



# FULL-YEAR RESULTS 2018

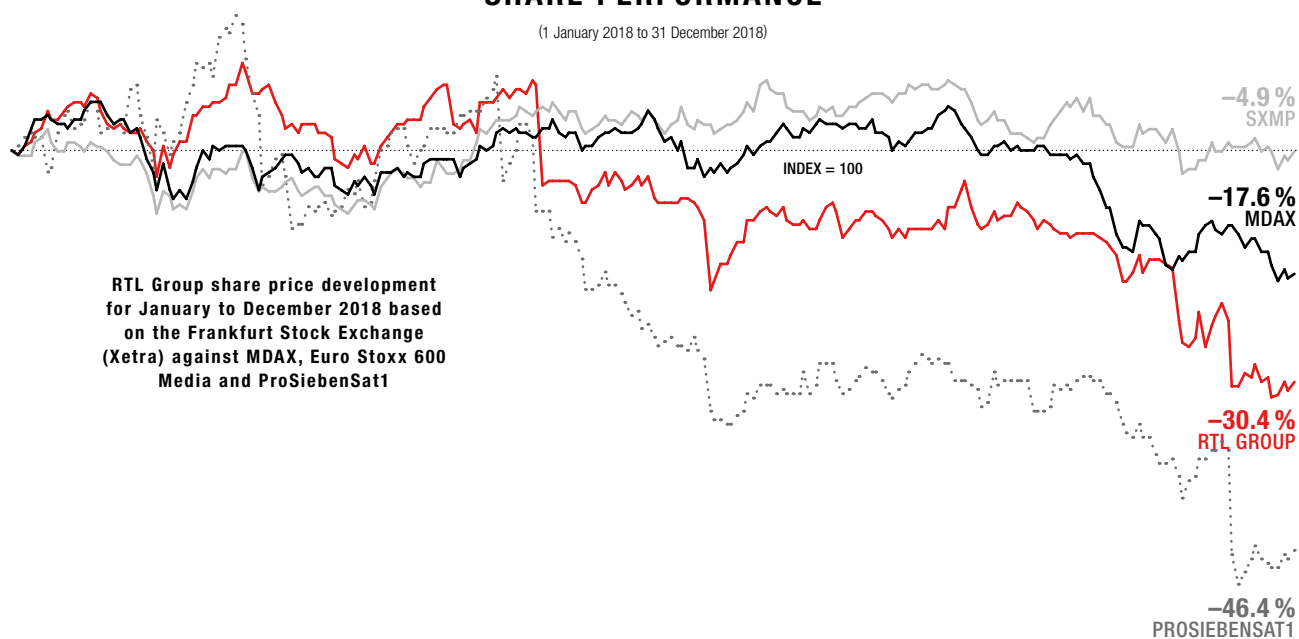
**RTL**  
GROUP

ENTERTAIN. INFORM. ENGAGE.

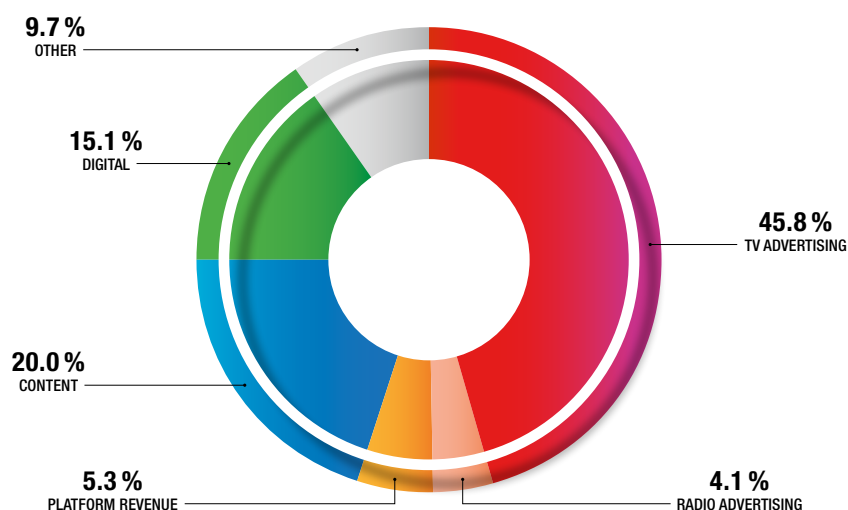
# KEY FIGURES

## SHARE PERFORMANCE

(1 January 2018 to 31 December 2018)



## RTL GROUP REVENUE SPLIT



In 2018, TV advertising accounted for 45.8 per cent of RTL Group's total revenue, making the Group one of the most diversified groups when it comes to revenue. Content represented 20.0 per cent of the total, while greater exposure to fast-growing digital revenue streams and higher margin platform revenue further improve the mix.

## REVENUE

2014–2018 (€ million)

18	6,505
17	6,373
16	6,237
15	6,029
14	5,808

## EBITDA

2014–2018 (€ million)

18	1,380
17	1,464
16	1,411
15	1,360
14	1,347*

\*Restated for changes in purchase price allocation

## NET PROFIT ATTRIBUTABLE TO RTL GROUP SHAREHOLDERS

2014–2018 (€ million)

18	668
17	739
16	720
15	789
14	652*

\*Restated for changes in purchase price allocation

## EQUITY

2014–2018 (€ million)

18	3,553
17	3,432
16	3,552
15	3,409
14	3,275*

\*Restated for changes in purchase price allocation

## MARKET CAPITALISATION\*

2014–2018 (€ billion)

18	7.2
17	10.4
16	10.7
15	11.9
14	12.2

\*As of 31 December

## TOTAL DIVIDEND / DIVIDEND YIELD PER SHARE

2014–2018 (€) (%)

18	4.00*	6.3
17	4.00**	5.9
16	4.00***	5.4
15	4.00****	4.9
14	5.50*****	6.8

\*Including an interim dividend of €1.00 per share, paid in September 2018

\*\*Including an interim dividend of €1.00 per share, paid in September 2017

\*\*\*Including an interim dividend of €1.00 per share, paid in September 2016

\*\*\*\*Including an extraordinary interim dividend of €1.00 per share, paid in September 2015

\*\*\*\*\*Including an extraordinary interim dividend of €2.00 per share, paid in September 2014

## CASH CONVERSION RATE\*

2014–2018 (%)

18	90
17	104
16	97
15	87
14	95

\*Calculated as operating pre-tax free cash flow as a percentage of EBITA

## PLATFORM REVENUE\*

2014–2018 (€ million)

18	343
17	319
16	281
15	248
14	225**

\*Revenue generated across all distribution platforms (cable, satellite, IPTV) including subscription and re-transmission fees

\*\*Restated

## DIGITAL REVENUE\*

2014–2018 (€ million)

18	985
17	826
16	670
15	508
14	295

\*Excluding e-commerce, home shopping and platform revenue

## ONLINE VIDEO VIEWS

2014–2018 (billion)

18	497
17	420
16	274
15	105
14	37

# “TOTAL VIDEO 2.0 MEANS BUILDING LOCAL STREAMING CHAMPIONS AND STRENGTHENING OUR CONTENT CREATION.”

**Bert Habets, Chief Executive Officer  
of RTL Group, says:**

“With rapidly changing consumer behaviour and the rise of global tech giants and streaming platforms, we’ve moved from a local to a global competitive landscape. At the same time, international media markets are experiencing unprecedented change and consolidation. This is why 2018 saw the start of our transformation journey to foster organic growth within our portfolio, through our Total Video 2.0 strategy.

With this strategy we will focus on two clear priorities: building local streaming champions and strengthening our content creation. Accordingly, RTL Group will invest at least an additional €350 million to boost the expansion of our streaming services over the next three years – €300 million of which will be dedicated to content investments across all genres. As our streaming services are deeply integrated in our families of TV channels, these investments will generate sizeable additional revenue and will thus have limited impact on our operating profit. Every investment in local, exclusive content is an investment for the long run, strengthening both our linear TV channels and streaming services. In other words: we will continue to generate very healthy profit margins.

At the end of 2018, RTL Group passed the first million mark of paying subscribers, combining the subscriber bases of TV Now Premium in Germany and Videoland in the Netherlands. We plan to start similar services in other countries. Over the next three years, we aim to grow our total number of paying subscribers to at least 3 million. Our streaming services already show very promising growth rates in a highly dynamic market – thus we will always have the flexibility to further increase our ambitions in this space. This growth will help to further diversify RTL Group’s revenue streams.

With Fremantle we continue our push into drama production. As drama series are also key for the expansion of our streaming services, we have developed an ambitious growth plan for scripted series. Based on this growth plan, international drama productions are forecast to generate more than €500 million in revenue in 2021.”



**Elmar Heggen, Chief Financial Officer  
of RTL Group, comments:**

“For 2018 we once again report record revenue and strong EBITDA results. RTL Group’s digital revenue continues to grow dynamically, and we reached our target – that at least 15 per cent of the Group’s total revenue originates from digital – clearly ahead of time. To provide highly transparent financial information and guidance for the capital markets, we now disclose additional figures on our digital activities, as well as new concrete goals and ambitions for our focus areas: video-on-demand (VOD) and content.

Despite new ambitions and goals that will require significant investments, RTL Group confirms its dividend policy as we have the strength to provide attractive dividend payments to our shareholders. The Group stands for an excellent earnings profile and high cash generation. That is why the Board of Directors has once again decided to propose to the AGM a final dividend of €3.00 per share on top of the interim dividend of €1.00 per share paid in September 2018.”

# RTL GROUP REPORTS RECORD REVENUE IN 2018

RTL Group once again reached its revenue and EBITDA targets

Reported full-year revenue up 2.1 per cent to €6,505 million;  
organic revenue<sup>1</sup> growth was at 2.8 per cent

Reported EBITDA down 5.7 per cent to €1,380 million; Operational EBITDA<sup>2</sup> up 0.7 per cent

Digital revenue<sup>3</sup> continues to grow dynamically, up by 19.2 per cent to €985 million

Attractive shareholder returns: final dividend of €3.00 per share;  
total dividend of €4.00 per share represents 92 per cent of the reported EPS

RTL Group's Total Video 2.0 strategy focuses on building  
local streaming champions – with €350 million additional investments in its VOD services  
over the next three years – and strengthening content creation

Luxembourg, 13 March 2019 – RTL Group announces its audited results for the year ended 31 December 2018.

## FINANCIAL SUMMARY

	2018 €m	2017 €m	Per cent change
<b>Revenue</b>	<b>6,505</b>	<b>6,373</b>	<b>+2.1</b>
<b>Underlying revenue<sup>1</sup></b>	<b>6,516</b>	<b>6,339</b>	<b>+2.8</b>
<b>EBITDA<sup>4</sup></b>	<b>1,380</b>	<b>1,464</b>	<b>(5.7)</b>
EBITDA margin (%)	21.2	23.0	
<b>EBITA</b>	<b>1,171</b>	<b>1,248</b>	<b>(6.2)</b>
<b>EBITDA</b>	<b>1,380</b>	<b>1,464</b>	
Impairment losses of goodwill	(105)	–	
Impairment of investments accounted for using the equity method	(2)	(6)	
Depreciation, amortisation and impairment	(224)	(233)	
Re-measurement of earn-out arrangements and gain/(loss) from sale of subsidiaries, other investments and re-measurement to fair value of pre-existing interest in acquiree	27	21	
<b>EBIT<sup>4</sup></b>	<b>1,076</b>	<b>1,246</b>	
Net financial expense	(13)	(24)	
Income tax expense	(278)	(385)	
<b>Profit for the year</b>	<b>785</b>	<b>837</b>	
Attributable to:			
– Non-controlling interests	117	98	
– <b>RTL Group shareholders</b>	<b>668</b>	<b>739</b>	
<b>Reported EPS (in €)</b>	<b>4.35</b>	<b>4.81</b>	

<sup>1</sup> Adjusted for scope changes and at constant exchange rates

<sup>2</sup> EBITDA for the year 2017 adjusted for the significant positive one-off effect from the sale of RTL Group's buildings in Rue Bayard, Paris (+€94 million in 2017)

<sup>3</sup> "Digital" refers to the internet-related activities with the exception of online sales of merchandise ("e-commerce"). Digital revenue spreads over the different categories of revenue, i.e. other advertising sales, revenue from distribution and licensing of content, consumer and professional services

<sup>4</sup> See note 3 to the Consolidated Financial Statements in the RTL Group Annual Report 2018

## RTL GROUP REPORTS RECORD REVENUE FOR THE FOURTH CONSECUTIVE YEAR

- Group **revenue** increased 2.1 per cent to €6,505 million (2017: €6,373 million), once again reaching a record level. This was mainly driven by higher revenue from RTL Group's rapidly growing digital businesses, Fremantle and RTL Nederland. Organic revenue growth<sup>5</sup> was at 2.8 per cent, in line with previous guidance
- **Platform revenue**<sup>6</sup> increased 7.5 per cent to €343 million (2017: €319 million)
- **Digital revenue** grew to €985 million (2017: €826 million), and already accounts for 15.1 per cent of RTL Group's total revenue (2017: 13.0 per cent)
- RTL Group's revenue is well diversified, with 45.8 per cent from TV advertising, 20.0 per cent from content, 15.1 per cent from digital activities, 5.3 per cent from platform revenue, 4.1 per cent from radio advertising, and 9.7 per cent from other revenue
- Reported **EBITDA**<sup>7</sup> was €1,380 million compared to €1,464 million in 2017 (down 5.7 per cent). Adjusted for the significant positive one-off effect from the sale of RTL Group's buildings in Rue Bayard, Paris (+€94 million in 2017), EBITDA was slightly up 0.7 per cent year on year
- Reported **EBITDA margin** was 21.2 per cent (2017: 23.0 per cent)
- **Net profit** attributable to RTL Group's shareholders decreased by 9.6 per cent to €668 million (2017: €739 million), mainly due to a goodwill impairment against StyleHaul amounting to €105 million
- **Net cash from operating activities**<sup>7</sup> was €873 million, resulting in an operating cash conversion<sup>7</sup> of 90 per cent (2017: 104 per cent). **Net financial debt**<sup>7</sup> was €470 million at the end of 2018 (2017: net financial debt of €545 million)
- RTL Group's Board of Directors has proposed a final **dividend** of €3.00 per share for the fiscal year 2018. This reflects the Group's strong cash flows, future investment plans and its target net debt to full-year EBITDA ratio<sup>7</sup> of 0.5 to 1.0 times. In addition, RTL Group has already paid an interim dividend of €1.00 per share for the fiscal year 2018, in September 2018 (2017: final dividend of €3.00 per share plus interim dividend of €1.00)
- Based on the average share price in 2018 (€63.06<sup>8</sup>), the total dividends for the fiscal year 2018 (€4.00 per share; 2017: €4.00 per share) represent a **dividend yield** of 6.3 per cent (2017: 5.9 per cent) and a payment of 92 per cent of the reported EPS (€4.35)
- RTL Group's Board of Directors also decided, due to low levels of trading, to apply to Euronext Brussels for a de-listing of its shares from Euronext Brussels. RTL Group shares will continue to be listed on both the Frankfurt/Main and Luxembourg stock exchanges

## Q4 / 2018: DIGITAL BUSINESSES AND FREMANTLE DRIVE FOURTH QUARTER REVENUE

- Following an exceptionally strong fourth quarter in 2017, Group **revenue** was slightly up at €2,037 million in the fourth quarter of 2018 (Q4/2017: €2,023 million), mainly driven by the digital businesses and Fremantle
- **EBITDA** was down to €488 million (Q4/2017: €575 million) in the fourth quarter of 2018. This decrease reflects the fact that the fourth quarter EBITDA of 2017 included a significant positive one-off effect from the sale of RTL Group's buildings in Rue Bayard, Paris, of €94 million. Adjusted for this effect, EBITDA was up 1.5 per cent, mainly attributable to RTL Belgium
- **Net profit** attributable to RTL Group shareholders was €244 million (Q4/2017: €305 million)

