

# ***Vivendi Universal, TF1 and M6: Proposed Pay-TV Combination***

## **Complementary information**

- ▶ **CANAL+ Group and TPS are combining their know-how to provide consumers with a diversified, qualitative and competitive pay-television service in France**
- ▶ **Uniting CANAL+ Group's and TPS's pay-television activities is the outcome of an industry rationale which is being accelerated due to the massive influx of telecom operators and ISPs entering the Pay-TV market**
- ▶ **This combination reflects Vivendi Universal's development strategy in media, that draws upon a revamped CANAL+ Group benefiting from investments in content and subscribers**

- ▶ **The presence of two platforms, an exceptional situation in Europe, has led today to:**
  - A confusing and fragmented offer for the consumer
  - An under-penetrated market (France: 37%, UK: 43%, US: ~85%)
  - Inflated content and promotion costs
  - Under valued assets
  
- ▶ **The rapid evolution of TV content distribution digital technologies is:**
  - An opportunity to make CANAL+ Group's pay-television services available more broadly :
    - DSL, DTT, Cable, Mobile
  - A threat as well:
    - New players (telecom operators, ISPs) have entered the content distribution field, without bearing pay-television operators' constraints
    - A broader free-TV offer, through the launch of free-DTT



## CANAL+ Group in France

- Subscriptions to CANAL+ \*: **5.0m**
- Subscriptions to CANALSAT \*: **3.1m**
- Total subscriptions\*: **8.1m**
  
- 2004 French Pay-TV revenues\*\*: **€2.7bn**
  
- French, Italian, Spanish soccer leagues
- Movies from French and US studios
- Rugby, basketball, Volleyball, Sailing, Golf, ...
- Entertainment, music, documentaries, lifestyle ..



## TPS

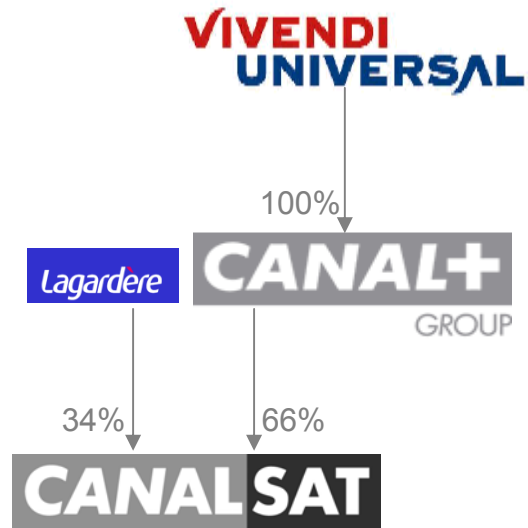
- 2004 subscriptions\*: **1.7m**
  
- 2004 revenues: **€572m**
  
- English Premier League soccer
- Movies from US and French studios
- French basketball, boxing
- Entertainment, documentaries, music, ...



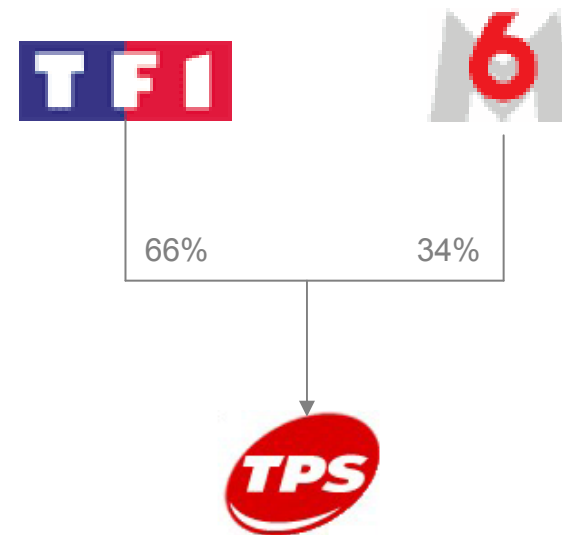
- Total pro forma subscriptions \*: **9.8m**
- Pro forma 2004 revenues: **€3.3bn**
- Comprehensive array of content

