been a member of the Board since June 2007. Having occupied various management positions, he became head of TUI's Special Programmes Division in 1996 and in 2003 he was appointed Chairman for Central Europe for TUI AG. He was appointed to the board of TUI Deutschland GmbH in 2000 and in 2001 was appointed Chief Executive Officer.
Johan Lundgren	Managing Director, Northern Region	Johan has been a member of the Board since December 2007. Johan has worked in the Nordic tourism industry for almost twenty years and was previously Chief Executive of TUI Nordic. Johan is now responsible for the Northern Region which includes all Mainstream tourism sales in the UK and Republic of Ireland, Canada, Sweden, Norway, Denmark and Finland.
Rainer Feuerhake	Non-Executive	Rainer has been a member of the Board

	Director	since June 2007. Rainer joined the Preussag Group (now TUI AG) in 1968 and later became Chief Financial Officer of Preussag AG and subsequently TUI AG.
Tony Campbell	Non-Executive Director	Tony has been a member of the Board since June 2007 and was previously a Non-Executive Director of First Choice. He is currently Chairman of Hobbs Headco Limited, T M Lewin & Sons Limited and The White Company and a director of Alaska Food Diagnostics Limited.
Horst Baier	Non-Executive Director	Horst has been a member of the Board since October 2009. He commenced his professional career in the Treasury Department of Continental AG, the German tyre manufacturer. Between 1994 and 1996 Horst was responsible for Group Financing for the Fürth-based Schickedanz Group. In 1996, he took over responsibility for the Treasury, Accounting and Tax Department at TUI AG. Since 2001, Horst has been responsible for Accounting & Reporting for TUI AG and, in November 2007, was appointed to the Executive Board of TUI AG with responsibility for the Controlling function.
Dr Albert Schunk	Non-Executive Director	Albert has been a member of the Board since October 2007. He has served on the supervisory board of Volkswagen and other German companies since 1976. In 1994 he became a member of the European Economic and Social Council in Brussels and has advised the Riu Group in Spain.
Bill Dalton	Non-Executive Director	Bill has been a member of the Board since March 2007, having previously been a Non-Executive Director of First Choice. He is also a Non-Executive

		Director of a number of UK and North American companies including Associated Electric & Gas Services (AEGIS), AEGIS Managing Agency Limited (UK), HSBC North America Holding Inc, Talisman Energy Inc and US Cold Storage Inc.
Jeremy Hicks	Non-Executive Director	Jeremy has been a member of the Board since June 2007, having previously been a Non-Executive Director of First Choice. He is a Chartered Accountant and has extensive experience in the world of finance as an Investment Banker, most notably as the Chief Financial Officer of Aegis Group PLC, from which he resigned in April 2007.
Giles Thorley	Non-Executive Director	Giles has been a member of the Board since March 2007, having previously been a Non-Executive Director of First Choice. He has been Chief Executive of Punch Taverns PLC since 2001.
Harold Sher	Non-Executive Director	Harold has been a member of the Board since October 2007. He is a Chartered Accountant and has held a range of executive positions before being appointed Chief Executive of Amalgamated Metal Corporation PLC in 1992, a position he still holds.
Clare Chapman	Non-Executive Director	Clare has been a member of the Board since June 2007, having previously been a Non-Executive Director of First Choice. Clare is Director General of Workforce for the NHS and Department of Health, and, prior to this, was Group HR Director of Tesco PLC.
Dr. Erhard Schipporeit	Non-Executive Director	Erhard has been a member of the Board since October 2007. Erhard was Chief Financial Officer and a member of the executive board of E.ON from

2000 until November 2006. In 2007 he was appointed Senior Advisor for BNP Paribas SA and is also a Non-Executive Director of a number of companies including SAP AG, Deutsche Boerse AG, Talanx AG and Hanover Rueckversicherung AG.

Andrew John Company Secretary

Andrew has been Company Secretary since June 2007. Andrew joined First Choice in December 2000. Prior to that, he held the post of Director of Legal Affairs at Unisys Limited followed by various senior legal and commercial positions at Vickers PLC, which culminated in his appointment to the Vickers' board in 1994 as Commercial Director and Company Secretary.

Each year one-third of the Board members will retire by rotation and are eligible for re-election by the shareholders.

The Board of Directors has three Committees: Audit Committee, Remuneration Committee and Nomination Committee, each consisting of the following Directors:

Audit Committee: Jeremy Hicks (Chairman), Tony Campbell, Bill Dalton, Giles Thorley;

Remuneration Committee: Clare Chapman (Chairman), Tony Campbell, Bill Dalton, Dr. Michael Frenzel, Rainer Feuerhake; and

Nomination Committee: Sir Michael Hodgkinson (Chairman), Clare Chapman, Jeremy Hicks, Dr. Michael Frenzel and Rainer Feuerhake.

Group Management Board

The strategic direction of the Group is set by the Group Management Board (GMB) in agreement with the Board, whose members as at 13 April 2010 were Peter Long (Chief Executive), Dermot Blastland (Managing Director, UK & Ireland), Dr Volker Böttcher (Managing Director, Central Europe), Paul Bowtell (Chief Financial Officer), Bart Brackx (Managing Director, Western Europe), Andrew John (Group Legal Director & Company Secretary), Johan Lundgren (Managing Director, Northern Region), Bill Logan (Group Human Resources Director), Richard Prosser (Managing Director, Specialist & Emerging Markets), Joan Vilà (Managing Director, Accommodation & Destinations), William Waggott (Commercial Director), and John Wimbleton (Managing Director, Activity).

The functions and principal business activities outside of the Issuer of the members of the GMB are set out in Table 2 above and, for those members of the GMB who are not also members of the Board, Table 3 below:

Table 3

GMB member	Function	Functions and principal activities performed outside the Issuer
Dermot Blastland	Managing Director, Mainstream - UK & Ireland	Dermot is a member of the GMB and Managing Director, Mainstream – UK & Ireland. Dermot previously held positions as Managing Director of First Choice Holidays & Flights, Ski, Lakes & Mountains and President of Signature Vacations. Prior to joining First Choice in February 1988, he was Commercial Director at Thomson and Managing Director of Portland Holidays.
Bart Brackx	Managing Director, Mainstream - Western Europe	Bart started his professional career at the tour operator Jetair and in 1994 went on to become Managing Director of Internal Affairs. Since 2001, Bart has held the position of Chief Executive Officer and President of the Board of Directors of Jetair.
Bill Logan	Group Human Resources Director	Bill began his career in industrial relations. He then developed his human resources career in international roles with Seagram, Inc. in London, New York and Hong Kong. Having attended the Strategic HR Programme in Stanford University, he joined First Choice in 1998 to support its international human resources development.
Richard Prosser	Managing Director, Specialist & Emerging Markets	Richard joined First Choice in 1997 as Overseas Director for the UK & Ireland mainstream business and was subsequently appointed as Managing Director of First Choice's European Specialist business in 2000. Prior to joining First Choice, Richard was a Director of Cosmos Holidays, part of the Swiss owned Globus Organisation.