<sup>5</sup> Adjusted for scope changes and at constant exchange rates  
<sup>6</sup> Revenue generated across all distribution platforms (cable, satellite, IPTV) including subscription and re-transmission fees

<sup>7</sup> See note 3 to the Consolidated Financial Statements in the RTL Group Annual Report 2018

<sup>8</sup> Frankfurt Stock Exchange

## SEGMENTS<sup>9</sup>: ALL MAJOR BUSINESS UNITS MADE STRONG FULL-YEAR EBITDA CONTRIBUTIONS

- **Mediengruppe RTL Deutschland's** EBITDA was €728 million, the second highest full-year operating profit of the unit. The slight decrease compared to 2017 (€738 million) was mainly due to lower TV advertising revenue in a year in which major sporting events, such as the FIFA World Cup 2018 and the Winter Olympics, were broadcast on the public TV channels
- **Groupe M6's** EBITDA was up 2.8 per cent to €400 million (2017: €389 million), mainly driven by high-margin platform revenue
- EBITDA of **Fremantle** – RTL Group's global content production arm – increased by 5.0 per cent to €147 million (2017: €140 million), reflecting higher profit contributions from the businesses in North America, Germany (UFA) and the Canadian video game company, Ludia
- **RTL Nederland's** EBITDA was slightly up to €89 million (2017: €87 million), thanks to higher TV advertising revenue, Videoland and other digital activities

## STRENGTHENING VIDEO-ON-DEMAND SERVICES

- At the end of 2018 RTL Group registered 1 million paying subscribers for its video-on-demand platforms (mainly the pay services TV Now Premium in Germany and Videoland in the Netherlands), up 76.7 per cent year on year
- The number of paying subscribers for TV Now Premium grew by 43.5 per cent<sup>10</sup>, mainly driven by improved product features
- In the Netherlands, Videoland recorded paying subscriber growth of 134.9 per cent<sup>10</sup>. Total subscriber viewing time increased by 229.9<sup>11</sup> per cent in 2018. Videoland's strong growth was primarily driven by local original content shows such as reality format *Temptation Island VIPs* and crime series *Mocro Maffia*, both of which were exclusively available on the subscription video-on-demand service
- Over the next three years RTL Group aims to grow its total number of paying subscribers to at least 3 million and to grow VOD revenue from €216 million in 2018 to at least €360 million in 2021, further diversifying RTL Group's revenue streams

## DEVELOPING MORE EXCLUSIVE CONTENT

- Scripted productions were again very successful in 2018 with the launch of *My Brilliant Friend*, *Picnic at Hanging Rock* and *Deutschland 86*
- Fremantle – together with broadcasters and streaming platforms – is working on the realisation of at least 35 scripted series ideas. As a consequence, international drama productions are forecast to generate more than €500 million in revenue in 2021 (2018: €300 million)

<sup>9</sup> 2017 comparatives have been re-presented as if the following transfers had occurred on 1 January 2017:

- The transfer of the international activities of Smartclip from Mediengruppe RTL Deutschland to SpotX (shown in 'Other segments');
- The transfer of Smartclip Benelux from Mediengruppe RTL Deutschland to RTL Nederland

<sup>10</sup> As at 31 December 2018 compared to 31 December 2017

<sup>11</sup> OTT only

## OUTLOOK

RTL Group is reverting back to guidance on EBITA in its outlook statement. The Group believes this will provide a better operational KPI than continuing to use EBITDA. The Group notes that the analyst community continues to use EBITA – some on an exclusive basis – as the main KPI for the Group's profitability. Reverting back to EBITA will therefore align the Group's guidance to the expectations of the investment community. In addition, the Group's EBITDA will be affected by the new IFRS 16 (Leases) standard from 2019 onwards. Both EBITDA and EBITA will continue to be reported on for the Group's business segments. As outlook guidance will revert back to EBITA, RTL Group will also comment primarily on EBITA as the KPI for operating profit in 2019.

- RTL Group expects its total **revenue** for the fiscal year 2019 to grow moderately (+2.5 per cent to +5.0 per cent) excluding foreign exchange rate effects, driven by the Group's digital businesses and Fremantle
- RTL Group expects its reported **EBITA** to decrease moderately (-2.5 per cent to -5.0 per cent), reflecting investments into the broadcasters' TV schedules and VOD services
- RTL Group will keep a **leverage target** of 0.5 and 1.0 times net debt to full-year EBITDA for the fiscal year 2019
- RTL Group will continue to focus on **cash conversion** and targets 2019 levels not below 85 to 90 per cent
- The **dividend policy** remains unchanged: RTL Group plans to pay out between 50 and 75 per cent of the adjusted net result for the fiscal year 2019

# CORPORATE PROFILE

## RTL GROUP – ENTERTAIN. INFORM. ENGAGE.

With interests in 60 television channels, eight video-on-demand (VOD) platforms, 30 radio stations, a global business for content production and distribution, and rapidly growing digital video businesses, RTL Group entertains, informs and engages audiences around the world.

The Luxembourg-based company owns stakes in TV channels and radio stations in Germany, France, Belgium, the Netherlands, Luxembourg, Spain, Hungary and Croatia. With Fremantle, it is one of the world's leading producers of television content: from talent and game shows to drama, daily soaps and telenovelas, including *Idols*, *Got Talent*, *Good Times*, *Bad Times* and *Family Feud*. Combining the on-demand services of its broadcasters, the multi-platform networks BroadbandTV, StyleHaul, Divimove, United Screens and Fremantle's more than 300 YouTube channels, RTL Group has become the leading European media company in online video. In 2018, the Group combined the video ad serving platform SpotX with the European monetisation platform Smartclip to create a global ad-tech powerhouse.

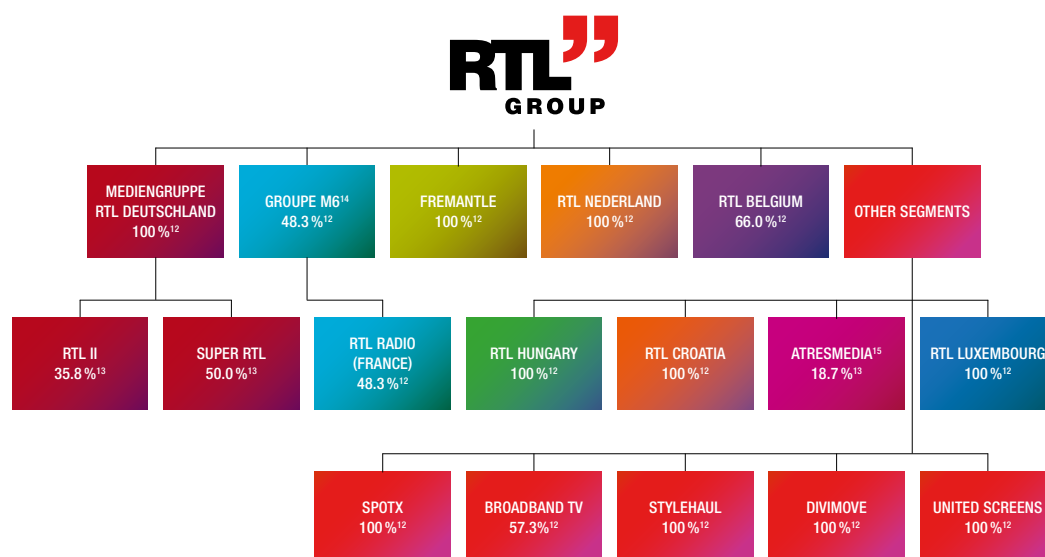
The roots of the company date back to 1924, when Radio Luxembourg first went on air. Compagnie Luxembourgeoise de Radiodiffusion (CLR) was founded in 1931. As a European pioneer, the company broadcast a unique programme in several languages using the same wavelength.

RTL Group itself was created in spring 2000, following the merger of Luxembourg-based CLT-UFA and the British content production company Pearson TV, owned by Pearson PLC. CLT-UFA was created in 1997 when the shareholders of UFA (Bertelsmann) and the historic Compagnie Luxembourgeoise de Télédiffusion – CLT (Audiofina) merged their TV, radio and TV production businesses.

Bertelsmann has been the majority shareholder of RTL Group since July 2001. RTL Group's shares (ISIN: LU0061462528) are publicly traded on the regulated market (Prime Standard) of the Frankfurt Stock Exchange and on the Brussels and Luxembourg stock exchanges. Since September 2013, RTL Group has been listed in the prestigious MDAX stock index.

## RTL GROUP CORPORATE STRUCTURE (SIMPLIFIED)

(The Group's ownership based on total number of shares after declaration of treasury shares held by the company as per 31 December 2018)



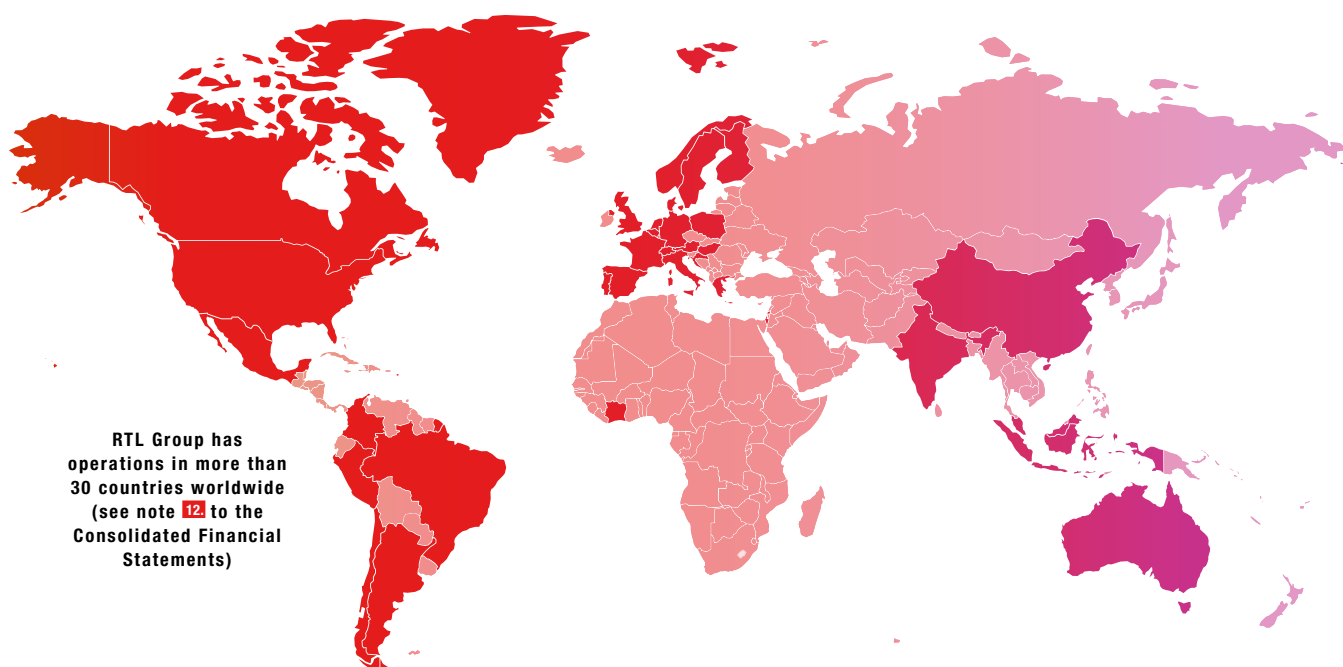
RTL Group's business comprises the following six reporting segments: Mediengruppe RTL Deutschland, Groupe M6 (including the French RTL family of radio stations), Fremantle, RTL Nederland, RTL Belgium and Others (which includes RTL Hungary, RTL Croatia, RTL Group's Luxembourgish activities, the German radio business and the investment accounted for using the equity method, Atresmedia in Spain).

Other segments also includes RTL Group's ad-serving platform, SpotX, and the multi-platform networks (MPNs) BroadbandTV, StyleHaul, Divimove and United Screens.

Groupe M6 and Atresmedia are themselves listed companies, with the shares being traded on the stock exchanges of Paris and Madrid respectively.

- <sup>12</sup> Fully consolidated
- <sup>13</sup> Investment accounted for using the equity method
- <sup>14</sup> Net of treasury shares and own shares held by Métropole Télévision SA under liquidity contract
- <sup>15</sup> Net of treasury shares

## THE BUSINESS AREAS



### BROADCAST

**Television:** RTL Group is Europe's largest free-to-air broadcaster. Each day, millions of viewers all over Europe watch RTL Group's television channels, which include the families of channels clustered around the flagships RTL Television in Germany, M6 in France, RTL 4 in the Netherlands and RTL-TV in Belgium. The Group also has broadcasting operations in Hungary (RTL Klub, RTL II, and six cable channels), Croatia (RTL Televizija, RTL 2, RTL Kockica), and Luxembourg, as well as interests in Atresmedia in Spain.

**VOD:** RTL Group's broadcasters operate eight video-on-demand platforms in seven countries in Europe. By the end of 2018, RTL Group had passed one million paying subscribers, combining the subscriber bases of TV Now Premium in Germany and Videoland in the Netherlands. Other VOD platforms are the advertising-financed services 6play in France, RTL Play in Belgium and Croatia, RTL Most in Hungary, RTL XL in the Netherlands, and Atresplayer in Spain.

**Radio:** RTL Group's radio stations reach millions of listeners each day. The Group's flagship radio station is RTL Radio in France, and it also owns or has interests in stations in Germany (including 104.6 RTL, Antenne Bayern), Belgium (Bel RTL, Radio Contact), Spain (Onda Cero, Europa FM, Melodía FM) and Luxembourg (RTL Radio Lëtzebuerg, Eldorado).

### CONTENT

RTL Group's content production arm, Fremantle, is one of the largest creators, producers and distributors of television brands in the world. With operations in over 30 territories, Fremantle is responsible for around 12,700 hours of TV programming broadcast each year. It also distributes more than 20,000 hours of content in over 200 territories.

### DIGITAL

RTL Group has become the leading European media company in online video and is ranked among the top global players in this segment. Since 2013, RTL Group has made key investments in several multi-platform networks (MPNs) such as BroadbandTV, StyleHaul, Divimove and United Screens. During 2019, RTL Group will combine StyleHaul, Divimove and United Screens to build a strong and profitable digital video group.

RTL Group has also invested in advertising technology, in the form of video ad serving platform SpotX in the US and monetisation platform Smartclip in Europe. In 2018, RTL Group combined SpotX and Smartclip to create an integrated ad-tech company to launch the platform across the Group's operations and to scale it up with further acquisitions and partnerships – most recently with the acquisition of the video technology company – Yospace<sup>16</sup>.

<sup>16</sup> Acquired in February 2019

## MANAGEMENT APPROACH

The Group's business units act as autonomous local businesses, each with its own CEO, and full editorial independence. Each segment serves different cultures, traditions and identities across Europe. This entrepreneurial approach enables each segment to act flexibly in its local market, to build its own local identity, and to benefit from one of the most important success factors in the broadcasting business: proximity to its audience.

Responsibility for the day-to-day management of the company rests with the CEO, who – on a regular basis and upon request of the Board – informs the Board of Directors about the status and development of the Company. As from 1 January 2018 the Executive Committee is comprised of the two executive directors, the CEO and the Deputy CEO and CFO. The Executive Committee is vested with internal management authority.

Although the Group's segments have the advantage of being able to act independently to their markets' needs, RTL Group will systematically strengthen the cross-border collaboration in the areas of VOD, content creation, talent management and advertising sales. All segments benefit from sharing information, knowledge and experience across the Group through the Group's Synergy Committees (Sycos). These Sycos – which are comprised of executives and experts from each segment and from the Group's Corporate Centre – meet regularly to discuss topics such as programming, news, radio, advertising sales and digital video. While each segment makes its own

management decisions, it is encouraged to draw on the understanding and expertise of other RTL Group companies to replicate successes and share ideas. The Sycos are coordinated by RTL Group's Strategy and Business Development team.