# Current ownership structure

## CANAL+ Group



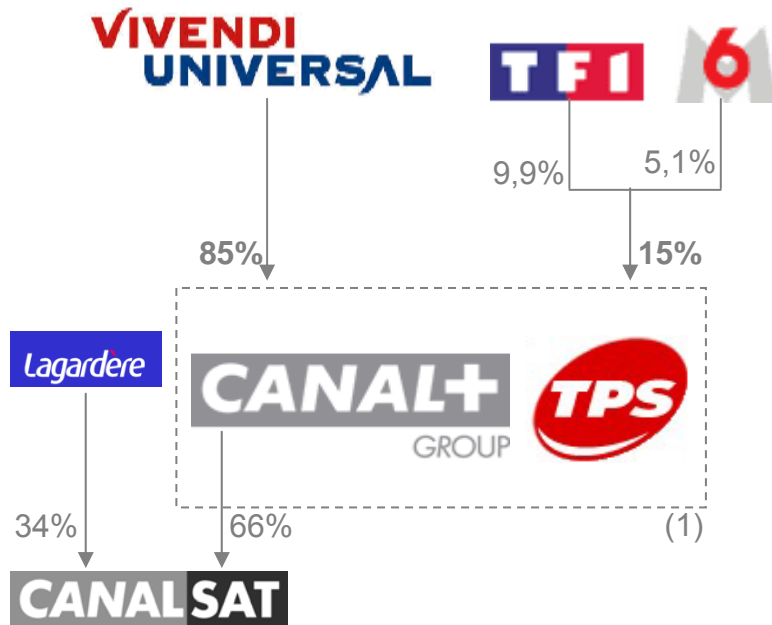
## TPS



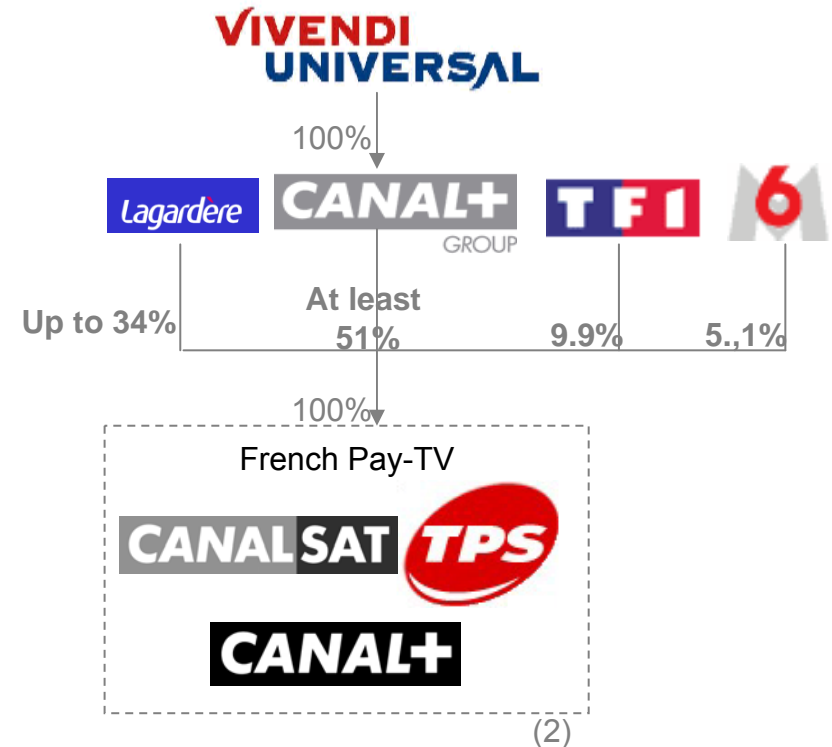
# Proposed transactions structures

## ► Potential ownership structures:

### Without any change to Lagardère's position



### With a change to Lagardère's position



(1) Perimeter: French Pay-TV (66% CANALSAT, TPS, CANAL+, Multithématiques, MediaOverseas) + STUDIOCANAL, Cyfra+, CANAL+ advertising agency, PSG, i>TELE and a 20% stake in Ypsos;

(2) Perimeter: French Pay-TV = 100% CANALSAT, TPS, CANAL+, MultiThématiques, MediaOverseas

## ▶ **Step 1: Signing and initial acts, beginning early 2006**

- VU pays €150m for 18% of TPS
- After reimbursement of TPS debt by way of a capital increase by TF1 and M6, this stake will be reduced to 15% of TPS
- TF1 and M6 undertake to bring TPS to VU (Step 2)