Joan Vilà	Managing Director, Accommodation & Destinations	After developing his professional career in the Destinations Services division of the Barceló Group, Joan was appointed Managing Director of the division in 1999, which was integrated into First Choice in 2000. In November 2002, he was appointed to the GMB and subsequently became the Managing Director of the Accommodation & Destinations Sector.
John Wimbleton	Managing Director, Activity	John joined the Group Management Board of First Choice as Managing Director of the Activity Holidays Sector in July 2006, having been with the company since 1990. From 2000 to 2005 he was Managing Director of the UK Distribution division of First Choice.

The business address of each member of the Board and the Group Management Board is TUI Travel House, Crawley Business Quarter, Fleming Way, Crawley, RH10 9QL.

There are no potential conflicts of interest between the duties of the Directors or the members of the Group Management Board to the Issuer and their private interests and/or other duties.

7. Employees

The Group currently employs approximately 50,000 people.

The Issuer operates a number of defined benefit pension schemes, both funded and unfunded, in the UK, Germany and other European countries. At 30 September 2009, the net pension and similar obligations deficit as measured under relevant accounting standards was £501 million. The Issuer's unaudited condensed consolidated financial statements for the first quarter and three months ended 31 December 2009 recorded a net pension and similar obligations deficit as measured under relevant accounting standards of £466 million.

The principal funded defined benefit pension schemes operated in the UK are: Britannia Airways Limited Superannuation and Life Assurance Scheme; TUI Pension Scheme (UK); Air 2000 Limited Retirement Benefits Scheme; and Unijet Group PLC Final Salary Scheme. These are closed to new members. The Issuer has guaranteed the payment of contributions to those schemes by subsidiary undertakings which participate in the schemes and has given certain negative pledge commitments to the trustees of those schemes.

The three principal unfunded schemes in Germany are: Versorgungordnung Hapag-Lloyd Fluggesellschaft mbH; Versorgungordnung TUI Deutschland GmbH; and Versorgungordnung TUI Leisure Travel GmbH. With the exception of Versorgungordnung Hapag-Lloyd Fluggesellschaft mbH, these schemes are closed to new members.

8. Legal and Arbitration Proceedings

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer 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 Group as a whole.

9. Dividends

The Board proposed an interim dividend of 3.0 pence per Ordinary Share which was paid to holders of relevant shares on the register at 4 September 2009 which was paid on 1 October 2009.

More recently, the Directors have proposed a final ordinary dividend of 7.7 pence per share payable on 1 April 2010 to the holders of ordinary shares on the register at 12 March 2010. The final dividend amounts to £85,000,000 and will be recognised in the consolidated financial statements for the year ending 30 September 2010. The final ordinary dividend of 7.7 pence per share, together with the interim dividend of 3.0 pence per ordinary share, makes a total dividend of 10.7 pence per ordinary share to date relating to the current financial year.

Dividend Policy

The Issuer has a progressive dividend policy which balances returns to shareholders with the need to retain sufficient funds for investment growth opportunities. The Issuer currently intends to continue to target a dividend cover in the order of two times.

10. Employee Share Schemes

As at 13 April 2010, the Issuer had the following approved and unapproved employee share schemes: the TUI Travel Share Incentive Plan (with a balance of 2,896,460 shares held in the share incentive plan trust – 2,358,934 shares as “partnership shares” and 537,526 shares held in the trust as “matching shares” linked to the partnership shares); the TUI Travel Deferred Annual Bonus Long-term Incentive Scheme (with a balance of 3,575,750 shares – 2,498,694 matching shares and 1,077,056 deferred shares under award); the TUI Travel Sharesave Scheme (under which no options were outstanding); the TUI Travel Performance Share Plan (with a balance of 15,688,513 shares under award); the TUI Deferred Annual Bonus Scheme (with a balance of 11,887,957 shares – 11,464,861 matching shares and 423,096 deferred shares under award); the TUI Travel Value Creation Synergy Plan (with a balance of 636,178 shares under award). The Issuer intends to proceed with its annual awards under the above schemes.

11. Recent developments

The Issuer confirms that the Group's underlying trading is in line with its previous trading statement issued on 24 March 2010, when it reported strong trading trends and reiterated that the Group remains well positioned to meet the Board's expectations for underlying operating profit for the year ending 30 September 2010.

Close of airspace as a result of volcanic eruption

As announced on 19 April 2010, the Issuer has been affected by the closure of much of Northern Europe's airspace since 15 April 2010, caused by volcanic dust in the atmosphere. The estimated cumulative cost to the Group, up to and including 19 April 2010, is circa £26 million. Estimated

daily costs thereafter are expected to run at approximately £5 million to £6 million. These costs are one-off in nature and will be disclosed accordingly.

In the UK, most customers who were due to go on holiday, and whose flights have been cancelled, are choosing to re-book their holidays for a later date. Also, trading has remained robust despite the closure of UK airspace, with booking volumes since 15 April 2010 well ahead of the same period in the prior year (excluding the impact of re-booking of cancelled flights).

Actions are being taken by governments to open airspace and the Issuer is hopeful that it will resume full operations in the coming days. The Group is also encouraged by discussions with governments for compensation for the costs incurred as a result of the closures of airspace.

Strategic venture in Canada

On 29 September 2009, the Issuer announced a strategic venture with Sunwing, a leading tour operator in Canada. In January 2010, all necessary regulatory approvals were received and the transaction completed.

The Canadian market has for some time been both challenging and fragmented. The profitability of the Issuer's Canadian business has been affected by the excess market capacity resulting in deep discounting and margin erosion for all market participants. The Issuer's annual report and accounts for the year ended 30 September 2009 reported an underlying operating loss of £24 million in 2009.