Based in Luxembourg and led by the Group's Chief Financial Officer, the Corporate Centre provides a framework of strategic direction and financial control while actively managing the Group's portfolio of holdings.

In the Operations Management Committee (OMC), the Executive Committee and senior management of the Corporate Centre meet regularly with the CEO of the Group's local operations to share experiences, discuss opportunities and challenges, and explore the potential for cooperation. This process ensures that knowledge and expertise are rapidly disseminated throughout the Group, and that successful ideas and innovations can quickly be implemented by other segments, if appropriate.

The Corporate Centre comprises the following functions: Consolidation and Accounting, Strategy and Business Development, Controlling and Investments, Mergers and Acquisitions, Group Reporting and Budgeting, Human Resources, Legal and European Affairs, Investor Relations, Corporate Communications and Marketing, Treasury and Corporate Finance, Internal Audit and Compliance, Group IT, Tax and the Global Operations Management team.

# MARKET

## MARKET ENVIRONMENT

Digitisation has significantly transformed the TV market, with more channels, platforms, screens and content available than ever before. A massive 93.3 per cent of EU households now receive their TV signal digitally, and, in Germany alone, viewers have access to over 60 linear television channels.

Digitisation has brought new ways of reaching viewers – such as mobile, IPTV and over-the-top streaming services – which complement conventional modes of TV distribution such as terrestrial television, cable and satellite (FTA and pay TV). Broadcasters such as RTL Group have welcomed the opportunity to distribute their programmes on both a linear (scheduled) and non-linear (on demand – anywhere, any time and on any device) basis.

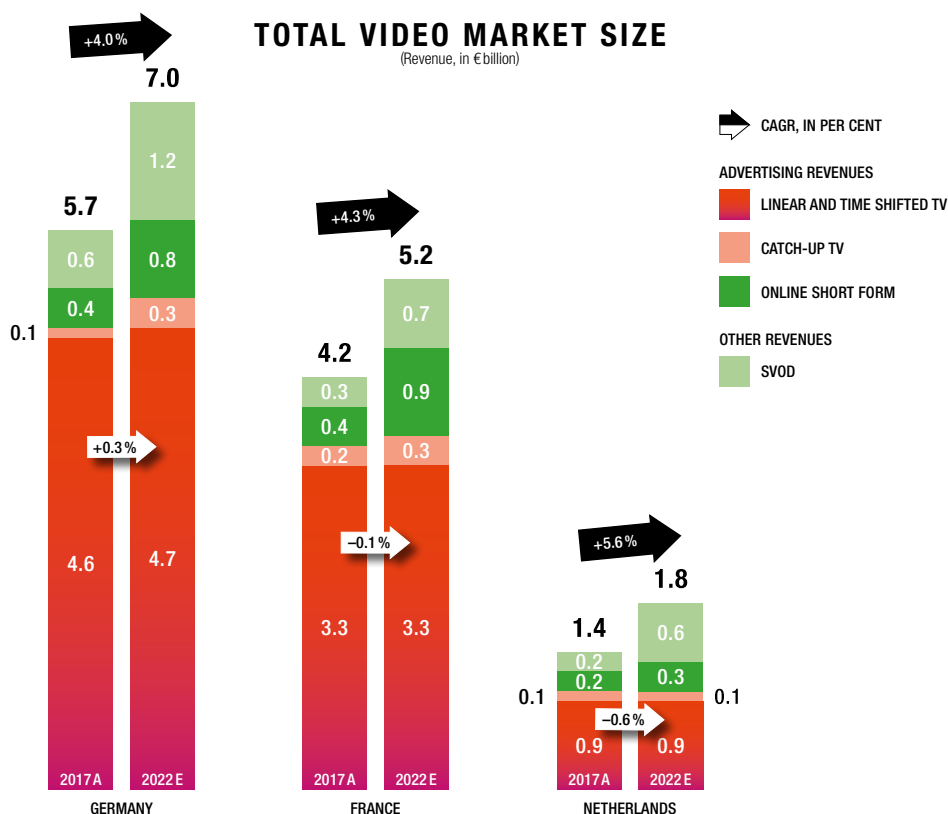
With these extensive changes in the technical infrastructure of content distribution, the rise in viewing consumption through new TV devices (smartphones, tablets, connected TVs) has led to far-reaching changes in linear TV viewing behaviour. Just as media convergence became a technical reality long ago, now the media industry can see noticeable shifts in audience reach, advertising, distribution and platform business.

To most people, ‘TV’ still refers to the screen in their living room. But the business model of TV, and the wider industry behind it, has moved on – and, with it, the definition of TV. At RTL Group, TV stands for **Total Video**.

The Total Video market comprises:

- linear TV (commercial free-to-air channels, pay-TV channels, public broadcasters, as well as over-the-top delivered linear TV channels)
- on-demand services financed by advertising, pay per view or subscriptions<sup>17</sup> (especially long-form)
- YouTube, Facebook and other online video platforms (especially short-form)

Total Video revenue, as defined by RTL Group, in Germany, France and the Netherlands is expected to grow by around 4 per cent annually until 2022. Online video revenue (SVOD/AVOD) is currently the fastest-growing digital segment, and is expected to grow in Germany, France and the Netherlands by around 15 per cent each year between 2017 and 2022<sup>18</sup>, driven by SVOD.



<sup>17</sup> AVOD = advertising-financed video on demand (for example services from broadcasters such as TV Now (Mediengruppe RTL Deutschland) and 6play (Groupe M6) and independent services such as Vimeo, Viewster);  
TVOD = transactional video on demand (for example Apple's iTunes store or Google's Google Play services);  
SVOD = subscription video on demand (for example Netflix, Amazon Prime Video, Hulu Plus, Videoland, HBO Go)

<sup>18</sup> CAGR. Source IHS

## MARKET TRENDS

Against the backdrop of ongoing digitisation, RTL Group's markets are shaped by four key trends: **Competition**, **Consolidation**, **Convergence** and **Complexity**.

While linear TV is still, by far, the way most viewers consume video content, non-linear viewing is growing fast, and displaying the following trends:

- the younger the target group, the higher the share of non-linear viewing
- the younger the target group, the higher the share of viewing on mobile devices
- watching video content on mobile devices increases the demand for short-form video (short clips that last just a few minutes)
- the higher the share of non-linear viewing, the higher the demand for high-end drama series, often with a niche appeal.

2018 showed the dangers inherent in digital media, with calls for action on fraudulent practices from major advertisers such as Procter & Gamble, to questionable content on YouTube, and fraudulent behaviour in ad tech. Brand safety remains a crucial issue for RTL Group's ad-tech businesses and multi-platform networks. Several industry initiatives are currently under development – including IAB's ads.txt – while the platforms themselves invest heavily in counter measures.

At the same time, this development also presents opportunities for operators of linear TV channels. The linear TV ecosystem has always provided brand-safe environments, and its effectiveness is well documented. Common measurement systems established by independent third-party bodies provide reliable data on usage, audience shares and demographics. RTL Group believes in the value of TV – it is the medium with the broadest reach, the highest frequency of exposure, and the highest viewing time. In its advertising effectiveness, brand building and brand safety, TV is the most reliable and brand-safe medium for advertisers to reach broad audiences.

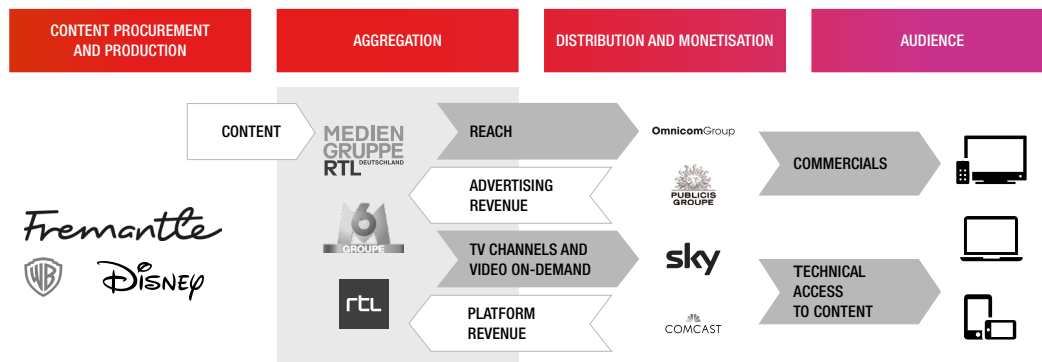
While TV devices become more sophisticated thanks to ultra-HD resolution and HDR capabilities, RTL Group has identified virtual reality (VR) as another market trend. The VR market is growing strongly, from 2.1 million head-mounted displays (HMDs) in 2016 to an estimated nearly 83 million in 2021, according to Future Source. This prediction does not yet include the tens of millions of cardboard headsets available. In addition, Microsoft, Oculus and Google are expected to launch new devices in 2019.

# BUSINESS MODEL

RTL Group operates different business models in its three main areas: broadcast, content (production and licensing) and digital, each of which are outlined below.

From the overall Group perspective, **creative** in programming is the essence of success. In summary, RTL Group's business model is to produce, aggregate, distribute and monetise the most attractive content, across all formats and genres.

## BROADCAST



### Generic broadcast value chain

Broadcasters buy, produce and commission mostly local content. They also buy or license broadcasting rights for movies, TV series and sporting events. TV channels and radio stations create and schedule programming that helps them shape their channel brands. Rather than focusing on a single genre, RTL Group's flagship channels create a general interest programming mix across all genres including drama, factual entertainment, news, talk, soaps, reality and sport. In today's fragmented marketplace, it's crucial for broadcasters to offer content that makes them stand out from the crowd.

Advertising is the primary source of revenue for RTL Group's broadcasters, and their advertising clients are offered a range of ad formats, from the traditional 30-second commercial to tailored packages of TV and digital ads. RTL Group's advertising sales houses sell spots in the channel's linear and non-linear

programming. The price they pay generally depends on the reach and demographic structure of the audience they target. Higher audience shares and more sought-after target groups lead to higher spot prices, generally priced at CPM (cost per mille).

RTL Group channels broadcast their content terrestrially and distribute it through other platforms, such as cable, satellite and internet TV. In exchange for the broadcasting signal, they receive money from the platform operators. RTL Group reports this figure separately as platform revenue (see financial review). Between 2012 and 2018, this revenue rose from €175 million to €343 million.

In addition, RTL Group's broadcasters have established their own digital on-demand platforms that make their content available on all devices: computers, smartphones, tablets, and internet-connected TVs.

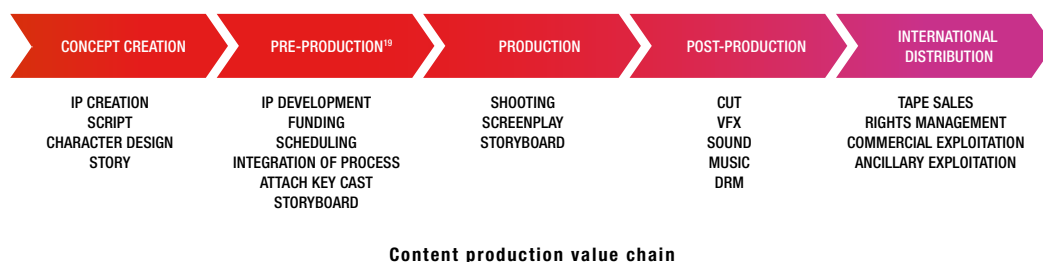
## VIDEO-ON-DEMAND (LONG FORM)

RTL Group is the European leader and a top global player in online video. Its broadcasters have established their own on-demand platforms that make their programmes available on all devices at all times – predominantly financed by advertising. They have also branched out into new business models, such as subscription video-on-demand (SVOD) and are increasing their production of web-original content.

The next step is to combine the different VOD offerings into a so-called hybrid model, consisting of a free, advertising-funded service and a paid, premium content bundle – offering the programmes of linear TV channels plus premium content, either exclusively produced or licensed from third parties.

## CONTENT

RTL Group broadcasters produce and commission a wide variety of local content, while the group's global production arm, Fremantle, is responsible for around 12,700 hours of TV programming broadcast each year.



As one of the world's largest creators, producers and distributors of television content, Fremantle operates differently to RTL Group's broadcasters. The company produces, licenses and distributes a vast array of programmes that range from high-end drama, through game shows and daily soaps to entertainment. As a production company, Fremantle provides broadcasters, platforms and online services with content that, in return, is used by those clients to build their business. Fremantle operates in over 30 territories around the world, through its network of local production and distribution companies.

Fremantle's international distribution arm, sells finished programmes and formats around the world, and acquires, develops, finances and co-produces new titles for the international market. Its catalogue contains a diverse and exciting range of programming that includes drama, comedy, factual, lifestyle and entertainment shows.

The distribution business also plays an important role in providing financing for high-quality drama such as *American Gods* and *Deutschland 86* and *Picnic At Hanging Rock*.

Supported by a brand management team, and a sales network that spans nine international offices and five continents, Fremantle distributes more than 20,000 hours of content in over 200 territories worldwide.

Increased exposure to high-end drama – where the development cycle from concept to on-screen can be anything from two to three years – has a negative impact on Fremantle's cash conversion, where some elements of production may be financed by the production company and the distribution business may invest in return for specific rights.

The fact that both the timing of the delivery of the finished programme and the initial transmission date are often down to the local broadcaster can ultimately impact revenue recognition at a Group level. Phasing effects can swing significantly from one quarter to another as a result, but are often neutralised over the course of the year.

<sup>19</sup> Pre-production only starts once the idea is sold to a commissioning client network

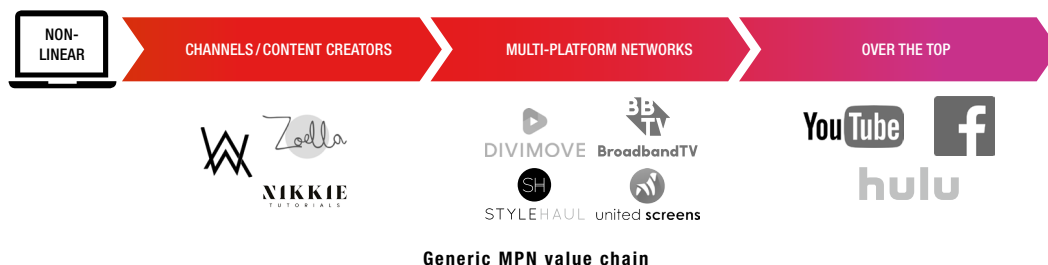
## DIGITAL

### MULTI-PLATFORM NETWORKS (MPNS)

Through key digital investments, RTL Group has become a leader in the YouTube ecosystem. Today, RTL Group fully owns or has stakes in several multi-platform networks (MPNs): BroadbandTV, StyleHaul, Divimove and United Screens. In general, the MPN business model in content aggregation is similar to that of RTL Group's broadcasters. Creators and so-called influencers create content for their own channels on an online video platform such as YouTube. As it can be hard for individuals to sell advertising on their own or to approach and cooperate with bigger brands, MPNs aggregate content to offer advertisers an attractive content package and, most

importantly, reach within a defined target group, such as young viewers.