## ▶ **Step 2: Closing of transaction following approval by anti-trust authorities**

- TF1 and M6 buy back 15% of TPS from VU for €150m plus interest
- TF1 and M6 receive 15% of the new entity CANAL+ Group / TPS by exchanging 100% of TPS shares
- VU grants a put option to TF1 and M6, exercisable 3 years after closing

## ▶ **TF1 and M6 put option to VU**

- Exercisable on the 3rd anniversary of the closing date
- Price based on fair market value
- Floor value set at €1,130m, on the basis of the French Pay-TV perimeter, corresponding to €7.5bn at 100%
- This option will be accounted for as debt in VU's IFRS accounts

## ▶ **In case the proposed deal does not go through and under certain circumstances, Vivendi Universal would retain the 15% stake in TPS and would pay TF1 and M6 €100m**

# Implications of proposed transactions for Lagardère

- ▶ **The terms of the agreement provide for Lagardère, already a CANAL+ Group partner through CANALSAT, to have an option to become a shareholder in the entity combining the Pay-TV businesses of CANAL+ Group and TPS in France (“New French Pay-TV entity”\*)**
- ▶ **Under this scenario, Lagardère brings its 34% stake in CANALSAT and a cash payment and receives a stake in the new French Pay-TV entity which, at Lagardère’s option, could reach a maximum 34%**
- ▶ **In any event, TF1 and M6 retain 15% of the new French Pay-TV entity**
- ▶ **In both scenarios, Vivendi Universal, through CANAL+ Group, will retain exclusive control over the new French Pay-TV entity with a stake at least equal to 51%**

\* Perimeter: New French Pay-TV entity = 100% CANALSAT, TPS, CANAL+, MultiThématiques, MediaOverseas.

## ▶ Revenue synergies:

- Better subscriber satisfaction leading to a reduction in churn rates
- Increased penetration of Pay-TV and the new group's premium channels and platforms due to a simpler and improved consumer offer

## ▶ Main cost synergies:

- Reduction in marketing expenses: decreasing subscriber acquisition, retention and management costs
- Potential to reduce certain content costs and to optimize channels

## ▶ Expected impact on Vivendi Universal:

- Accretive transaction on Adjusted net income in the 2<sup>nd</sup> year after closing

▶ **Shareholder agreement:**

- Preemption right to VU on the 15% stake jointly owned by TF1 and M6
- Tag-along and drag-along rights

▶ **3-year non-compete clause:**

- Covers TPS current activities

▶ **Distribution of TF1 and M6 on CANAL+ Group and TPS platforms**

▶ **Distribution agreement of TF1 Group's and M6 Group's main thematic channels**

# Timing elements – Closing of the agreement

- ▶ **Consultation with the representative labor relation bodies**
- ▶ **Signing of proposed agreements and implementation of the 1st step: end 2005 / January 2006**
- ▶ **Notification of the transaction to French anti-trust authorities**
- ▶ **Notification of change in ownership to the CSA (French Broadcasting Authority)**
- ▶ **Until closing, CANAL+ Group and TPS retain a total autonomy**
- ▶ **Expected closing date: 3rd quarter 2006**

# Important Legal Disclaimer

*This presentation contains 'forward-looking statements' as that term is defined in the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are not guarantees of future performance. Actual results may differ materially from the forward-looking statements as a result of a number of risks and uncertainties, many of which are outside our control, including but not limited to, the risks that: Vivendi Universal, TF1 and M6 will not be able to obtain the regulatory, competition or other approvals necessary to complete the contemplated transaction; Vivendi Universal will be unable to further identify, develop and achieve success for new products, services and technologies; Vivendi Universal will face increased competition and that the effect on pricing, spending, third-party relationships and revenues of such competition will limit or reduce Vivendi Universal's revenue and/or income; Vivendi Universal will be unable to establish and maintain relationships with commerce, advertising, marketing, technology and content providers; as well as the risks described in the documents Vivendi Universal has filed with the U.S. Securities and Exchange Commission and with the French Autorité des Marchés Financiers ([www.amf-france.org](http://www.amf-france.org)). Investors and security holders may obtain a free copy of documents filed by Vivendi Universal with the U.S. Securities and Exchange Commission at [www.sec.gov](http://www.sec.gov) or directly from Vivendi Universal. Vivendi Universal does not undertake, nor has any obligation, to provide, update or revise any forward-looking statements.*