Under the terms of the deal, the Issuer has contributed its Canadian operations plus Canadian \$101 million and Sunwing has contributed its operations to the new strategic venture. The Issuer has received a 49 per cent. interest in the strategic venture, with Sunwing's owners receiving 51 per cent.

The Issuer believes that the transaction strengthens its position in this market and has a number of strategic and financial benefits to the Group, including: consolidation of the Canadian tour operator market; improved operational efficiencies and synergies across the merged operations; and counter-cyclical profitability between winter and summer seasons.

Acquisitions

In the three months ended 31 December 2009, the Issuer's group acquired two businesses for £9 million, including £3 million of contingent consideration.

In the Activity Sector, the Issuer consolidated its leading position in the student sports tours market with the acquisition of SET Sports Tourism which organises sports tours and festivals for schools, clubs and universities. The Issuer also acquired the Hampstead School of English Ltd, which is a London based school that offers English language courses to foreign students.

In the Accommodation & Destination Sector the Issuer acquired Select Tours, Australia's premier cruise handling operator, strengthening its leading position in the global cruise destination services market.

The Issuer and its joint venture partner S-Group Capital Management Limited entered the Russian market through TUI Russia & CIS in 2009 with the aim of building a market leading travel business utilising the VKO, Mostravel and Voyage Kiev brands. The joint venture aims to be recognised as the number one for customer service, best practice and range of products and experiences. In March 2010, the joint venture announced the launch of the TUI brand in Russia & Ukraine. The joint venture has committed to spend up to \$60 million on its businesses over the next three years in the areas of brand, e-commerce, management and technology.

Integration and restructuring costs

The first quarter results for the three months ended 31 December 2009 reflected £14 million of merger related integration costs, £2 million of other restructuring costs and further £2 million relating to the restructuring of the aircraft fleet. These costs continue to be incurred in line with management's forecast in the second quarter. Other, non-budgeted second quarter items will include the cost of the restructuring Mainstream hotel operations in Turkey, credits in respect of the delivery of new and leased aircraft, and the initial recognition of the new Canadian joint venture. Integration and restructuring measures are continuing. Further costs will be incurred in connection with such measures in the current financial year. The level of such costs will be dependent, among other things, upon the outcome of negotiations with works councils and labour representatives.

Net debt and interest

As a result of significantly lower capacity in the winter season, the Issuer has (as anticipated) experienced a working capital outflow in the first quarter and accordingly it has had an increase in the swing from trough to peak net debt. However, the Issuer believes that it remains on track to achieve previous cash flow and interest guidance.

DESCRIPTION OF THE ORDINARY SHARES

Copies of the Memorandum of Association of the Issuer (the “**Memorandum**”) and the Articles of Association (the “**Articles**”) are available for inspection at the dates, times and places described in the section headed “General Information”.

1. Share Capital

As at 13 April 2010, the Issuer's authorised share capital consisted of 1,999,500,020 Ordinary Shares of 10 pence each and 49,998 non-voting, non-dividend bearing preference shares of £1 each. By virtue of the Companies Act 2006 (the “**2006 Act**”) and the Companies Act 2006 (Commencement No. 8 Transitional Provisions and Savings) Order 2008 (the “**Eighth Commencement Order**”), with effect from 1 October 2009 (the “**Commencement Date**”), the Issuer no longer has an authorised share capital and the statement of its authorised share capital in the Memorandum is deemed to be a provision in the Articles limiting the maximum number of shares which may be allotted by the Issuer to 1,999,500,020 Ordinary Shares of 10 pence each and 49,998 non-voting, non-dividend bearing preference shares of £1 each, until such time as the Issuer passes a resolution to remove such restriction from its Articles. As at the date of this Offering Circular, the Issuer has 1,118,010,670 Ordinary Shares in issue.

2. Memorandum

Until 30 September 2009, the Memorandum provided that the Issuer's principal objects include the carrying on of business as a holding and general commercial company. From 1 October 2009, by virtue of section 28 of the 2006 Act and the Eighth Commencement Order, provisions that immediately before the Commencement Date were contained in the Memorandum but are not the kind referred to in section 8 of the 2006 Act (provisions of the new-style memorandum), including the objects set out in clause 4 of the Memorandum, are treated from the Commencement Date as provisions of the Articles.

3. Articles

The following summarises certain provisions of the Articles which were adopted pursuant to special resolution on 19 March 2008. This summary does not purport to be a complete description of the Articles.

The Articles contain (among others) provisions to the following effect:

Issue of shares

Subject to the provisions of the Companies Act and without prejudice to any rights attaching to any existing shares, any share may be issued with such rights or restrictions as the Issuer may by ordinary resolution determine (or in absence of such resolution, as the Directors may determine). Redeemable Shares may be issued.

Changes to the share capital

Subject to the provisions of the Companies Act, the Issuer may (by ordinary resolution) increase its share capital, consolidate and divide all or any of its share capital into shares of larger amount than its existing shares, and sub-divide its shares (or any of them). The Issuer may (by special resolution and subject to the Companies Act) reduce its share capital, any capital redemption reserve and any share premium reserve, in any way.

Purchase of own shares

Subject to the provisions of the Companies Act, the Issuer may purchase its own shares (including redeemable shares) and may hold such shares as treasury shares or cancel them.

Dividends

Subject to the provisions of the Companies Act, the Issuer may by ordinary resolution declare dividends not exceeding the amount recommended by the Directors. Subject to the provisions of the Companies Act, the Directors may pay interim dividends, or dividends payable at a fixed rate, if it appears to them that they are justified by the profits of the Issuer available for distribution. If the Directors act in good faith they shall not incur any liability to the holders of shares conferring preferred rights for any loss they may suffer by the lawful payment of an interim dividend on any shares having deferred or non-preferred rights.

Subject to the provisions of the Companies Act and except as otherwise provided by the Articles or the rights attached to shares, all dividends shall be declared and paid according to the amounts paid up on the shares on which the dividend is paid. If any share is issued on terms that it ranks for dividend as from a particular date, it shall rank for dividend accordingly. In any other case, dividends shall be apportioned and paid proportionately to the amounts paid up on the shares during any portion(s) of the period in respect of which the dividend is paid.