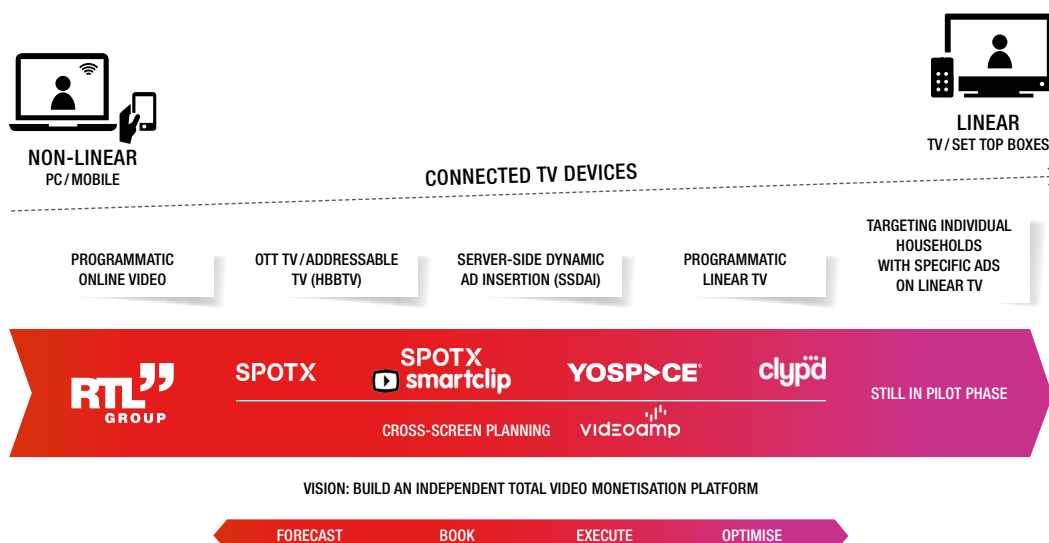
On platforms such as YouTube, revenue is shared between the platform and the MPN. In return for their content, the creators receive a revenue share from the MPN. The more attractive the content – measured by the number of subscribers and video views – the higher the price. Furthermore, branded content, where certain products are featured within video content, offers the opportunity to diversify revenue streams. This revenue is not subject to the revenue share taken by the platform, and thus offers higher margins.



### ADVERTISING TECHNOLOGY

While linear television remains the only medium to reach mass audiences on a daily basis, digital video advertising enables advertisers to bring their message to an engaged audience, which can be enhanced by the use of technology and data. This is done using a sophisticated process that automates the advertising sales process: within milliseconds an ad on a website can be sold to advertisers looking for this particular

demographic and willing to pay a set price. In brief, advertising technology fulfils two main goals: a) find the perfect match between advertiser and user, and, b) find the perfect price for both advertiser and publisher. The main difference to traditional advertising sales is the targeting of individual users instead of a broad reach. Additionally, RTL Group aims to transfer this process into the linear TV world.



RTL Group aims to be present along all parts of the ad-tech value chain

# STRATEGY

This section describes RTL Group's strategy in three areas – broadcast, content and digital. In short, RTL Group's general strategic goal within the Total Video universe is to maximise consumers' attention to its broad variety of video offers, across all devices.

At the end of 2018, RTL Group held a Management Summit in Luxembourg which brought together over 90 top executives from across the Group. Here, RTL Group defined two major strategic priorities to focus on stronger organic growth – this strategy is called Total Video 2.0:

1. Expand RTL Group's video-on-demand (VOD) services through significant investments in more local, exclusive content across all genres, and by continuously improving our capabilities in running a direct-to-consumer business.
2. Grow RTL Group's content production arm, Fremantle, into a global content and IP champion – by continuing its successful push into high-end drama series in all its key markets, and by systematically strengthening the collaboration between Fremantle and RTL Group broadcasters.

## BROADCAST: BUILDING LOCAL, INTEGRATED TOTAL VIDEO CHAMPIONS

Strengthening RTL Group's broadcast business remains a key part of the Group's strategy. **Building and extending families of TV channels** has been key to tackling increasing audience fragmentation and competition in a digital, multi-channel world. In recent years, RTL Group's families of channels have been enhanced by the addition of several digital channels with clearly defined profiles, including Nitro, RTL Plus, W9, 6ter, and RTL Z.

Most recently, Groupe M6 announced its plan to acquire Lagardère's TV business, to complement its offering for families and to strengthen its overall position in the French media market, both in TV advertising and digital. This major project provides for the acquisition of the entire capital in the following assets: Gulli (the country's leading free-to-air digital channel for children); two pay-TV channels dedicated to younger viewers (Canal J and Tiji), four entertainment and music pay-TV channels (Elle Girl TV, MCM, RFM TV and MCM Top), plus the on-demand offerings of the various channels, including Gulli Replay and the SVOD service Gulli Max.

The next step of RTL Group's strategy for its broadcast units is to build **local, integrated Total Video champions** in the markets in which the Group has strong families of channels, complemented by VOD services designed to attract mass audiences.

RTL Group's TV operations will gradually adopt a **hybrid VOD model** – combining a free, advertising-funded offer with a premium pay content bundle that offers RTL Group TV programmes (both live and on demand) with licensed content from third parties and exclusive content productions (originals) for these services.

By creating these hybrid models, RTL Group is building the next generation of TV and aiming to provide consumers in its various local markets with fully integrated linear and non-linear services via platform operators or direct-to-consumer OTT services.

Over the next three years, RTL Group will invest at least an additional €350 million to boost the expansion of its local streaming services:

- €300 million will be dedicated to content investments across all genres. Every investment in local, exclusive content strengthens both RTL Group's linear TV channels and its streaming services. In other words: a focus on local, exclusive content is the power engine of RTL Group's Total Video 2.0 strategy.
- €50 million will be invested in building a joint VOD tech platform. In 2019, RTL Group has begun to develop the roadmap to a joint tech platform for the VOD services of its broadcasters with the intention that all streaming platforms will ultimately migrate to it. As this tech platform will be a collaboration between RTL Group's units, it will encompass a high level of flexibility for local operations.

By the end of 2018, RTL Group had passed the first million paying subscribers, combining the subscriber bases of TV Now Premium in Germany and Videoland in the Netherlands. Over the next three years, RTL Group aims to grow the number of paying subscribers for its various VOD services to at least 3 million and to increase its VOD revenue, from €216 million in 2018 to at least €360 million in 2021, further diversifying its revenue streams by doing so.

Another focus of the Group's strategy in broadcast is to achieve a significant **increase in non-advertising revenue**, by further growing the revenue from platform operators. RTL Group aims to receive a fair revenue share for its brands and programmes from the major distribution platforms – cable network operators, satellite companies and internet TV providers – for services such as high-definition TV channels, on-demand platforms and digital pay channels.

Next to a cross-platform distribution strategy, RTL Group envisages driving its monetisation capabilities across markets and screens, as there is more and more interest for global ad buying

opportunities from advertisers and agencies. As a consequence, RTL Group is investing in its **international sales house, RTL AdConnect**, to give international advertisers and agencies easy access to RTL Group's large portfolio of TV and VOD services, MPNs and advertising technology, in a brand-safe environment. To be more relevant in all key European markets, RTL AdConnect's portfolio also encompasses leading partners such as ITV in the UK, RAI in Italy and Mediahuis in Belgium. Thanks to these partnerships, RTL Group is one of the only media companies in Europe that can **offer advertisers pan-European digital video campaigns**.

## CONTENT

The strategic pillar of content and IP creation is mainly served by RTL Group's production arm, Fremantle. Fremantle's strategy has three pillars:

1. Maintaining the company's position as a leading producer of quality programming by **nurturing established brands** such as *Idols*, *Got Talent* and *The Farmer Wants a Wife*, while **investing in creating new formats and brands**.
2. **Diversifying Fremantle's portfolio** by strengthening its local businesses and increasing prime-time drama. Fremantle has made a series of investments in recent years (with options to buy the remaining stakes in the future), to strengthen its capabilities in the scripted, entertainment and factual genres, and in building a new client base in the OTT and digital video arena.  
Since 2012, Fremantle has invested heavily in high-end productions, to accelerate its growth in prime-time drama. Following the premiere of *The Young Pope* – produced by Fremantle's Italian production arm, Wildside – and Fremantle's adaptation of Neil Gaiman's acclaimed

contemporary fantasy novel, *American Gods*, Fremantle's push into drama continued in 2018 with distinctive productions such as *My Brilliant Friend*, *Deutschland 86*, *The Miracle* and *Picnic at Hanging Rock*.

Currently, Fremantle – together with broadcasters and streaming platforms – is working on the realisation of at least 35 scripted series ideas. As a consequence, international drama productions are forecast to generate more than €500 million in revenue in 2021 (2018: €300 million).

Drama series are also key for RTL Group's VOD expansion plans. As a consequence, a VOD content working group has been established with Fremantle and RTL Group's major broadcasters to explore the joint development of high-end drama series.

3. **Maximising the global Fremantle network** by increasing scale in strategic markets. In recent years, the company has strengthened its Scandinavian and southern European footprint, with the opening of new offices in Sweden, Norway and Spain.

## DIGITAL

### MPNS

Total Video means maximising consumers' attention to RTL Group's video offerings, across all platforms and devices. This also includes the Group's multi-platform networks such as BroadbandTV, StyleHaul, Divimove and United Screens.

There are three key reasons:

- **Short-form video views continue to grow rapidly**, in particular on mobile devices and among younger people – a key audience for RTL Group and advertising clients.
- **Advertising and branded content revenues in the YouTube ecosystem continue to grow dynamically.**
- **the MPN space operates at global scale**, complementing RTL Group's families of channels on national levels – RTL Group has developed strong number one and two positions with its investments and is thus **well positioned to grow MPN margins and profit contributions** significantly.

As part of RTL Group's Total Video 2.0 strategy, the Group will bundle its fully controlled MPN businesses – StyleHaul, Divimove and United Screens – during 2019, to build a strong and profitable digital video group. This new group will operate on a global scale to reach and entertain young audiences.

The combination of Divimove and UFA X, announced at the end of 2018, is an important element of this strategy. The move will significantly enhance the creative power of RTL Group's MPN businesses and the variety of the Group's offers to advertisers in European markets. With its offices in Berlin and Cologne, UFA X will significantly enhance Divimove's capabilities in digital storytelling and format development in the future.

In summary, the new digital video group is about creating multi-platform revenues, building sustainable relationships with the most creative video creators and talent, and creating and owning intellectual property (IP).

### AD-TECH

Further substantial growth of RTL Group's digital revenue also requires **new skills in advertising technology**. To grow its ad-tech business, RTL Group combined the operations of **SpotX and Smartclip** in 2018 and will now integrate the platforms and scale it up through additional capabilities and partnerships.

SpotX has successfully become a Total Video company, with a strong focus on OTT (including VOD and live TV), addressable TV, and online video. SpotX's global strategy includes three pillars:

- **Total Video** – seamlessly transact all video via one platform, leveraging technologies built by SpotX, Smartclip, and RTL Group's recent acquisition, Yospace.
- **Customer value** – deliver products and services that add value to clients, including ad serving, programmatic infrastructure, data enablement, and demand facilitation services.
- **Global expansion** – continue to serve a global market while exploring growth potential in the Asian-Pacific and Latin American regions.

At the beginning of 2019, RTL Group announced it has signed an agreement to acquire control of the UK-based video technology company **Yospace**. The transaction closed on 1 February 2019. Yospace has developed one of the most advanced technologies for **Server-Side Dynamic Ad Insertion (SSDAI)** which allows the replacement of existing commercials from a broadcast stream with more targeted, personalised advertising. Yospace focuses on the premium streaming segment, which is also the fastest-growing and most significant market for RTL Group's global ad-tech company, SpotX. This market segment includes video-on-demand (VOD) and live video that can be streamed to any internet-connected device. As a result, the acquisition of Yospace complements RTL Group's ad-tech stack by ensuring a key technology that can win, retain and scale premium media clients, including RTL Group's broadcasters and streaming services.

In essence, the acquisition of Yospace furthers two strategic goals at the same time. First, RTL Group gains a competitive, fully integrated and profitable solution which is key to further grow SpotX. Secondly, the acquisition will help build local streaming champions in the markets where RTL Group has strong families of channels. The Yospace technology makes advertising on streaming services more personal, which means a better consumer experience for superior monetisation of the Group's premium advertising inventory.

**RTL Group's vision is to create an independent, global monetisation platform for video** – a large, innovative, customer-friendly alternative for broadcasters, streaming services and publishers. RTL Group aims to grow its ad-tech revenue by additional € 100 million until 2021.

# FINANCIAL REVIEW

## KEY PERFORMANCE INDICATORS

RTL Group uses various key performance indicators (KPIs) to control its financial situation, including revenue, audience share in main target groups, EBITDA and EBITA, RTL Group Value Added (RVA), net debt, and cash conversion. RTL Group uses some of the KPIs to set targets and to control business development in the context of its corporate strategy. For definitions and more details of these KPIs, see note 3. to the Consolidated Financial Statements in the Annual Report 2018.

RTL Group is reverting back to guidance on EBITA in its outlook statement. The Group believes this will provide a better operational KPI than continuing to use EBITDA. The Group notes that the analyst community continues to use EBITA – some on an exclusive basis – as the main KPI for the Group's profitability. Reverting back to EBITA will therefore align the Group's guidance to the expectations of the investment community. In addition, the Group's EBITDA will be affected by the

new IFRS 16 (Leases) standard from 2019 onwards. Both EBITDA and EBITA will continue to be reported on for the Group's business segments. As outlook guidance will revert back to EBITA, RTL Group will also comment primarily on EBITA as the KPI for operating profit in 2019.

RTL Group reports different alternative performance measures not defined by IFRS that management believe are relevant for measuring the performance of the Group's operations, the financial position and cash flows, and for making decisions. These KPIs also provide additional information for users of the financial statements regarding the management of the Group on a consistent basis over time and regularity of reporting.

RTL Group's KPIs may not be comparable to similarly titled measures reported by other groups due to differences in the way these measures are calculated.

## REVENUE

RTL Group estimates that the net TV advertising market increased in 2018 in all markets in which the Group is active, with the exception of Germany and French-speaking Belgium and Spain.

A summary of RTL Group's key markets is shown below, including estimates of net TV advertising market growth rates and the audience share of the main target audience group.

	Net TV advertising market growth rate 2018 (in per cent)	RTL Group audience share in main target group 2018 (in per cent)	RTL Group audience share in main target group 2017 (in per cent)
Germany	(2.0) to (2.5) <sup>20</sup>	27.5 <sup>21</sup>	28.9 <sup>21</sup>
France	+1.0 <sup>22</sup>	21.4 <sup>23</sup>	22.3 <sup>23</sup>
Netherlands	+3.0 <sup>20</sup>	27.2 <sup>24</sup>	31.1 <sup>24</sup>
Belgium	(3.0) <sup>20</sup>	35.3 <sup>25</sup>	36.9 <sup>25</sup>
Hungary	+0.6 <sup>20</sup>	28.6 <sup>26</sup>	31.2 <sup>26</sup>
Croatia	+5.1 <sup>20</sup>	27.1 <sup>27</sup>	29.7 <sup>27</sup>
Spain	(0.8) <sup>28</sup>	28.4 <sup>29</sup>	28.5 <sup>29</sup>

During the year to December 2018, RTL Group's total **revenue** was up 2.1 per cent to €6,505 million (2017: €6,373 million), once again reaching a record level. This was mainly driven by higher revenue from RTL Group's rapidly growing digital businesses, Fremantle and

RTL Nederland. Negative foreign exchange rate effects across all segments reduced revenue by €62 million. Underlying revenue (adjusting for portfolio changes and at constant exchange rates) was up 2.8 per cent to €6,516 million (2017: €6,339 million).

