

PROPOSED ACQUISITION OF RTL GROUP'S RADIO ACTIVITIES IN FRANCE BY M6 GROUP

The Supervisory Board of M6 Group today voted unanimously in favour of the **proposed acquisition of the French radio division of RTL Group (RTL, RTL2 and Fun Radio)**. As a result, M6 Group entered into exclusive negotiations with its leading shareholder, RTL Group.

This project represents a dual opportunity:

- for the RTL radio division, to accelerate its growth and development – notably in cross-media areas – by benefiting from the synergies between its expertise and talents and those of M6 Group,
- for M6 Group, to strengthen its overall positioning on the French media and advertising market, whilst at the same time optimising its balance sheet via the implementation of external financing.

The exclusive negotiations include consulting with the employee representative bodies concerned in both RTL Group's Radio division and M6 Group, as well as securing the approval of the *Conseil Supérieur de l'Audiovisuel*, who will be asked to rule shortly. RTL Group will also closely liaise with the Luxembourg Government in relation to the planned transaction.

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This proposed agreement provides for the acquisition of all the shares in RTL Group's radio division in France, which includes the stations RTL, RTL2 and Fun Radio, as well as their sales house (IP France et Régions) and their online activities.

RTL Group's radio division is the leading commercial radio group in France with a cumulative audience share of 18.8% in 2015 and a gross advertising market share estimated at 22.0% in 2014 (*source: CSA – Key figures from the French audiovisual sector, December 2015*).

Its three radio stations are:

- **RTL**, the leading radio station in France. Over the last audience wave published (*September-October 2016, source: Médiamétrie 126,000 Radio, Monday-Friday 5.00am-12am*), RTL confirmed

its leadership as the top station in France in terms of audience share (12.5%), listening time (2:21h per day), and in cumulative audience (6.4 million listeners each day).

- **Fun Radio**, the gold standard for dance music. In September-October, the station was the second-ranked music station in France, with an 8.1% commercial audience share in the 25-49 age range,
- **RTL2**, a Pop-Rock station aimed at young adults, and the second-ranked music station in the CSP+I (upper socio-economic) segment according to the latest audience wave.

In addition, the websites of the three radio stations are brought together under **RTLnet**. In September, RTL.fr, the leading radio site, attracted 3.1 million unique visitors. RTL2.fr and funradio.fr were second and third in the music radio site rankings. (*Médiamétrie NetRatings, September 2016*).

In 2015, revenue and EBITA for RTL's radio division in France stood at €168 million and €24 million respectively.

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This project is a **major opportunity for M6 Group**, which would add Radio to its Television, Production & Audiovisual Rights and Diversification activities, thereby expanding its multimedia offering and its development capacity for diversification projects.

M6 Group would be enhanced by three dynamic stations developed through the talent of highly-skilled and close-knit teams. As with the Television division, the radio stations would retain their editorial identity.

The development levers identified primarily relate to:

- **bringing together the sales teams** dedicated to the Television, Radio and Digital markets to strengthen the attractiveness of the marketing and advertising offers by leveraging audience synergies and times of day when each media is consumed;
- **strengthening digital activities and services**, since the rapid growth in consumption of both the Radio and TV media in on-demand digital format requires a strong capacity for innovation and investment, which will be more effective with the coordinated action of different teams;
- **innovation in content**, including News, due to RTL's leadership, as well as Entertainment and Music, with the Group's music stations and its TV channels;
- **sharing skills in the support functions**, based on the best management tools and techniques, by targeting continuous improvement in processes and structures to benefit operational staff.

M6 Group is targeting an EBITA of €40 million for the radio division by 2020.

Upon completion of the transaction, two regulated agreements will be implemented between M6 Group and RTL Group, one relating to the payment of royalties for the use of the RTL brand, and the other for rebilling the costs for the longwave broadcasting of RTL from Luxembourg. The annual amount may not exceed 3% of the divisional radio revenue.

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The investment was approved by the independent members of the Supervisory Board alone, who took care to form an ad hoc committee in advance, and to commission the firm FINEXSI¹ to carry out an independent assessment.

This firm issued a fairness opinion on 13 December 2016, which concluded, *“we consider the financial terms and conditions of the Transaction, as provided for in the Share Transfer Agreement, to be fair to M6 Shareholders from a financial point of view.”*

The cost of the transaction, payment for which will be made at the completion date, will be €216 million excluding cash.

M6 Group plans to finance the entire transaction through debt, which would thus **improve the structure of its balance sheet**, with net Group debt post-transaction estimated at below 1x 2015 EBITA. To benefit from favourable market conditions, M6 intends to solicit bids from several banking institutions.

In this way the Group would preserve its investment capacity to develop its other activities.

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Nicolas de Tavernost, Chairman of the Executive Board of M6 Group, said, *“This project is an important milestone for the Group which would thereby complete the largest acquisition in its history, adding to its other activities the business of radio, an undeniable asset in a multimedia offering. As such, it would mean combining the second largest commercial French Television Group with the leading commercial French Radio Group.”*

Neuilly, 13 December 2016

¹ FINEXSI is an audit, consultancy and financial advisory firm made up of experienced professionals who help businesses and private equity funds deal with the complex situations they face (Valuations, Audit & Transactions, Litigation). Its clients include Vinci, Schneider, Suez Environnement, BNP Paribas, etc.