With the authority of an ordinary resolution of the Issuer, the Directors may offer any holders of Ordinary Shares the right to elect to receive Ordinary Shares, credited as fully paid, instead of cash in respect of the whole (or some part, to be determined by the Directors) of any dividend specified by the ordinary resolution.

Notwithstanding any other provision of the Articles but without prejudice to the rights attached to any shares, the Issuer or the Directors may fix a date as the record date by reference to which a dividend will be declared or paid or a distribution, allotment or issue made, and that date may be before, on or after the date on which the dividend, distribution, allotment or issue is declared, paid or made.

No dividends or other money payable in respect of a share shall bear interest against the Issuer unless otherwise provided by the rights attached to the share.

The Issuer may cease to send any cheque or warrant (or to use any other method of payment) for any dividend payable in respect of a share if at least two consecutive payments have remained uncashed or are returned undelivered (or that method of payment has failed) or following one such occasion reasonable enquiries have failed to establish any new address of the holder.

Subject to the Articles, the Issuer may recommence sending cheques or warrants (or using another method of payment) for dividends payable on that share if the person or persons entitled so request.

Any dividend which has remained unclaimed for twelve years from the date when it became due for payment shall, if the Directors so resolve, be forfeited and cease to remain owing by the Issuer.

Voting rights

Subject to any rights or restrictions attached to any shares and to the provisions of the Companies Act, every member present in person or, for a corporation, present by a duly authorised representative, not himself a member entitled to vote, shall have one vote on show of hands and on a poll every member shall have one vote for every share of which he is the holder.

In the case of joint holders, the vote of the person who stands first in the register of members and who tenders a vote shall be accepted to the exclusion of any votes tendered by the other joint holders.

Transfer of the shares

A share in certificated form may be transferred by an instrument of transfer, which may be in any usual form or in any other form approved by the Directors, executed by or on behalf of the transferor and, where the share is not fully paid, by or on behalf of the transferee. A share in uncertificated form may be transferred by means of the relevant system concerned.

In their absolute discretion and without giving any reasons, the Directors may refuse to register the transfer of a share in certificated form which is not fully paid provided that if the share is listed on the Official List such refusal does not prevent dealings in the shares from taking place on an open and proper basis. The Directors may also refuse to register a transfer of a share in certificate form unless the instrument of transfer is (i) lodged, duly stamped, at the registered office of the Issuer or such other place as the Directors may appoint and is accompanied by the certificate for the share to which it relates and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer (ii) is in respect of only one class of share and (iii) is not in favour of more than four transferees.

The Directors may refuse to register a transfer of a share in uncertificated form to a person who is to hold it thereafter in certificated form in any case where the Issuer is entitled to refuse to register the transfer under the Uncertificated Securities Regulations 2001 (SI 2001/3755) (the “**Uncertificated Securities Regulations**”).

If the Directors refuse to register a transfer of a share, they shall send the transferee notice of that refusal within two months after the date on which the transfer was lodged with the Issuer (for the transfer of a share in certificated form) or the date the operator instruction was received by the Company (for the transfer of share in uncertificated form which will be held thereafter in certificated form).

Subject to the Uncertificated Securities Regulations, the registration of transfers of shares or of any class of shares may be suspended at such times and for such periods (not exceeding thirty days in any year) as the Directors may determine.

No fee shall be charged for the registration of any instrument of transfer or other document or instruction relating to or affecting the title to any share.

Distribution of assets on a winding-up

On a winding-up, the liquidator may, with the sanction of a special resolution and any other sanction required by law and subject to the Companies Act, divide among the members in specie all or any part of the assets of the Issuer.

Restrictions on rights

If a member, or any other person appearing to be interested in shares held by that member, fails to provide the information requested in a notice given to him/her under section 793 of the 2006 Act by the Issuer in relation to his/her interest in shares (the “**default shares**”) within 14 days of the notice, sanctions shall apply unless the Directors determine otherwise. The sanctions available are the suspension of the right to attend or vote (whether in person or by representative or proxy) at any general meeting or any separate meeting of the holders of any class or on any poll and where the default shares represent at least 0.25 per cent. of their class (excluding treasury shares) also the withholding of any dividend payable in respect of those shares and the restriction of the transfer of any shares (subject to certain exceptions).

Untraced members

The Issuer shall be entitled to sell at the best price reasonably obtainable any share held by a member, or any share to which a person is entitled by transmission, if (i) for a period of 12 years, during which at least three dividends in respect of the share have become payable, no cheque or warrant or other method of payment for amounts payable in respect of the share sent and payable in a manner authorised by the Articles has been cashed or been successful and no communication has been received by the Issuer from the member or person concerned; (ii) the Issuer has, after the expiration of that period, by advertisement in a national newspaper published in the UK and in a newspaper circulating in the area of the registered address or last known address of the member or person concerned, given notice of its intention to sell such a share, and (iii) the Issuer has not during the further period of three months after the date of the advertisement and prior to the sale of the share received any communication from the member or person concerned.

The Issuer shall be indebted to the member or other person entitled to the share for an amount equal to the net proceeds of the sale, but no trust or duty to account shall arise and no interest shall be payable in respect of the proceeds of sale.

If on three consecutive occasions notices, documents or information sent or supplied to a member have been returned undelivered, the member shall not be entitled to receive any subsequent notice, document or information until he has supplied to the Issuer a new registered address, or a postal address within the UK, or shall have informed the Issuer in such manner as may be specified by the Issuer, of an electronic address.

Variation of rights

Subject to the provisions of the Companies Act, if the capital of the Issuer is dividend into different classes of shares, the rights attaching to any class may be varied in such manner (if any) as may be provided by those rights or, if there are no such provisions, either with the written consent of the holders of three quarters in nominal value of the issued shares of that class (not including any treasury shares) or with the sanction of a special resolution passed at a separate meeting of the holders of such shares. To every such separate meeting, the provisions of the Articles relating to general meetings shall apply except that the quorum for any such meeting shall be two persons together holding or representing by proxy at least one third in nominal value of the issued shares of the class in question (excluding treasury shares). At any adjourned meeting the quorum shall be one person holding shares of the class in question (excluding treasury shares) or his proxy.

Unless otherwise expressly provided by the rights attached to any class of shares, those rights shall be deemed not to be varied by the purchase by the Issuer of any of its own shares or the holding of such shares in treasury.