<sup>20</sup> Industry and RTL Group estimates

<sup>21</sup> Source: GfK. Target group: 14 – 59

<sup>22</sup> Source: Groupe M6 estimate

<sup>23</sup> Source: Médiamétrie. Target group: women under 50 responsible for purchases (free-to-air channels: M6, W9, 6ter)

<sup>24</sup> Source: SKO. Target group: 25 – 54, 18 – 24h

<sup>25</sup> Source: Audimétrie. Target group: shoppers 18 – 54, 17 – 23h

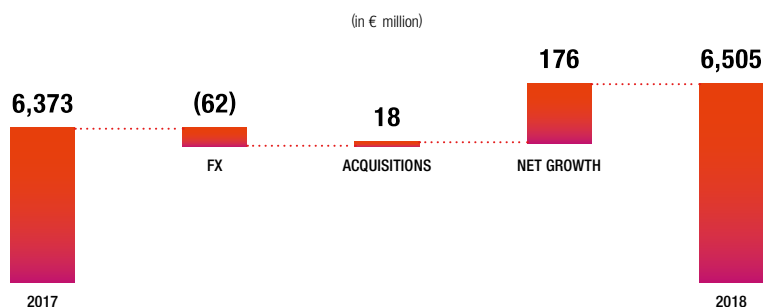
<sup>26</sup> Source: AGB Hungary. Target group: 18–49, prime time (including cable channels)

<sup>27</sup> Source: AGB Nielsen Media Research. Target group: 18 – 49, prime time

<sup>28</sup> Source: InfoAdex

<sup>29</sup> Source: TNS Sofres. Commercial target group: 25 – 59 (previously 16 – 54)

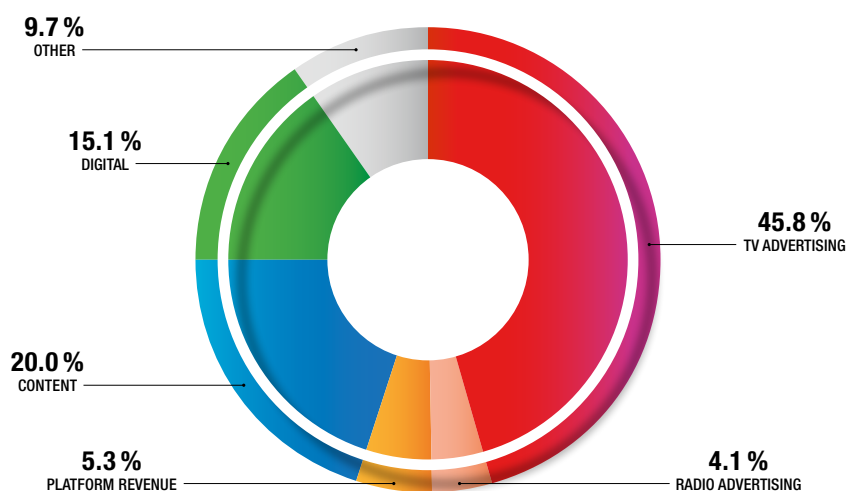
## RTL GROUP REVENUE BRIDGE IN 2018



RTL Group's revenue is well diversified with 45.8 per cent from TV advertising, 20.0 per cent from content, 15.1 per cent from digital activities, 5.3 per cent from platform revenue, 4.1 per cent from radio advertising and 9.7 per cent from other revenue.

In contrast to some competitors, RTL Group only recognises pure digital businesses as digital revenue and does not consider e-commerce, home shopping or platform revenue as digital revenue. Revenue from e-commerce and home shopping are included in "other revenue".

## RTL GROUP REVENUE SPLIT



## GEOGRAPHICAL REVENUE OVERVIEW

	2018 €m	2017 €m	2016 €m
Germany	2,168	2,266	2,204
France	1,460	1,471	1,419
USA	972	800	802
Netherlands	549	502	514
UK	245	248	227
Belgium	211	226	232
Others	900	860	839

For more details on geographical information, see note 5.2 to the Consolidated Financial Statements in the Annual Report 2018.

## EBITDA AND EBITA

**Reported EBITDA** was €1,380 million compared to €1,464 million in 2017 (down 5.7 per cent). Adjusted for the significant positive one-off effect from the sale of RTL Group's buildings in Rue Bayard, Paris (+€94 million in 2017), EBITDA was slightly up 0.7 per cent year on year. The **EBITDA margin (reported)** was slightly down to 21.2 per cent (2017: 23.0 per cent).

In 2018, the Group's **EBITA** was down 6.2 per cent to €1,171 million for the year (2017: €1,248 million), resulting in an **EBITA margin** of 18.0 per cent (2017: 19.6 per cent).

## RTL GROUP VALUE ADDED

The central performance indicator for assessing the profitability from operations and return on invested capital is **RTL Group Value Added (RVA)**. RVA measures the profit realised above and beyond the expected return on invested capital. This form of value orientation is reflected in strategic investment and portfolio planning – including the management of Group operations – and is the basis for senior management variable compensation.

The RVA is the difference between net operating profit after tax (NOPAT), defined as EBITA adjusted for a uniform tax rate of 33 per cent, and cost of capital.

The NOPAT corresponds to the sum of (i) EBITA of fully consolidated entities and share of result of investments accounted for using the equity method not already taxed adjusted for a uniform tax rate of 33 per cent, and (ii) share of result of investments accounted for using the equity method already taxed.

The cost of capital is the product of the weighted average cost of capital (a uniform 8 per cent after tax) and the average invested capital (operating assets less non-interest bearing operating liabilities as reported in note 5.1). 66 per cent of the present value of operating leases and of satellite transponder service agreements (both net of related commitments received from investments accounted for using the equity method) is also taken into account when calculating the average invested capital.

In 2018, RVA was €442 million (2017: €488 million). For more detailed information on RVA, see note 3. to the Consolidated Financial Statements in the Annual Report 2018.

## NET DEBT AND CASH CONVERSION

The consolidated **net debt** at 31 December 2018 amounted to €470 million (31 December 2017: net debt of €545 million). The Group intends to maintain a conservative level of gearing of between 0.5 and 1.0 times net debt to full-year EBITDA in order to benefit from an efficient capital structure.

The Group continues to generate significant operating cash flow, with an EBITA to cash conversion ratio of 90 per cent in 2018 (2017: 104 per cent).

	As at 31 December 2018 €m	As at 31 December 2017 €m
<b>Net (debt)/cash position</b>		
Gross balance sheet debt	(894)	(815)
Add: cash and cash equivalents and other short-term investments	424	270
<b>Net (debt)/cash position<sup>30</sup></b>	<b>(470)</b>	<b>(545)</b>

For more detailed information on net (debt)/cash position, see note 3. to the Consolidated Financial Statements in the Annual Report 2018.

<sup>30</sup> Of which €79 million held by Groupe M6 (as at 31 December 2017: negative cash €34 million)

## FINANCIAL DEVELOPMENT OVER TIME

	2018 €m	2017 €m	2016 €m	2015 €m	2014 <sup>31</sup> €m
Revenue	6,505	6,373	6,237	6,029	5,808
EBITDA	1,380	1,464	1,411	1,360	1,347
EBITA	1,171	1,248	1,205	1,167	1,144
RVA	442	488	462	455	457
Net (debt)/cash	(470)	(545)	(576)	(671)	(599)
Cash conversion (in per cent)	90	104	97	87	95

## OTHER PERFORMANCE INDICATORS

### OPERATING EXPENSES

Group operating expenses were up 2.3 per cent to €5,464 million (2017: €5,342 million).

### INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The total contribution of investments accounted for using the equity method amounted to €56 million (2017: €63 million).

### GAIN FROM SALE OF SUBSIDIARIES, OTHER INVESTMENTS AND RE-MEASUREMENT TO FAIR VALUE OF PRE-EXISTING INTEREST IN ACQUIREE

In 2018, the Group recorded a gain of €25 million (2017: €21 million).

### INTEREST EXPENSE

Net interest expense amounted to €20 million (2017: expense of €22 million), primarily due to the interest charge on the Group's financial debt, pension costs and other interest expenses.

### IMPAIRMENT OF GOODWILL, AMORTISATION AND IMPAIRMENT OF FAIR VALUE ADJUSTMENTS ON ACQUISITIONS OF SUBSIDIARIES AND JOINT VENTURES

The Group has conducted an impairment testing on the different cash generating units (see note 8.2 to the Consolidated Financial Statements in the Annual Report 2018).

The loss totalling €120 million includes an impairment of €105 million against StyleHaul and the amortisation and impairment of fair value adjustments on acquisitions of subsidiaries amounting to €15 million (2017: €17 million).

### INCOME TAX EXPENSE

In 2018, the tax expense was €278 million (2017: expense of €385 million). The tax charge in 2018 was substantially lower than in 2017 primarily due to a higher commission income of €28 million (2017: €2 million) and also the recognition of a deferred tax asset on losses carry forward amounting to €67 million.

### PROFIT ATTRIBUTABLE TO RTL GROUP SHAREHOLDERS

The profit for the period attributable to RTL Group shareholders was €668 million (2017: €739 million).

### EARNINGS PER SHARE

Reported earnings per share, based upon 153,548,938 shares, was €4.35 (2017: €4.81 per share based on 153,548,960 shares).

### OWN SHARES

RTL Group has an issued share capital of €191,845,074 divided into 154,742,806 fully paid up shares with no defined nominal value.

RTL Group directly and indirectly holds 0.8 per cent (2017: 0.8 per cent) of RTL Group's shares (without taking into account the liquidity programme).

### PROFIT APPROPRIATION (RTL GROUP SA)<sup>32</sup>

The annual accounts of RTL Group show a profit for the financial year 2018 of €496,254,473 (2017: €642,428,692). Taking into account the share premium account of €4,691,802,190 (2017: €4,691,802,190) and the profit brought forward of €446,023,311 (2017: €418,503,565), the amount available for distribution is €5,479,524,455 (2017: €5,598,187,411), net of an interim dividend of €154,555,519 (€1.00 per share) as decided by the Board of Directors of RTL Group on 28 August 2018 and paid on 6 September 2018 (2017: €154,547,036) (i.e. €1.00 per share).

<sup>31</sup> 2014 figures adjusted for changes in purchase price allocation

<sup>32</sup> Amounts in Euro except where stated

## MAIN PORTFOLIO CHANGES

### UNITED SCREENS

In January 2018, RTL Group fully acquired United Screens, the leading multi-platform network (MPN) in the Nordic countries. With this investment, RTL Group expands its footprint as the leading European media company in online video.

### MONALBUMPHOTO

In July 2018, Groupe M6 disposed of its entire shareholding in monAlbumPhoto to Albelli. monAlbumPhoto operated in the e-commerce sector

principally in the printing, design and personalisation of photographic products. A gain on disposal amounting to €22 million was recorded in these accounts.

### GIRONDINS DE BORDEAUX

In November 2018, Groupe M6 disposed of its entire shareholding in the Football Club des Girondins de Bordeaux (FCGB) to General American Capital Partners. A loss on disposal amounting to €7 million was recorded in these accounts.

## MAJOR RELATED PARTY TRANSACTIONS

### SALES AND PURCHASES OF GOODS AND SERVICES

During the year the Group made sales of goods and services, purchases of goods and services to Bertelsmann Group amounting to €11 million (2017: €16 million) and €27 million (2017: €23 million), respectively. At the year-end, the Group had trade accounts receivable and payable due from/to Bertelsmann Group amounting to €5 million (2017: €3 million) and €6 million (2017: €6 million), respectively.

### DEPOSITS BERTELSMANN SE & CO. KGAA

With the view to investing its cash surplus, RTL Group SA entered in 2006 with Bertelsmann SE & Co. KGaA (previously Bertelsmann AG) into a Deposit Agreement, the main terms of which are:

- Interest rates are based on an overnight basis on EONIA plus 10 basis points; or on a one to six-month basis, EURIBOR plus 10 basis points;
- Bertelsmann SE & Co. KGaA grants to RTL Group as security for all payments due by Bertelsmann SE & Co. KGaA a pledge on:
  - all shares of its wholly owned French subsidiary Média Communication SAS;
  - all shares of its wholly owned Spanish subsidiary Media Finance Holding SL (Arvato excluded);
  - all shares of its wholly owned German subsidiary Gruner + Jahr GmbH (former Gruner + Jahr GmbH & Co. KG);
  - all shares of its wholly owned English subsidiary Bertelsmann UK Ltd (Arvato excluded).

The shares of Gruner + Jahr GmbH and shares of Bertelsmann UK Ltd have also been granted as pledge by Bertelsmann SE & Co. KGaA to CLT-UFA SA, a subsidiary of RTL Group, in connection with the accounts receivable related to PLP and Compensation Agreements as defined below.

On 22 December 2011, RTL Group Deutschland GmbH, a Group company, and Bertelsmann SE & Co. KGaA entered into an agreement related to the deposit of surplus cash by RTL Group Deutschland GmbH with the shareholder. To secure the deposit, Bertelsmann pledged to RTL Group Deutschland GmbH its shares of Gruner + Jahr GmbH.

At 31 December 2018 and 31 December 2017, neither RTL Group SA nor RTL Group Deutschland GmbH held any deposit with Bertelsmann SE & Co. KGaA. The interest income for the period is €nil million (2017: €nil million).

RTL Group SA has additionally entered into a Treasury Agreement in North America with Bertelsmann Inc. Interest rates are based on US Libor plus 10 basis points. At 31 December 2018, the balance of the cash pooling accounts receivable and payable amounts to €2 million (2017: €4 million). The interest income/expense for the year is €nil million (2017: €nil million).

### LOANS FROM BERTELSMANN SE & CO. KGAA AND BERTELSMANN BUSINESS SUPPORT SÀRL

On 7 March 2013, RTL Group Deutschland GmbH, a Group company, and Bertelsmann SE & Co. KGaA entered into a shareholder loan agreement pursuant to which Bertelsmann makes available a term loan facility in the amount of €500 million and a revolving and swingline facility in the amount of up to €1 billion. Revolving loan terminated in February 2018. RTL Group has re-negotiated an extension for another five-year period. The main terms of these facilities are:

- Term loan facility of €500 million until 7 March 2023 bearing interest at 2.713 per cent per annum; RTL Group SA has the right to early repay the loan subject to break costs. On 23 June 2016, the term loan facility of €500 million was transferred from Bertelsmann SE & Co. KGaA to

Bertelsmann Business Support Sàrl controlled by Bertelsmann Luxembourg Sàrl. At 31 December 2018, the term loan balance amounts to €500 million (2017: €500 million);

- Revolving loans bear interest at the applicable EURIBOR plus a margin of 0.40 per cent per annum, and swingline loans bear interest at EONIA plus a margin of 0.40 per cent per annum. A commitment fee of 30 per cent of the applicable margin is payable on the undrawn amount of the total credit facility. At 31 December 2018, the total of revolving and swingline loan amounts to €232 million (2017: €138 million).

The interest expense for the period amounts to €15 million (2017: €15 million). The commitment fee charge for the period amounts to €0.9 million (2017: €0.6 million).

## TAX

On 26 June 2008, the Board of Directors of RTL Group agreed to proceed with the tax pooling of its indirect subsidiary RTL Group Deutschland GmbH ("RGD") into BCH, a direct subsidiary of Bertelsmann SE & Co. KGaA.

To that effect, RGD entered into a Profit and Loss Pooling Agreement ("PLP Agreement") with BCH for a six-year period starting 1 January 2008. Simultaneously, Bertelsmann SE & Co. KGaA entered into a Compensation Agreement with CLT-UFA, a direct subsidiary of RTL Group, providing for the payment to CLT-UFA of an amount compensating the above profit transfer and an additional commission ("Commission") amounting to 50 per cent of the tax saving based upon the taxable profit of RGD.

Through these agreements, as from 1 January 2008, Bertelsmann SE & Co. KGaA and the RGD sub-group of RTL Group are treated as a single entity for German income tax purposes.

As the PLP Agreement does not give any authority to BCH to instruct or control RGD, it affects neither RTL Group nor RGD's ability to manage their business, including their responsibility to optimise their tax structures as they deem fit. After six years, both PLP and Compensation Agreements are renewable on a yearly basis. RGD and CLT-UFA have the right to request the early termination of the PLP and Compensation Agreements under certain conditions. On 15 May 2013, the Board of Directors of RTL Group

agreed to the amendment of the Compensation Agreement in light of the consumption of the trade tax and corporate tax losses at the level of Bertelsmann SE and Co. KGaA and of the expected level of indebtedness of RTL Group in the future.

The PLP Agreement was slightly amended in 2014 on the basis of a recent change to German corporate tax law.

