[DE] Federal Cartel Office Approves Co-operation Between Arena and Premiere

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The *Bundeskartellamt* (Federal Cartel Office) has approved the acquisition of the pay-TV rights for the football Bundesliga from Arena by its competitor Premiere and will tolerate co-operation between the former competitors up until 30 June 2009.

Arena had bought the rights to broadcast the Bundesliga for three seasons, starting from 2006/07, for EUR 220 million per season. However, the company did not reach its target of 2.5 million subscribers, generating losses of EUR 200 million in the first season alone. Therefore, for the next two seasons, the broadcasting rights have been sold to Premiere. At the same time, Arena will pay Premiere for a grant-back licence in order to enable its 700,000 customers to receive Premiere's Bundesliga coverage via cable (Unitymedia, Arena's parent company) and satellite (Arena). The deal between Arena and Premiere also permits Unitymedia to carry all Premiere channels on its own networks until the end of 2013 in return for a fee. Unitymedia will also keep the 16.7% share in Premiere's ordinary share capital that it acquired in February. The Federal Cartel Office has ordered that this must be sold by 30 June 2009. In addition, in order to avoid problems linked to cartel and merger laws, the voting rights linked to these shares may not be exercised. According to the Cartel Office, these measures will ensure that the companies can function independently in the market. They will also create an opportunity for competition when licences are awarded for the 2009/10 season onwards. However, the Cartel Office does not consider this solution to be ideal. Nevertheless, in view of the difficult situation in which Arena finds itself, it believes this is the only way of maintaining a certain level of competition for the remainder of the period covered by the Bundesliga licence. In North Rhine-Westphalia and Hessen, for example, both Arena and Premiere will market Premiere's Bundesliga channel via cable. In addition, each provider will market its own pay-TV channels. The same applies to satellite broadcasting.

Thanks to these new arrangements with Premiere and the improved commercial conditions they offer, Arena expects to make a profit in the second half of this year. In contrast, Premiere immediately reduced its profit forecasts for 2007 when the deal was approved because of the higher investments it will now need to make in marketing and sales. However, at the same time it announced that it would be doubling its current operating margin of 10% and aiming to catch up with the European market leaders BSkyB (Great Britain) and Canal Plus (France).

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