Appointment of Directors

Unless the Issuer determines otherwise by ordinary resolution, the number of Directors (other than alternate Directors) shall not be less than two nor more than 17. The Directors need not be members of the Issuer.

Subject to the Articles, the Issuer may by ordinary resolution appoint a person who is willing to act to be a Director either to fill a vacancy or as an additional Director. The Directors may appoint a person who is willing to act to be a Director (either to fill a vacancy or as an additional Director) provided that the appointment does not cause the number of Directors to exceed any number fixed as the maximum number of Directors. A person appointed as a Director by the other Directors is required to retire at the next annual general meeting and shall then be eligible for reappointment, but shall not be taken into account in determining the Directors who are to retire by rotation.

Other than a Director retiring at the meeting, no person shall be appointed or reappointed a Director at any general meeting unless he is recommended by the Directors or notice of the intention to propose such person

for appointment or reappointment executed by a member qualified to vote on the appointment or reappointment is given to the Issuer not less than seven nor more than 35 days before the date appointed for the meeting.

Retirement of Directors

At each annual general meeting of the Issuer one-third (or, if their number is not three or a multiple of three, the number nearest to one-third) of the Directors who are subject to retirement by rotation shall retire from office.

Subject to the Companies Act and the Articles, the Directors to retire by rotation are those who have been longest in office since their last appointment or reappointment, but, as between persons who became or were last reappointed Directors on the same day, those to retire shall (unless otherwise agreed) be determined by lot. Notwithstanding the foregoing, each Director shall retire from office no later than the third annual general meeting following the annual general meeting of his appointment or reappointment.

If the Issuer does not fill the vacancy the retiring Director shall, if willing to act, be deemed to have been reappointed unless at the meeting it is resolved not to fill the vacancy or a resolution for the reappointment of the Director is put to the meeting and lost. If a Director retiring by rotation is not reappointed or deemed to have been reappointed, he shall retain office until the meeting elects someone in his place or, if it does not do so, until the end of the meeting.

Removal of Directors

Without prejudice to the provisions of the Companies Act, the Issuer may remove a Director before the expiration of his period of office by special resolution.

The office of a Director shall be vacated if: (i) he ceases to be a Director by virtue of any provision of the Companies Act or he becomes prohibited by law from being a Director; or (ii) he becomes bankrupt or makes any arrangement or composition with his creditors generally; or (iii) he is, or may be, suffering from mental disorder and either he is admitted to hospital in pursuance of an application for admission under the Mental Health Act 1983 or under the Mental Health (Scotland) Act 1984, or an order is made by a court having jurisdiction in matters concerning mental disorder for his detention or for the appointment of any person to exercise powers with respect to his property or affairs; or (iv) he resigns his office by notice in writing to the Issuer; or (v) in the case of a Director who holds any executive office, his appointment as such is terminated or expires and the Directors resolve that his office be vacated; or (vi) he is absent for more than six months consecutively without permission of the Directors from the meeting of the Directors held during that period and the Directors resolve that his office be vacated; or (vii) a notice in writing is served upon him signed by all other Directors for the time being to the effect that his office as Director shall on receipt of such notice be vacated.

Powers of Directors

The business of the Issuer shall be managed by the Directors. Subject to the provisions of the Companies Act, the Articles and to any directions given by special resolution, the Directors may exercise all the powers of the Issuer. The Directors may appoint one or more of their number to any executive office for such term, at such remuneration and such other condition as the Directors think fit (subject to the provisions of the Companies Act). The Directors may delegate any of their powers to any managing Director, any Director holding any other executive office or any other Director; any committee consisting of one or more Directors and (if thought fit) one or more other persons; and any local board or agency for managing the affairs of the Issuer either in the UK or elsewhere. Any Director (other than an alternate Director) may appoint any other Director, or any other person approved by resolution of the Directors, to be an alternate Director and may remove such an alternate Director from office.

Voting at board meetings

No business shall be transacted at any meeting of the Directors unless a quorum is present and the quorum may be fixed by the Directors; unless so fixed at any other number it shall be two. Questions arising at a meeting of the Directors shall be decided by a majority of votes. In the case of an equality of votes, the chairman shall have a second or casting vote.

Restrictions on voting

Save as otherwise provided by the Articles, a Director shall not vote, or count in the quorum present, at a meeting of Directors on any resolution concerning a matter in which he has, directly or indirectly, a material interest (other than an interest in securities of, or otherwise in or through, the Company) unless his interests arises only because the case falls within one or more of the following:

- (i) the resolution relates to the giving to him of a guarantee, security, or indemnity in respect of money lent to, or an obligation incurred by him for the benefit of, the Issuer or any of its subsidiary undertakings;
- (ii) the resolution relates to the giving to a third party of a guarantee, security or indemnity in respect of an obligation of the Issuer or any of its subsidiary undertakings for which the Director has assumed responsibility in whole or in part and whether alone or jointly with others under a guarantee or indemnity or by the giving of security;
- (iii) his interest arises by virtue of his being, or intending to become, a participant in the underwriting or sub-underwriting of an offer of any shares in or debentures or other securities of the Issuer for subscription, purchase or exchange;
- (iv) the resolution relates in any way to a retirement benefit scheme which has been approved, or is conditional upon approval, by HMRC for taxation purposes;
- (v) the resolution relates to an arrangement for the benefit of employees of the Issuer or any of its subsidiary undertakings including but not limited to an employees' share scheme which does not accord a Director any privilege or advantage not generally accorded to the employees to whom the arrangement relates;
- (vi) the resolution relates to a transaction or arrangement with any other company in which he is interested, directly or indirectly, provided that he is not the holder of or beneficially interested in one per cent. or more of any class of the equity share capital of that company (or of any other company through which his interest is derived) and he is not entitled to exercise one per cent. or more of the voting rights available to the members of the relevant company;
- (vii) the resolution relates to the purchase or maintenance for any Director or Directors of insurance against liability.