In the absence of specific guidance in IFRS, RTL Group has elected to recognise current income taxes related to the RGD sub-group based on the amounts payable to Bertelsmann SE & Co. KGaA and BCH as a result of the PLP and Compensation Agreements described above. Deferred income taxes continue to be recognised, based upon the enacted tax rate, in the consolidated financial statements based on the amounts expected to be settled by the Group in the future. The Commission, being economically and contractually closely related to the Compensation, is accounted for as a reduction of the tax due under the Agreements. At 31 December 2018, the balance payable to BCH amounts to €633 million (2017: €450 million) and the balance receivable from Bertelsmann SE & Co. KGaA amounts to €481 million (2017: €267 million).

For the year ended 31 December 2018, the German income tax in relation to the tax pooling with Bertelsmann SE & Co. KGaA amounts to €180 million (2017: €183 million). The Commission amounts to €28 million (2017: €2 million).

The UK Group relief of Fremantle Group to Bertelsmann Group resulted in a tax income of €6 million (2017: €4 million).

All Danish entities under common control by an ultimate parent are subject to Danish tax consolidation, which is mandatory under Danish tax law. Arvato Finance A/S, a 100 per cent held subsidiary of Bertelsmann SE & Co. KGaA, was elected as the management company of the Bertelsmann Denmark Group.

All Spanish entities with direct or indirect shareholding of at least 75 per cent by an ultimate parent are subject to Spanish tax consolidation which is mandatory under Spanish tax law. Bertelsmann SE & Co. KGaA appointed Bertelsmann España, S.L. as Spanish representative of the consolidated tax group in Spain.

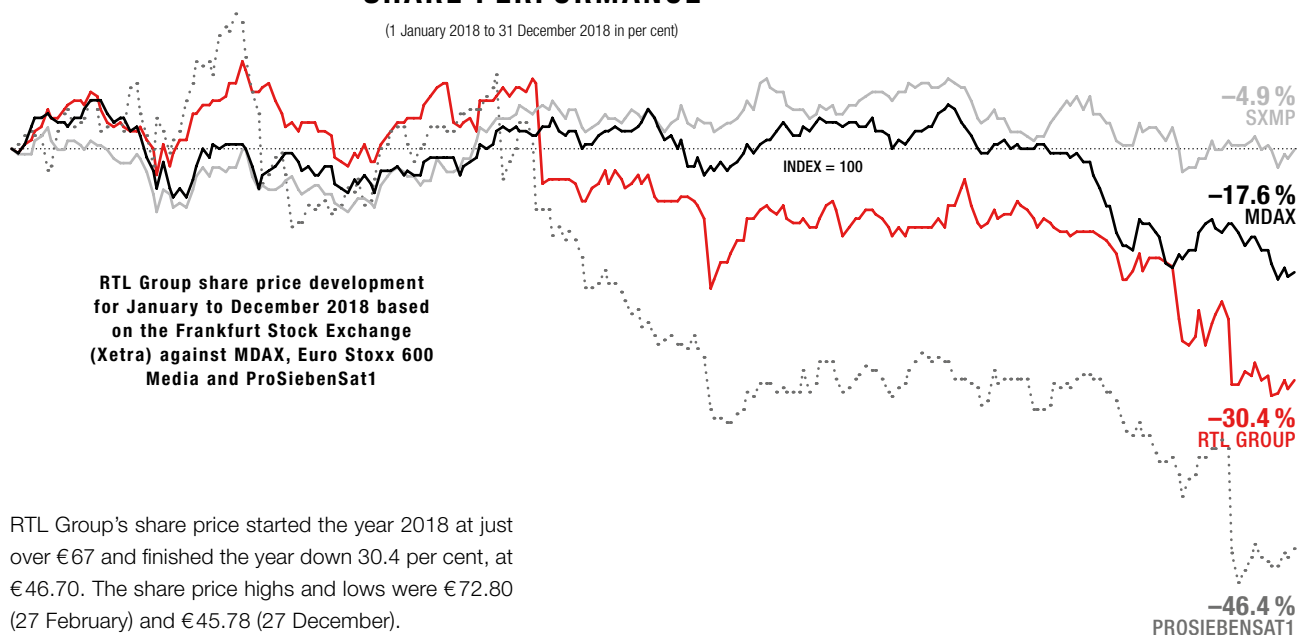
# CAPITAL MARKETS AND SHARE

RTL Group's shares (ISIN: LU0061462528) are publicly traded on the regulated market (Prime Standard) of the Frankfurt Stock Exchange and on the Brussels

and Luxembourg stock exchanges. Since September 2013, RTL Group has been listed in the prestigious MDAX stock index.

## SHARE PERFORMANCE

(1 January 2018 to 31 December 2018 in per cent)



RTL Group's share price started the year 2018 at just over €67 and finished the year down 30.4 per cent, at €46.70. The share price highs and lows were €72.80 (27 February) and €45.78 (27 December).

On a quarterly basis, the average share price evolved as follows:

- Q1:** €68.93
- Q2:** €67.00
- Q3:** €62.49
- Q4:** €53.98

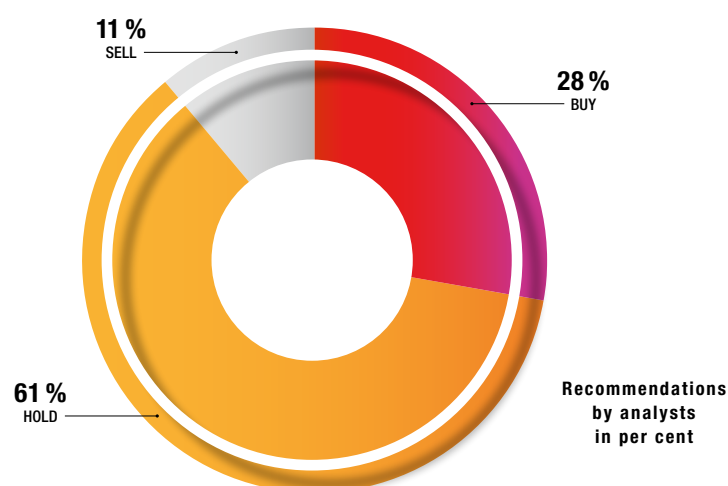
The quarterly performance clearly indicates that the weakness set in from October on – largely driven by external factors such as a significant US technology sell-off, macro concerns including fears of a trade war between the United States and China, Italian budget issues, and the continuing debate around Brexit.

The Group declared and paid dividends in both April and September 2018. The April payment of €3.00 (gross) per share related to the 2017 full-year ordinary dividend. In September the Board authorised the distribution of an interim dividend payment of €1.00 per share. The total cash paid out in 2018 with respect to RTL Group's dividends amounted to €614 million. Based on the average share price in 2018 (€63.06), the total dividends for the fiscal year 2018 (€4.00 per share; 2017: €4.00 per share) represent a dividend yield of 6.3 per cent (2017: 5.9 per cent) and a payment of 92 per cent of the reported EPS (€4.35).

## ANALYSTS' VIEWS ON RTL GROUP

28 per cent (5 out of 18) of analysts that have published notes known of by the Group since the announcement of the 2018 half-year results recommended RTL Group shares as a buy at the end of the year (2017: 41 per cent). 61 per cent (11 out of 18) recommended holding the share (2017: 55 per cent) and the remaining 11 per cent (2 out of 18) recommended selling (2017: 4 per cent). Their average price target at the end of 2018 was €59.61 (compared to €75.87 at the end of 2017) with their price expectations ranging from €37 to €75.

Recommendations by financial analysts play an important role in helping investors make decisions. With a total of 18 brokerage firms and financial institutions covering RTL Group and publishing a note since the announcement of the 2018 half-year results (2017: 22), the share is broadly covered.



In order to discuss RTL Group's strategy with its current investors and to present the company to existing and potential new investors, the RTL Group Executive Committee and the Head of Investor Relations participated in various conferences in Europe and North America and held a number of roadshows and meetings covering all of the major financial centres, including

New York, Boston, Frankfurt, Paris, Toronto, Montreal, Zurich and London. The level of financial communication and transparency provided by the Group was recognised in the Extel 2018 results. In this widely recognised survey RTL Group's CFO ranked sixth out of 39 as best in media with Investor Relations ranking eighth out of 67 as best IR professional in media.

As of 31 December 2018, the following analysts were covering RTL Group's shares:

Bank	Analyst	Latest recommendation
Deutsche Bank	Laurie Davison	Sell
Barclays Capital	Julien Roch	Neutral
UBS	Richard Eary	Neutral
Bank of America Merrill Lynch	Adrien de St.Hilaire	Neutral
Société Générale	Christophe Cherblanc	Hold
Bankhaus Lampe	Christoph Bast	Hold
Citi	Catherine O'Neill	Neutral
Goldman Sachs	Lisa Yang	Neutral
HSBC	Chris Johnen	Hold
Morgan Stanley	Omar Sheikh	Sell
Exane BNP	William Packer / Annick Maas	Outperform
JP Morgan	Daniel Kerven	Neutral
Petercam	Michael Roeg	Hold
KBC	Ruben Devos	Accumulate
Kepler Cheuvreux	Conor O'Shea	Hold
Nord LB	Holger Fechner	Buy
Warburg Research	Lucas Boventer	Hold
ODDO BHF	Jerome Bodin	Buy
Pareto	Mark Josefson	Buy

## RTL GROUP RATING

RTL Group has ratings from both S&P and Moody's on a standalone basis. The current credit ratings are BBB+ (stable) and Baa1 (stable) respectively. These are unchanged compared to previous rating reviews.

RTL Group's ratings are aligned to those of its parent company, Bertelsmann SE & Co. KG, due to its shareholding level and control on RTL Group.

## RTL GROUP DIVIDEND POLICY

RTL Group offers an attractive ordinary dividend policy with a pay-out ratio between 50 and 75 per cent of the Group's adjusted net result.

The adjusted net result, if any, is the reported net result available to RTL Group shareholders, adjusted for significant one-off items (both positive and negative) above €10 million. The Group reports its adjusted net result, and provides reconciliation to the reported net result, when it announces its full-year results.

The Group intends to maintain or, where possible, to have a progressive ordinary dividend over time.

As well as the ordinary dividend, the Board also considers, twice a year, whether there is a chance to pay additional dividends to shareholders in the form of interim dividends. The ability to pay an interim dividend depends on the Group's financial capacity – noting that the Group aims to have a balance sheet efficiency of between 0.5 and 1.0 times net debt to full-year EBITDA – and the amount of cash earmarked for further growth opportunities.

## RTL GROUP'S SHAREHOLDER RETURN

RTL Group measures its Total Shareholder Return (TSR), using the share price development and the dividend paid over the same time frame, and assumes that the share has been held for this full period.

Over the past five years (since 2014), three years (since 2016) and last year (2018) the TSR of RTL Group shares is as follows:

	2014	2016	2018
Share price as of 1 January in €	93.93	77.05	67.07
Closing share price as of 31 December 2018 in €	–	–	46.70
Cumulative dividends paid (including intervening years and extraordinary dividends) in €	23.00	12.00	4.00
Total shareholder return in per cent	(26)	(24)	(24)

The TSR has been calculated as follows (using 1 January 2014 as an example):

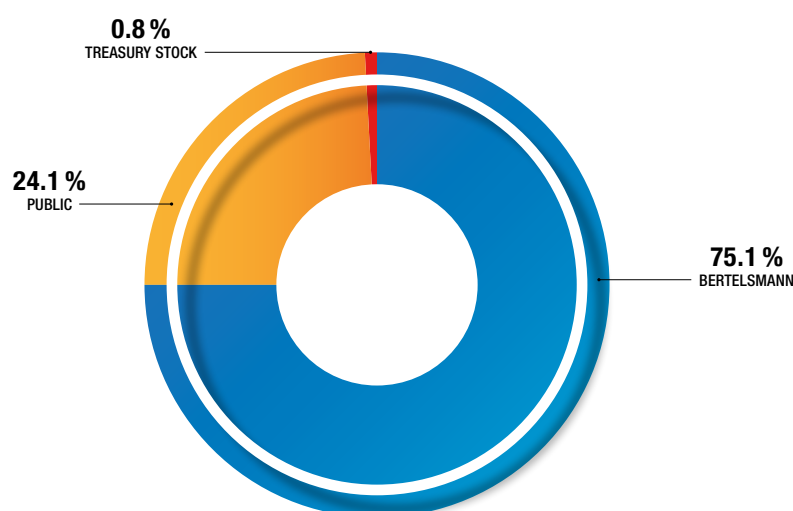
$$\text{TSR} = \frac{[\text{Closing share price at 31 December 2018}] + [\text{cumulative dividends paid from 1 January 2014 until 31 December 2018}]}{[\text{Share price as of 1 January 2014}]} - 1$$

$$\text{TSR} = \frac{€ 46.70 + € 23.00}{€ 93.93} - 1 = -25.8\%$$

## RTL GROUP SHAREHOLDING STRUCTURE

The share capital of the company is set at €191,845,074, divided into 154,742,806 shares with no par value.

The shares shall be in the form of either registered or bearer shares, at the option of the owner.



Bertelsmann has been the majority shareholder of RTL Group since July 2001. As at December 2018, Bertelsmann held 75.1 per cent of RTL Group shares, and 24.1 per cent were free float. The remaining 0.8 per cent were held collectively as treasury stock by RTL Group and one of its subsidiaries.

There is no obligation for a shareholder to inform the company of any transfer of bearer shares save for the obligations provided by the Luxembourg law of 15 January 2008 on transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market. Accordingly, the Company shall not be liable for the accuracy or completeness of the information shown.

## RTL GROUP SHARE MASTER DATA

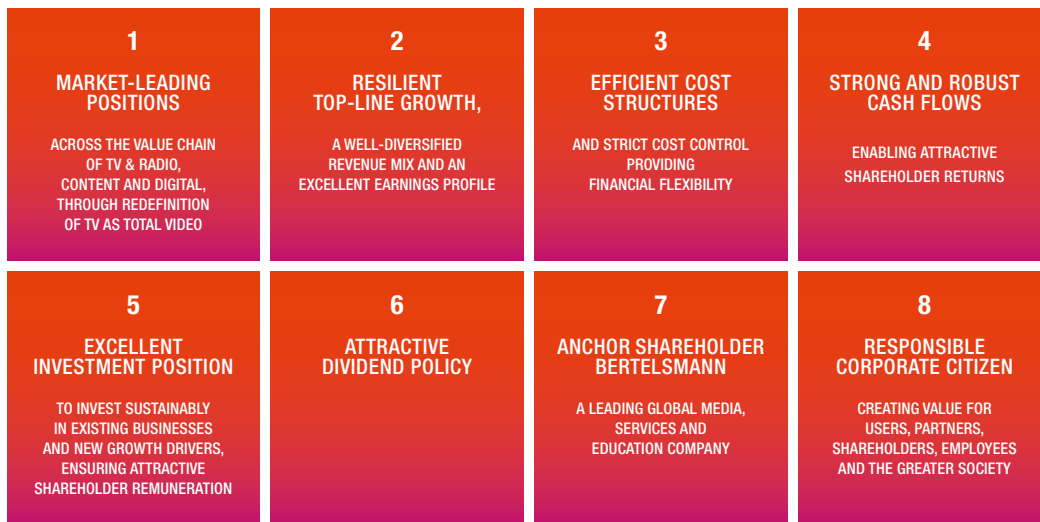
ISIN	LU0061462528
Exchange symbol	RRTL
WKN	861149
Share type	Ordinary
Bloomberg code	RRTL:GR
Reuters code	RRTL
Ticker	RRTL
Transparency level on first quotation	Prime standard
Market segment	Regulated market
Trading model	Continuous trading
Sector	Media
Stock exchanges	Frankfurt, Luxembourg, Brussels
Last total dividend	€4.00
Number of shares	154,742,806
Market capitalisation <sup>33</sup>	€7,226,489,040
52 week high	€72.80 (27 February 2018)
52 week low	€45.78 (27 December 2018)

## INDICES

RTL Group's shares are listed in the indices with the weight as outlined below:

Index	Weight in per cent
MDAX	1.2145
MDAX Kursindex	1.2145
Prime All Share	0.1745
STOXX Europe 600	0.03
STOXX Europe 600 Media	1.39
HDAX	0.2007