Directors' interests

Subject of the provisions of the Companies Act and provided that the Director has disclosed to the other Directors the nature and extent of any material interest of his, a Director, notwithstanding his office; (i) may be a party to, or otherwise interested in, any transaction or arrangement with the Issuer or in which the Issuer is otherwise interested; (ii) may be a Director or other officer of, or employed by, or a party to any transaction or arrangement with or otherwise interested in, any body corporate promoted by the Issuer or in which the Issuer is otherwise interested; and (iii) shall not, by reason of his office, be accountable to the Issuer for any benefit he derives from such office or employment or from any such transaction or

arrangement or from any interest in any such body corporate and no such transaction or arrangement or from any interest in any such body corporate and no such transaction or arrangement shall be liable to be avoided on the grounds of such interest or benefit.

Directors' remuneration and expenses

Until otherwise determined by the Issuer by ordinary resolution, the Directors (other than alternate Directors) shall be paid such fees for their services in the office of Director as the Directors may determine (not exceeding in aggregate an annual sum of £1,500,000 or such larger amount as the Issuer may by ordinary resolution decide) divided by the Directors as they may determine or, failing such determination, equally.

The Directors may also be paid expenses properly incurred by them in connection with their attendance at meetings of the Directors or of committees of the Directors or general meetings or separate meetings of any holders in any class of shares or otherwise in connection with the discharge of their duties as Directors.

Any Director who performs, or undertakes to perform, services which the Directors consider go beyond the ordinary duties of a Director may be paid such special remuneration as the Directors may determine.

Directors' gratuities and pensions

The Directors may provide benefits, whether by payments of gratuities or pensions, or by insurance or death or disability benefits or otherwise, for any Director or any former Director, who holds or has held but no longer holds any executive office or employment with the Issuer or with any body corporate which is or has been a subsidiary or the Issuer or a predecessor in the business of the Issuer or of any such subsidiary, and for any member of his family (including a spouse and civil partner) or any such person who is or was dependent on him and may (both before and after he ceases to hold such office or employment) contribute to any fund and pay premiums for the purchase or provision of any such benefit.

Indemnity

Subject to provisions of the Companies Act, the Issuer may indemnify any person who is or was a Director directly or indirectly (including by funding any expenditure incurred or to be incurred by him) against any loss or liability whether in connection with any proved or alleged negligence, default, breach of duty or breach of trust or otherwise in relation to the Issuer or any associated company and/or may purchase and maintain for any such insurance in relation to the same.

General Meetings

General meetings may be called by the Directors. If there are not within the UK sufficient Directors to call a general meeting, any Director, or if there is no Director, any member of the Issuer may call a general meeting.

Subject to the provisions of the Companies Act, an annual general meeting and all other general meetings of the Issuer shall be called by at least such minimum period of notice as is prescribed under the Companies Act.

The notice of the meeting must specify the place, day and time of the meeting and the general nature of the business to be transacted. If the meeting is an annual general meeting, the notice must specify the meeting as such. Subject to the provisions of the Articles and to any rights or restrictions attached to any shares, notices shall be given to all members, all persons entitled to a share in consequence of the death or bankruptcy of a member, the Directors and the auditors of the Issuer. A member whose registered address is not within the UK shall not be entitled to receive any notice, document or information from the Issuer unless he gives the

Issuer an address (not being an address for the purposes of electronic communication) within the UK at which notices, documents or information may be given to him.

A Director shall, notwithstanding that he is not a member, be entitled to attend and speak at any general meeting and at any separate meeting of the holders of any class of shares.

Limitations on share ownership

The Articles are designed to ensure that the number of Ordinary Shares held by non-EEA nationals does not reach a level which could jeopardise the Issuer's entitlement to continue to hold or enjoy the benefit of any authority, permission, licence or privilege which it or any of its subsidiaries holds or enjoys and which enables an air service to be operated (each an "**Operating Right**"). In particular, EC Council Regulation 2407/92 on licensing of air carriers requires that an air carrier must be majority-owned and effectively controlled by EEA nationals.

The Articles allow the Directors, from time to time, to set a "**Permitted Maximum**" on the number of Ordinary Shares which may be owned by non-EEA nationals at such level as they believe is in compliance with the Operating Rights, provided that the Permitted Maximum shall not be less than 40 per cent. of the total number of issued shares in the Issuer.

The Issuer maintains a separate register (the "**Separate Register**") of Ordinary Shares in which non-EEA nationals, whether individuals, bodies corporate or other entities, have an interest (such Ordinary Shares are referred to as "**Relevant Shares**" in the Articles). An interest in this context is widely defined (see below). The Directors are able to require relevant members or other persons to provide them with information to enable them to determine whether Ordinary Shares are, or are to be treated as, Relevant Shares. If such information is not provided then the Directors are able, at their discretion, to determine that the Ordinary Shares to which their enquiries relate should be treated as, Relevant Shares. Registered holders of Ordinary Shares will also be obliged to notify the Issuer if they are aware either (a) that any Ordinary Shares which they hold ought to be treated as Relevant Share for this purpose; or (b) that any Ordinary Share that they hold, which is treated as a Relevant Share, should no longer be so treated. In this case, the Directors shall request such information and evidence as they require to satisfy themselves that the Ordinary Shares should not be treated as a Relevant Share and, on receipt of such evidence, shall remove particulars of the share from the Separate Register.

If the Directors determine that action is necessary or desirable to protect any Operating Right due to the fact that an Intervening Act (an "**Intervening Act**" being the refusal, withholding, suspension or revocation of any Operating Right or the imposition of materially inhibiting conditions or limitations on any Operating Right in either case, by any state or regulatory authority) has taken place or is contemplated, threatened or intended, or the aggregate number of Relevant Shares is such that an Intervening Act may occur or the ownership or control of the Issuer is otherwise such that an Intervening Act may occur, the Directors may:

- (i) remove any Director;
- (ii) identify those Ordinary Shares which give rise to the need to take action and deal with such Ordinary Shares as affected shares ("**Affected Shares**") (see below); and/or
- (iii) set a Permitted Maximum on the number of Relevant Shares which may subsist or vary any Permitted Maximum previously specified (which may not, save in the circumstances referred to below, be lower than 40 per cent. of the total number of issued Ordinary Shares) and treat any Relevant Shares in excess of this Permitted Maximum as Affected Shares (see below).

The Directors shall serve a notice (an "**Affected Share Notice**") in respect of any Affected Share on the registered holder. An Affected Share Notice can, if it so specifies, have the effect of depriving the registered

holder of the right to attend, vote and speak at general meetings which he would otherwise have had as a consequence of holding such shares. Such an Affected Share Notice can, if it so specifies, also require the recipient to dispose of the Affected Shares (so that the Relevant Shares will then cease to be Affected Shares) within 10 days or such longer period as the Directors may determine. The Directors are also given the power to sell such Affected Shares themselves where there is non-compliance with an Affected Share Notice at the best price reasonably obtainable at the relevant time on behalf of the shareholder.

In deciding which Ordinary Shares are to be dealt with as Affected Shares, the Directors in their sole opinion will determine which Relevant Shares may give rise to the fact or risk of an Intervening Act occurring and, subject to any such determination, will have regard to the chronological order in which particulars of Relevant Shares have been, or are to be, entered in the Separate Register unless to do so would in the sole opinion of the Directors be inequitable.

If there is a change in any applicable law or the Issuer or any subsidiary receives any direction, notice or requirement from any state or regulatory authority, which, in either case, necessitates such action to overcome, prevent or avoid an Intervening Act, then the Directors may either:

- (i) lower the Permitted Maximum to the minimum extent that they consider necessary to overcome, prevent or avoid an Intervening Act; and
- (ii) resolve that such number of Relevant Shares the Directors consider to be the minimum number necessary in order to prevent or avoid such Intervening Act shall be treated as Affected Shares.

The rights of the Directors referred to above apply until such time as the Directors resolve that grounds for the making of a determination have ceased to exist, whereupon the Directors must withdraw such determination.

The Permitted Maximum is currently 40 per cent. and may be varied by the Directors. If the Directors resolve to vary the Permitted Maximum to deal with shares as Affected Shares or relax the ownership limitations, they shall publish in at least one national newspaper in the United Kingdom (and in any other country in which the Ordinary Shares are listed) notice of the determination and of any Permitted Maximum. The Directors shall publish, from time to time, information as to the number of Ordinary Shares particulars of which have been entered on the Separate Register.

The Directors may not register any person as a holder of Ordinary Shares unless such person has furnished to the Directors a declaration, together with such evidence as the Directors may require, stating (a) the name and nationality of any person who has an interest in such Ordinary Share and, if the Directors require, the nature and extent of such interest; or (b) such other information as the Directors may from time to time determine. The Directors may decline to register any person as a shareholder if satisfactory evidence or information is not forthcoming.

For the purpose of these provisions, a person shall be deemed to have an “**interest**” in relation to Ordinary Shares if (i) such person has an interest which would (subject as provided below) be taken into account, or which he would be taken as having, in determining for the purpose of Part 22 of the 2006 Act whether a person has a notifiable interest or (ii) he has any such interest as is referred to in Part 22 of the 2006 Act; but shall not be deemed to have an interest in any shares in which his spouse or civil partner or any infant child or stepchild of his is interested by virtue of that relationship, or which he holds as a bare or custodian trustee under the laws of England or as a simple trustee under the laws of Scotland, and “**interested**” shall be construed accordingly.

SHARE PRICE HISTORY

The table below sets out, for the periods indicated, the reported high and low closing sales prices per Ordinary Share on the LSE, the principal market for the Ordinary Shares. As at 21 April 2010, the closing price per Ordinary Share on the LSE was 288.9 pence.

Period	Price per Share	
	High	Low
(in p)		
2007		
First Quarter	308.0	252.8
Second Quarter	357.3	272.8
Third Quarter	329.8	226.5
Fourth Quarter	297.0	248.0
2008		
First Quarter	293.8	206.3
Second Quarter	273.8	205.0
Third Quarter	239.3	169.4
Fourth Quarter	257.8	174.8
2009		
First Quarter	250.3	213.0
Second Quarter	279.3	224.8
Third Quarter	275.2	217.8
Fourth Quarter	262.6	227.3
2010		
January	275.4	255.0
February	274.2	254.3
March	277.2	308.4
April (up to and including 21 April 2010)	307.3	288.2

(Source: *Datastream*)

Note: Share price history pre- 3 September 2007 is that of First Choice Holidays PLC. All prices to 1 decimal place

Information about the past and the further performance of the Ordinary Shares and their volatility can be obtained from the Group's website at <http://www.tuitravelplc.com/tui/pages/investors>.

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, certain professional investors, persons connected with the Issuer and persons who are treated for tax purposes as having received their Bonds or Ordinary Shares by reason of their employment. 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 and whether resident or non-resident in the United Kingdom for tax purposes) 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 and whether resident or non-resident in the United Kingdom for tax purposes) 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 6(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 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.

Following the recent European Court of Justice judgement in *HSBC Holdings plc v HMRC*, HMRC have confirmed they will no longer seek to apply the 1.5 per cent. SDRT on the issue of shares into a clearance system or a depository receipt within the European Union to which the 1.5 per cent. charge previously applied. The applicability of the 1.5 per cent. charge may also be affected in other circumstances. Draft legislation is expected and accordingly specific professional advice must be sought before paying the 1.5 per cent. charge.

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, 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.

IF YOU ARE NOT RESIDENT IN THE UNITED KINGDOM OR ARE SUBJECT TO TAX IN ANY OTHER JURISDICTION OR IF YOU ARE IN ANY DOUBT AS TO YOUR TAX POSITION, YOU SHOULD CONSULT AN APPROPRIATE PROFESSIONAL ADVISER WITHOUT DELAY.

THIS SUMMARY (OTHER THAN AT PARAGRAPH (D) ABOVE) DOES NOT DETAIL THE INCOME TAX, CORPORATION TAX OR CAPITAL GAINS TAX CONSEQUENCES OF A DISPOSAL OR HOLDING OF ORDINARY SHARES.

SUBSCRIPTION AND SALE

Barclays Bank PLC, Citigroup Global Markets Limited, Commerzbank Aktiengesellschaft, Deutsche Bank AG, London Branch, ING Bank N.V. and RBS Hoare Govett Limited (together, the "**Bookrunners**") have, pursuant to a Subscription Agreement (the "**Subscription Agreement**") dated 20 April 2010, agreed with the Issuer, subject to the satisfaction of certain conditions, to subscribe on a several (but not joint) basis for redeemable preference shares in a wholly-owned Jersey incorporated subsidiary of the Issuer ("**Jersey Co**"), those preference shares being issued fully paid for an amount equal to 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), such preference shares to be transferred to the Issuer in consideration for the issue of the Bonds by the Issuer.