## RTL GROUP'S EQUITY STORY: WHY INVEST IN RTL GROUP?



### MARKET-LEADING POSITIONS

- RTL Group is a global leader across broadcast, content and digital, with interests in 60 television channels and 30 radio stations, content production throughout the world, and rapidly growing digital video businesses
- RTL Group has redefined TV as Total Video and has market-leading positions across the value chain of video production, aggregation, distribution and monetisation. With their families of channels, RTL Group's broadcasters are either number one or number two in the European markets in which they operate. Fremantle, RTL Group's production arm, is a global leader in content production. And with its recent digital investments, RTL Group is one of the front runners in the high-growth market of online video
- RTL Group acts from a position of strength in all strategic areas: broadcast, content and digital

### RESILIENT TOP-LINE GROWTH

- RTL Group stands for resilient top-line growth, a well-diversified revenue mix and an excellent earnings profile

### EFFICIENT COST STRUCTURES AND STRICT COST CONTROL

- RTL Group's revenues are generated on the basis of an efficient cost structure and strict cost control providing financial flexibility to the management

### STRONG AND ROBUST CASH FLOWS

- RTL Group's business model is based on strong and robust cash flows, enabling attractive shareholder returns

### EXCELLENT INVESTMENT POSITION

- RTL Group is in an excellent position to invest sustainably in existing businesses and to explore new growth drivers through acquisitions, while simultaneously ensuring attractive shareholder remuneration

### ATTRACTIVE DIVIDEND POLICY

- RTL Group offers an attractive ordinary dividend policy with a pay-out ratio of between 50 and 75 per cent of the Group's adjusted net result
- RTL Group intends to maintain or, where possible, to have a progressive ordinary dividend over time

### ANCHOR SHAREHOLDER BERTELSMANN

- RTL Group's largest shareholder is Bertelsmann, a leading media, services and education company that operates in around 50 countries worldwide

### RESPONSIBLE CORPORATE CITIZEN

- RTL Group is a responsible corporate citizen, creating value for viewers, listeners and digital users, partners, shareholders, employees and the greater society

# GENERAL MANAGEMENT STATEMENT ON THE FISCAL YEAR 2018 PERFORMANCE

Linear TV continues to dominate the Total Video market and is the only medium to consistently reach mass audiences day by day. In total, people watch more video content than ever before – long-form and short-form, linear and non-linear, on televisions and portable devices. The demand for high-quality video content is growing rapidly, and online video advertising with it.

RTL Group estimates that the net TV advertising markets grew in 2018 in all markets in which the Group is active – with the exception of Germany and French-speaking Belgium.

RTL Group's broadcasting business proved to be resilient – particularly at Mediengruppe RTL Deutschland, Groupe M6, RTL Nederland and RTL Belgium which reported very healthy EBITDA margins of 17.5 per cent (RTL Nederland) to 32.7 per cent (Mediengruppe RTL Deutschland). Across Europe, RTL Group's flagship channels remained number one or number two in their respective markets and target groups.

Throughout the year, Fremantle further increased creative diversity within the company. With its high-end drama productions on screen in 2018 – *My Brilliant Friend*, *Picnic at Hanging Rock* and *Deutschland 86* – Fremantle has successfully positioned itself as a high-quality drama producer with worldwide appeal for both broadcasters and streaming services. Additionally, the return of *American Idol* in 2018 was an important achievement for Fremantle and RTL Group. As one of the biggest independent production companies, Fremantle continues to focus on creative talent and on developing projects that will feed into its network.

RTL Group's digital revenue increased by 19.2 per cent to €985 million during 2018 – representing about 15.1 per cent of the Group's total revenue – as a result of both acquisitions and organic growth.

For the full year 2018, RTL Group's organic revenue growth of 2.8 per cent was in line with its financial guidance (moderately up: +2.5 per cent to +5.0 per cent). In terms of operating profit, the Group was also in line with its guidance on EBITDA (adjusted for the significant positive one-off effect of +€94 million in 2017 from the sale of buildings in Paris: broadly stable, i.e. –1.0 per cent to +1.0 per cent) with operational EBITDA increasing by 0.7 per cent to €1,380 million. The reported EBITDA margin was healthy at 21.2 per cent. Overall, 2018 was a positive financial year for RTL Group. In 2018, RVA was €442 million.

At the time this Directors' report was compiled, RTL Group is characterised by overall very good revenue and earnings, as well as a strong financial position and operating performance. Strong cash flows allow the combination of attractive dividend payments with significant investments, in particular into the Group's streaming services and into content production. Management's first priority has always been to further develop the Group, to make the right investments, and to achieve profitable growth.

Across broadcast, content, and digital, RTL Group has strong positions to accelerate the Total Video strategy: a highly profitable, cash-generating core business in TV broadcasting; Fremantle has successfully branched out into scripted drama, while in digital video, RTL Group is among the leaders in both ad tech and the rapidly growing YouTube ecosystem.

# REVIEW BY SEGMENTS

## FULL-YEAR

Revenue	2018 €m	2017 <sup>34</sup> €m	Per cent change
Mediengruppe RTL Deutschland	2,226	2,289	(2.8)
Groupe M6	1,483	1,503	(1.3)
Fremantle	1,592	1,472	+8.2
RTL Nederland	508	477	+6.5
RTL Belgium	186	191	(2.6)
Other segments	753	676	+11.4
Eliminations	(243)	(235)	–
<b>Total revenue</b>	<b>6,505</b>	<b>6,373</b>	<b>+2.1</b>

EBITDA	2018 €m	2017 €m	Per cent change
Mediengruppe RTL Deutschland	728	738	(1.4)
Groupe M6	400	389	+2.8
Fremantle	147	140	+5.0
RTL Nederland	89	87	+2.3
RTL Belgium	41	21	+95.2
Other segments	(25)	89 <sup>35</sup>	
<b>Reported EBITDA</b>	<b>1,380</b>	<b>1,464</b>	<b>(5.7)</b>

EBITDA margins	2018 per cent	2017 per cent	Percentage point change
Mediengruppe RTL Deutschland	32.7	32.2	+0.5
Groupe M6	27.0	25.9	+1.1
Fremantle	9.2	9.5	(0.3)
RTL Nederland	17.5	18.2	(0.7)
RTL Belgium	22.0	11.0	+11.0
<b>RTL Group</b>	<b>21.2</b>	<b>23.0</b>	<b>(1.8)</b>

<sup>34</sup> 2017 comparatives have been re-presented as if the following transfers had occurred on 1 January 2017:

- The transfer of the international activities of Smartclip from Mediengruppe RTL Deutschland to SpotX (shown in 'Other segments');
- The transfer of Smartclip Benelux from Mediengruppe RTL Deutschland to RTL Nederland

<sup>35</sup> Other segments 2017 EBITDA includes a positive one-off effect from the sale of RTL Group's buildings in Rue Bayard, Paris, of €94 million

## THREE MONTHS ENDED 31 DECEMBER (Q4)

Revenue	Q4/2018 €m	Q4/2017 <sup>36</sup> €m	Per cent change
Mediengruppe RTL Deutschland	694	736	(5.7)
Groupe M6	431	454	(5.1)
Fremantle	538	502	+7.2
RTL Nederland	156	146	+6.8
RTL Belgium	56	56	+0.0
Other segments	246	205	+20.0
Eliminations	(84)	(76)	
<b>Total revenue</b>	<b>2,037</b>	<b>2,023</b>	<b>+0.7</b>

EBITDA	Q4/2018 €m	Q4/2017 €m	Per cent change
Mediengruppe RTL Deutschland	244	241	+1.2
Groupe M6	123	125	(1.6)
Fremantle	81	76	+6.6
RTL Nederland	34	42	(19.0)
RTL Belgium	17	(2)	>100.0
Other segments	(11)	93 <sup>37</sup>	
<b>Reported EBITDA</b>	<b>488</b>	<b>575</b>	<b>(15.1)</b>

EBITDA margins	Q4/2018 per cent	Q4/2017 per cent	Percentage point change
Mediengruppe RTL Deutschland	35.2	32.7	+2.5
Groupe M6	28.5	27.5	+1.0
Fremantle	15.1	15.1	–
RTL Nederland	21.8	28.8	(7.0)
RTL Belgium	30.4	(3.6)	+34.0
<b>RTL Group</b>	<b>24.0</b>	<b>28.4</b>	<b>(4.4)</b>

<sup>36</sup> 2017 comparatives have been re-presented as if the following transfers had occurred on 1 January 2017:

- The transfer of the international activities of Smartclip from Mediengruppe RTL Deutschland to SpotX (shown in 'Other segments');
- The transfer of Smartclip Benelux from Mediengruppe RTL Deutschland to RTL Nederland

<sup>37</sup> Other segments 2017 EBITDA includes a positive one-off effect from the sale of RTL Group's buildings in Rue Bayard, Paris, of €94 million

# MEDIENGRUPPE RTL DEUTSCHLAND

## FINANCIAL RESULTS

In the challenging environment of the German net TV advertising market – estimated to be down between 2.0 and 2.5 per cent – Mediengruppe RTL Deutschland's revenue decreased by 2.8 per cent to €2,226 million (2017: €2,289 million), mainly due to lower TV advertising. The high-margin platform revenue was slightly up, while digital revenue was strongly up, driven by increased VOD revenue and digital advertising. EBITDA was slightly down from €738 million in 2017 to €728 million – a decrease of 1.4 per cent. This was mainly due to lower TV advertising revenue in a year in which major sporting events such as the FIFA World Cup 2018 and Winter Olympics were broadcast by the public TV channels. The decrease was partly compensated by lower programming costs at RTL Television – as the channel broadcast only two football matches of the German national team (2017: six matches) and no boxing fights in 2018 (2017: three fights) – as well as the reversal of specific legal provisions.

	2018 €m	2017 <sup>38</sup> €m	Per cent change
Revenue	2,226	2,289	(2.8)
EBITDA	728	738	(1.4)
EBITA	715	722	(1.0)

## AUDIENCE RATINGS

In 2018, the combined average audience share of **Mediengruppe RTL Deutschland** in the target group of viewers aged 14 to 59 decreased to 27.5 per cent<sup>39</sup> (2017: 28.9 per cent) – mainly due to the FIFA World Cup 2018 being broadcast on the public channels. The German RTL family of channels retained a lead of 2.7 percentage points over its main commercial competitor, ProSiebenSat1 (24.8 per cent, 2017: 4.5 percentage points).

With an audience share of 10.4 per cent in the target group of viewers aged 14 to 59 in 2018 (2017: 11.3 per cent), **RTL Television** was the leading channel in the target group for the 26th consecutive year, well ahead of ZDF (9.0 per cent), ARD (8.1 per cent), Sat1 (8.0 per cent), and ProSieben (7.1 per cent). Once again, RTL Television was the only channel with a double-digit audience share in this demographic.

RTL Television's most-watched programme in 2018 was the Germany versus Peru football friendly game on 9 September 2018 which attracted a peak audience of 8.11 million. Germany's 2:1 victory was watched by an average of 7.78 million total viewers – a total audience share of 25.5 per cent. In the 14 to 59 target group, the audience share was 23.0 per cent. Once again, *Ich bin ein Star – Holt mich hier raus!* (I'm a Celebrity – Get Me Out of Here!) was one of the year's standout formats, with 6.81 million viewers tuning in for the final on 16 February 2018 – an audience share of 38.0 per cent among viewers aged 14 to 59. The average audience share for the show's 12th season was 33.0 per cent among viewers aged 14 to 59.

Locally produced content is a strategic focus for Mediengruppe RTL Deutschland, with which RTL Television enjoyed a number of successes, in both entertainment shows and drama: *Big Bounce – die Trampolin-Show* attracted an average of 3.15 million total viewers and 13.3 per cent of the 14 to 59 target group. The new series *Sankt Maik* attracted an average audience of 2.36 million, and 10.9 per cent of the 14 to 59 demographic. The overhaul of the daytime schedule paid off with *Die Superhändler – 4 Räume, 1 Deal* (Four Rooms) steadily expanding its audience share with an average audience share of up to 10.3 per cent in the 14 to 59 target group.



<sup>38</sup> 2017 comparatives have been re-presented as if the following transfers had occurred on 1 January 2017:

- The transfer of the international activities of Smartclip from Mediengruppe RTL Deutschland to SpotX (shown in 'Other segments');
- The transfer of Smartclip Benelux from Mediengruppe RTL Deutschland to RTL Nederland

<sup>39</sup> Including pay-TV channels

**Vox** achieved a 6.3 per cent audience share in the target group of viewers aged 14 to 59. A standout performer for Vox in 2018 was *Die Höhle der Löwen* (Dragons' Den), which generated an average audience share of 14.9 per cent among viewers aged 14 to 59, rising to 17.0 per cent for the 11 September episode – an all-time record for that target group. Once again, the show defended its claim to be the “most successful prime-time show in Vox's history.” Overall, *Die Höhle der Löwen* allowed Vox to top the daily ratings four times and the prime-time ratings 10 times in 2018 in the 14 to 59 target group.

Other prime-time formats fared well in the 14 to 59 age group, including: the new documentary series *Ich, einfach unvermittelbar?* (Employable Me), which averaged 10.5 per cent, the cooking competition *Kitchen Impossible*, which secured 9.3 per cent in spring, while the music event series *Sing meinen Song – Das Tauschkonzert* attracted 7.9 per cent of the target audience.

In the 14 to 59 target group **Nitro's** audience share in 2018 was 2.0 per cent (2017: 2.1 per cent). In its main target demographic of men aged 14 to 59, Nitro attracted an average audience share of 2.3 per cent (2017: 2.4 per cent).

**RTL Plus** grew faster than any other commercial channel in Germany in 2018, securing a 1.4 per cent audience share in the 14 to 59 age group, up 0.3 percentage points on 2017. In its main target group, women aged 40 to 64, RTL Plus achieved an audience share of 2.0 per cent, an increase of 0.5 percentage points on the previous year.

The news channel **N-TV** attracted 1.0 per cent of both the total audience and viewers in the 14 to 59 demographic in 2018. Once again, its news and in-depth business coverage in the mornings proved particularly popular. Between 06:00 and 12:00 Mondays to Fridays, the news channel achieved a total audience share of 2.0 per cent (1.6 per cent among viewers aged 14 to 59), remaining the most popular news provider in the mornings, ahead of Welt (1.2 per cent) and Phoenix (1.4 per cent).



**“Mediengruppe RTL is an exceptionally strong team of media and entertainment professionals who work in partnership with the best creative talent in Germany to entertain millions every day. We will continue our success as we trust the original ideas, team spirit and passion of these extraordinary individuals.”**

**BERND REICHART,  
CEO MEDIENGRUPPE RTL DEUTSCHLAND**

**Super RTL** retained its leading position in 2018, attracting an average audience share of 22.0 per cent in the target group of three to 13-year-olds between 06:00 and 20:15, ahead of the public service broadcaster KiKA (17.9 per cent), and once again well ahead of rivals Disney (11.3 per cent) and Nickelodeon (7.4 per cent). A highlight was newly launched *Peppa Pig*, which achieved outstanding ratings (34.1 per cent on average).

In 2018, **RTL II** attained a market share of 4.4 per cent among 14 to 59-year-old viewers. Hit show *Love Island – Heiße Flirts und wahre Liebe* (Love Island – Hot Flirts and True Love) was one of the television events of the year. The second season of the dating format achieved an audience share of 6.9 per cent, up from 4.6 per cent in 2017. This popular show was also watched more than 23 million times on TV Now, rtl2.de, HbbTV and the official *Love Island* app.

#### DIGITAL AND DIVERSIFICATION ACTIVITIES

In December 2018, Mediengruppe RTL Deutschland relaunched its mass-market streaming service **TV Now**. In a new premium package, TV Now offers a wide range of exclusive new programmes, live content, and German and US series. Exclusive German productions such as the series remake of Fritz Lang's film classic *M – Eine Stadt sucht einen Mörder* and exclusive international licenced series are just two of the highlights of the new platform. Furthermore, TV Now includes all 13 Mediengruppe RTL Deutschland channels and offers HD broadcasting quality. The number of paying subscribers has grown by 43.5 per cent, mainly driven by improved product features.