	<i>Principal amount of Bonds (£)</i>
Barclays Bank PLC	66,600,000
Citigroup Global Markets Limited	66,600,000
Commerzbank Aktiengesellschaft	66,600,000
Deutsche Bank AG, London Branch	66,800,000
ING Bank N.V.	66,600,000
RBS Hoare Govett Limited	66,800,000
Total	£400,000,000

The Issuer has agreed to pay to the Bookrunners a combined management and underwriting commission and selling concession in consideration of their agreement to act as Bookrunners. The Issuer has also agreed to reimburse the Bookrunners for certain costs and expenses incurred in connection with the management of the issue of the Bonds. The Subscription Agreement may be terminated in certain circumstances prior to payment being made to the Issuer.

The Issuer has agreed that, during the period commencing on 20 April 2010 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 Bookrunners (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, or announce to do any of the foregoing, 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. This does 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 hereof and as have been publicly disclosed by the Issuer or (d) the issue of Ordinary Shares pursuant to any employee share schemes existing at the date hereof and as have been publicly disclosed by the Issuer. In addition, TUI AG has agreed that, during the period commencing on 20 April 2010 and ending 90 days thereafter (both dates inclusive), it will not, without the prior written consent of the Bookrunners (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, or announce to do any of the foregoing, 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. This does not apply to (a) any transaction relating to the Secured Exchangeable Bonds or the shares held by Nero Finance Limited underlying such Secured Exchangeable Bonds (including but not limited to the exercise of exchange rights); (b) any transaction in relation to Ordinary Shares, Relevant Securities or Bonds involving TUI AG, Deutsche Bank AG, London Branch and Antium Finance Limited in accordance with the terms of the financing arrangements to be entered into between such parties on or around the date of announcement of the issue of the Bonds, solely to facilitate TUI AG's purchase of 50 per cent. of the Bonds in order to protect its control over the Issuer; (c) any off-market transfer of Ordinary Shares to any financial institution where, in the reasonable opinion of TUI AG, such transfer is necessary to raise funds to meet TUI AG's liquidity requirements, provided that the purchaser of such Ordinary Shares enters into a lock-up agreement on substantially the same terms for the benefit of the Bookrunners which shall apply to such Ordinary Shares for the remainder of the lock-up period; (d) a transfer of Ordinary Shares or Relevant Securities required by any statutory or regulatory requirement; or (e) a transfer of Ordinary Shares to any subsidiary of TUI AG provided that such subsidiary shall enter into a lock-up agreement on substantially the same terms for the benefit of the Bookrunners which shall apply to such transferred Ordinary Shares for the remainder of the lock-up period. 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.

Selling Restrictions

United States

The Bonds and the Ordinary Shares to be issued or delivered upon conversion of the Bonds have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to US persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Each Bookrunner has represented to the Issuer that it has not offered or sold the Bonds, and agrees that it will not offer or sell any Bonds constituting part of its allotment within the United States or to US persons except in accordance with Rule 903 of Regulation S under 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, as amended (the "**U.S. Internal Revenue Code**") and treasury regulations promulgated thereunder.

In addition, until 40 days after the commencement of the offering, an offer or sale of Bonds within the United States by any dealer (as defined in the Securities Act) (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

United Kingdom

Each Bookrunner 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 Bookrunners or the Issuer 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.

Jersey

No offer for the subscription, sale or exchange of the Bonds has or will be made for which any prior written consent would be required pursuant to the Companies (Jersey) Law 1991, as amended, the Companies (General Provisions) (Jersey) Order 2002, as amended or the Control of Borrowing (Jersey) Order 1958, as amended.

Purchase of Bonds

The Bonds are a new issue of securities with no established trading market. Accordingly, the Issuer cannot assure the liquidity of the trading market for the Bonds.

Purchasers who purchase Bonds from the Bookrunners may be required to pay stamp taxes and other charges in accordance with the laws and practices of the country of purchase in addition to the issue price set out on the cover page of this Offering Circular.

From time to time, the Bookrunners and their respective affiliates have or may have provided, and may continue to provide, investment banking services to members of the Group for which they may have been or will be paid customary fees.

In connection with the offering of the Bonds, the Bookrunners 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 Bookrunners 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 passed on 13 April 2010 and a resolution by a duly constituted committee of the Board of Directors of the Issuer passed on 19 April 2010.

2. Listing

Applications have been made to the UK Listing Authority for the Bonds to be admitted to the Official List and to the LSE for such 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 of the LSE will be granted on or about 26 April 2010, subject only to the issue of the Temporary Global Bond. It is expected that dealings in the Bonds will commence on 28 April 2010. The expenses in connection therewith are expected to be approximately £17,250.

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 XS0503743949 and the Common Code is 050374394. The ISIN for the Ordinary Shares is GB00B1Z7RQ77.

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 31 December 2009 and there has been no material adverse change in the financial position or prospects of the Issuer or of the Group since 30 September 2009.

5. Auditors

The auditors of the Issuer are KPMG Audit Plc, Chartered Accountants and Registered Auditors, who have audited the Issuer's consolidated financial statements, without qualification, in accordance with IFRS, as adopted for use in the EU, for the financial year ended on 30 September 2009. The auditors of the Issuer have no material interest in the Issuer.

6. U.S. 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 U.S. Internal Revenue Code."

7. Yield

The yield of the Bonds is 4.90 per cent. per annum (payable semi-annually), calculated on the basis of the issue price and as at the date of this Offering Circular.

8. Bookrunners transacting with the Issuer

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

9. Documents Available

For so long as any Bond is outstanding, 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 and Conversion Agents:

- (a) the Trust Deed (which includes the form of the Global Bonds, the definitive Bonds and the Coupons) and the Paying and Conversion Agency Agreement;
- (b) the Memorandum and Articles of the Issuer;
- (c) a copy of this Offering Circular and the documents incorporated by reference herein; and
- (d) the most recent annual and interim financial statements of the Issuer from time to time.

This Offering Circular will be published on the website of the Regulatory News Service operated by the London Stock Exchange at www.londonstockexchange.com and will also be available on the website of the Issuer at www.tuitravelplc.com.

10. Post-issuance information

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

11. Third-party information

The Issuer confirms that the information sourced from Datastream on page 95 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.

Registered Office of the Issuer

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Trustee

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