Shortly after TV Now, Mediengruppe RTL Deutschland launched its new general interest portal **RTL.de**. Aimed at a rather female audience, the news and entertainment service reports on topics of nationwide interest using videos and content produced exclusively for the portal. Users are kept up-to-date with the latest news, as well as unique and exclusive content from Mediengruppe RTL Deutschland programmes, with the aim of reaching mass audiences and generating traffic for the streaming service, TV Now.

# GROUPE M6

## FINANCIAL RESULTS

The French TV advertising market was estimated to be up 1.0 per cent year-on-year. In 2018, Groupe M6's revenue was down to €1,483 million (2017: €1,503 million), mainly due to lower contributions from the diversification businesses and the scope exit of monAlbumPhoto. However, after the renewal of all distribution agreements during the first months of 2018, Groupe M6 significantly increased its high-margin platform revenue. Accordingly, Groupe M6's EBITDA was up 2.8 per cent to €400 million (2017: €389 million).

The net radio advertising market in France increased by an estimated 1.0 per cent compared to the same period in 2017, with Groupe M6's radio family (RTL, RTL 2, Fun Radio) outperforming the market.

	2018 €m	2017 €m	Per cent change
Revenue	1,483	1,503	(1.3)
EBITDA <sup>40</sup>	400	389	+2.8
EBITA	275	255	+7.8

## AUDIENCE RATINGS: TV

Groupe M6's combined audience share<sup>41</sup> was 21.4 per cent in the key commercial target group of women under 50 responsible for purchases (2017: 22.3 per cent).

Flagship channel M6 retained its status as the second most-watched channel in France among women under 50 responsible for purchases, with an average audience share of 15.0 per cent (2017: 15.7 per cent).

M6 improved its major programming brands such as *La France A Un Incroyable Talent* (France's Got Talent), *Le Meilleur Pâtissier* (The Best Baker), *Top Chef* or *Pékin Express*, *Zone Interdite* and *Capital*.

W9's audience share was 3.8 per cent among women under 50 responsible for purchases (2017: 4.0 per cent). This was the result of effective programming that combined new productions during access primetime such as *Un Dîner Presque Parfait* (Come Dine With Me) and reality series. The success of its positioning as a general interest channel aimed at a young audience is reflected with 88 of the 100 best audience figures achieved by television programmes watched online.

6ter remained the leading HD DTT channel among the commercial target group for the fourth consecutive year, attracting an average audience share of 2.6 per cent (2017: 2.6 per cent), ranking it fifth among all DTT channels. The channel consolidated its family friendly image with the launch of new flagship brands such as *Les Mamans* (The Mothers), *Vous Avez un Colis* (You Have A Parcel) and *Familles Extraordinaires* (Extraordinary Families).



<sup>40</sup> The large difference between EBITDA and EBITA is due to the significant impact of long-running rights held by SND which are classified as depreciation

<sup>41</sup> Free-to-air channels only



**“Our record operating profit shows the strength of our business in TV, radio and digital. Thanks to effective management of our diversified portfolio, we are in a healthy position to further strengthen our market position by acquiring Lagardère’s TV activities.”**

**NICOLAS DE TAVERNOST,  
CHAIRMAN OF THE MANAGEMENT BOARD OF GROUPE M6**

#### **AUDIENCE RATINGS: RADIO**

In 2018, the RTL radio family of stations registered a consolidated audience share of 19.5 per cent among listeners aged 13 and older in the latest measurement, up 0.4 percentage points year on year. Its flagship station, **RTL Radio**, was the leading station in France for the 16th consecutive year with an average audience share of 12.9 per cent in 2018 (2017: 12.7 per cent). RTL Radio remained ahead of the next commercial competitors RMC, NRJ and Europe1 by 6.3, 7.0 and 7.8 percentage points respectively.

The pop-rock station **RTL 2** achieved an average audience share of 2.9 per cent in 2018 (2017: 2.6 per cent), while **Fun Radio** registered an average audience share of 3.7 per cent in 2018 (2017: 3.8 per cent).

#### **DIGITAL AND DIVERSIFICATION ACTIVITIES**

At the end of 2018, Groupe M6’s VOD offer **6play** recorded about 25 million registered users (2017: 20 million registered users) and 1.4 billion video views (2017: 1.3 billion), driving digital advertising revenue.

December 2018 was marked by the release of the film *Asterix: The Secret of the Magic Potion* – produced in-house by M6 Studio and distributed by the film distributor **SND** – which sold more than 3.9 million cinema tickets overall. This Asterix movie with a new storyline based on the original characters, was the biggest box office success of the past 12 years for a French animated film.

# FREMANTLE

## FINANCIAL RESULTS

Revenue of Fremantle – RTL Group's content production arm – was strongly up to €1,592 million in 2018 (2017: €1,472 million), despite negative exchange rate effects of €41 million. This increase was mainly driven by the strong performances of Fremantle in North America, Germany (UFA) and the Canadian video game company Ludia. The share of international drama productions of Fremantle's total revenue was 19 per cent in 2018. EBITDA increased by 5.0 per cent to €147 million (2017: €140 million).

	2018 €m	2017 €m	Per cent change
Revenue	1,592	1,472	+8.2
EBITDA	147	140	+5.0
EBITA	127	120	+5.8

## PRODUCTION BUSINESS

In 2018, Fremantle's global network of production companies saw hours broadcast increase by 1.6 per cent to 12,738 hours (2017: 12,533 hours). The number of formats aired increased by 23.8 per cent to 78 (2017: 63) and the total number of Fremantle programmes aired worldwide was 409 (2017: 447), combined with Fremantle's international sales catalogue of more than 20,000 hours of programming sold to over 200 territories. Fremantle remains one of the largest creators and distributors of award-winning international programme brands in the world.

## NON-SCRIPTED

Television's most successful and recognised music competition – *American Idol* – returned to screens in March 2018, this time on ABC. The series attracted an average audience of 9.5 million viewers and a 9.3 per cent average audience share (total individuals aged 2+), ranking as ABC's number one entertainment show of 2018 – and performing over 50 per cent higher than the broadcaster's prime time average. By the end of the season, *American Idol* had accumulated more than 1 billion video views across all social media platforms, and the *American Idol* app had been downloaded over 1.2 million times.

In the UK, the 12th series of *Britain's Got Talent* (BGT) drew a peak audience of 11.2 million viewers on 28 April 2018, making it the UK's highest-rated programme during the first half of 2018 and ITV's number two show of the year. Across the series, it attracted an average 8.7 million viewers and 39.2 per cent audience share (total individuals aged 4+), with a 51.6 per cent share for adults aged 16 to 34.

The much-loved family cooking show format, *My Mom Cooks Better Than Yours*, became Fremantle's top selling format of 2018 and is now airing in 31 territories worldwide. Fremantle partnered with Facebook to launch localised versions of their online interactive gameshow *Confetti* on Facebook Watch in India, Thailand, Vietnam, the Philippines and the UK. Combining Fremantle's leading expertise in entertainment production with Facebook's global community, the gameshow will be further developed for new audiences around the world.

## SCRIPTED

In September 2018, Wildside's, *My Brilliant Friend*, premiered at the Venice Film Festival and launched on HBO in the US in November, followed by Sky Atlantic in the UK and RAI in Italy. The adaptation of the first of Elena Ferrante's Neapolitan Novels was sold to 147 territories by Fremantle's international team. The show reached an average audience of 7.1 million viewers in Italy and outperformed RAI Uno's prime time average share by 55 per cent for total viewers and 65 per cent for the commercial target group of adults aged 15 to 64. *My Brilliant Friend* was Italy's number one new drama of 2018. A second season has already been announced by HBO and RAI.

Fremantle 495 ORIGINAL PRODUCTIONS

UFA blue circle ludia | blu |

MISO FILM WILDSIDE

Kwai ABOY HANEIR

Fremantle Australia's drama, *Picnic at Hanging Rock*, starring Natalie Dormer opened the 2018 Berlin Film Festival and featured at the Tribeca Film Festival. The drama series launched on Foxtel, BBC, Deutsche Telekom's EntertainTV, Canal+ (France) and Amazon Prime Video (US).

In Germany, UFA's *Deutschland 86* returned for a second season airing across Amazon Prime Video in Germany, Austria, the Netherlands, Portugal, Japan and India as well as Sundance TV in the US. The three-part drama *Ku'damm 59* reached an average of 5.85 million viewers and a 16.8 per cent audience share (total individuals aged 3+). The UFA Fiction production was the widest-reaching programme on the public broadcaster ZDF's on-demand service in 2018, with a total of over 6 million streams.

#### INTERNATIONAL

*America's Got Talent* and *American Idol* were both available on streaming services to UK audiences for the first time, thanks to deals with Netflix UK and Amazon UK respectively.

Fremantle completed eight new deals in Latin America for over 100 hours of content across drama, entertainment, factual, and lifestyle programming with the pan-regional broadcasters National Geographic, AMC, DIRECTV, Multivision, A+E Networks, Sony and Brazil's Globosat.



**"In 2018, we expanded our position as a global creative powerhouse, delivering strong performances in key markets and a return to overall revenue growth. Once again, we worked with the very best creative talent to deliver irresistible entertainment that is core to the ever-changing world of our audience."**

**JENNIFER MULLIN,  
CEO FREMANTLE**

#### DIGITAL AND BRANDED ENTERTAINMENT

In 2018, content produced by Fremantle attracted 340 million fans across YouTube, Facebook, Twitter and Instagram (2017: 282 million). During the year, Fremantle's content had a total of 29 billion views on YouTube (2017: 26.2 billion) and 90 million subscribers across 332 channels (2017: 57 million subscribers across 296 channels).

*Asia's Got Talent* (AGT) set a new record in 2018, by securing the title of the most watched video of all time on Facebook. The Sacred Riana, a spooky magic act, delighted global audiences with her audition clip, earning more than 625 million views on Facebook by December 2018. In total, Fremantle content on Facebook achieved 14 billion views throughout 2018.

#### NUMBER OF HOURS BROADCAST

Programmes	2018	2017
New	2,395	3,020
Returning	10,343	9,533
Total	12,738	12,553

# RTL NEDERLAND

## FINANCIAL RESULTS

The Dutch TV advertising market was estimated to be up 3.0 per cent year on year. RTL Nederland's revenue increased by 6.5 per cent to €508 million (2017: €477 million), mainly driven by higher TV advertising revenue, Videoland and other digital activities. The high-margin platform revenue was strongly up due to new distribution agreements. EBITDA was slightly up to €89 million (2017: €87 million).

	2018 €m	2017 <sup>42</sup> €m	Per cent change
Revenue	508	477	+6.5
EBITDA	89	87	+2.3
EBITA	70	73	(4.1)

## AUDIENCE RATINGS

In 2018, RTL Nederland's channels reached a combined prime-time audience share of 27.2 per cent in the target group of viewers aged 25 to 54 – down from 31.1 per cent in 2017. RTL Nederland's channels remained ahead of the public broadcasters (25.5 per cent) and Talpa TV (20.1 per cent).

RTL Nederland's flagship channel, RTL 4, scored an average prime-time audience share of 15.7 per cent in the target group of shoppers aged 25 to 54 (2017: 18.2 per cent). RTL 4 retained its strong position with the talent theme with *The Voice Of Holland* at the start of the year (39.5 per cent) and the start of a new season in autumn (35.0 per cent), *The Voice Kids* (29.2 per cent), *It Takes 2* (21.6 per cent) and *Time To Dance* (18.3 per cent). *The Voice Senior* had a strong launch, attracting 31.6 per cent of the target audience.

Successful new programme launches throughout the year included *Beau Five Days Inside* (26.0 per cent) and *Sint En Paul Pakken Uit* (single broadcast) (30.8 per cent). The drama series *Soof* (20.5 per cent) and *De 12 Van Oldenheim* (19.2 per cent) proved popular, as did new seasons of *Moordvrouw* (15.1 per cent) and *Centraal Medisch Centrum* (19.2 per cent).

RTL 5's prime-time audience share remained stable at 4.7 per cent in the key target group of viewers aged 25 to 39 (2017: 4.7 per cent). Dutch productions are still the most popular shows on the channel. On Thursdays, *Expeditie Robinson* scored its best performance ever, with an average share of 38.3 per cent and registered an average of 1.7 million viewers aged six and over.

Men's channel RTL 7 scored an average prime-time audience share of 5.3 per cent among male viewers aged 25 to 54 (2017: 7.0 per cent). Sports remained the most popular programmes on RTL 7, including the Darts World Cup 2018, the final of which attracted an audience share of 11.7 per cent. Even though no Dutch team plays in the Uefa Europa League, the tournament's final between Olympique Marseille and Atletico Madrid reached 21.0 per cent of the target audience.



<sup>42</sup> 2017 comparatives have been re-presented as if the transfer of Smartclip Benelux from Mediengruppe RTL Deutschland to RTL Nederland had occurred on 1 January 2017



**“Last year, we launched our fan-centric strategy, where in everything we do, we put our fans first. On TV as well as online. That viewers watch less linear TV is a fact. Fortunately, with Videoland we have invested in video-on-demand at an early stage, giving the Dutch viewer an excellent local alternative for the large international VOD parties.”**

**SVEN SAUV ,  
CEO RTL NEDERLAND**

Women’s channel **RTL 8** attracted an average prime-time audience share of 4.4 per cent among female viewers aged 35 to 59 (2017: 3.9 per cent), with female-skewed movies and thrillers being among the most popular broadcasts.

**RTL Z** recorded an audience share of 0.9 per cent in the demographic of the upper social status aged 25 to 59 (2017: 1.0 per cent).

#### **DIGITAL AND DIVERSIFICATION ACTIVITIES**

RTL Nederland’s network of websites, apps and YouTube channels generated a total of 2,253 million video views<sup>43</sup> (including RTL MCN) in 2018 – an increase of 8.5 per cent year on year (2017: 2,077 million). The most popular formats and sites were Buienradar NL, *RTL Nieuws*, RTL XL, *Weet Ik Veel*, *The Voice of Holland* and *RTL Boulevard*.

RTL Nederland’s video-on-demand service, Videoland, recorded paying subscriber growth of 134.9 per cent compared to 2017, and total subscriber viewing time even increased by 229.9<sup>44</sup> per cent compared to the same period last year. Videoland’s high growth was largely driven by the reality format *Temptation Island VIPs* and *Mocro Maffia* – both of which are exclusively available on the subscription video-on-demand service.

<sup>43</sup> Playlist starts  
<sup>44</sup> OTT Only

# RTL BELGIUM

## FINANCIAL RESULTS

Against the background of a declining TV advertising market that was estimated to be down 3.0 per cent year on year, RTL Belgium's revenue decreased to €186 million (2017: €191 million). EBITDA was strongly up to €41 million (2017: €21 million) as the 2017 EBITDA was strongly impacted by the transformation plan #evolve. The improved EBITDA also reflects lower TV programme costs in 2018.

	2018 €m	2017 €m	Per cent change
Revenue	186	191	(2.6)
EBITDA <sup>xx</sup>	41	21	+95.2
EBITA	37	16	>100

## AUDIENCE RATINGS

Despite the enthusiasm for the Red Devils team during the Fifa World Cup 2018, which was broadcast on the public channels, RTL Belgium's family of TV channels attracted a combined audience of 35.3 per cent among shoppers aged 18 to 54 (2017: 36.9 per cent), maintaining its position as the market leader in French-speaking Belgium. RTL Belgium's lead over the public channels was 14.4 percentage points (2017: 18.4 percentage points).

The flagship channel RTL-TVI had an audience share of 26.1 per cent among shoppers aged 18 to 54 (2017: 26.7 per cent) – 12.2 percentage points ahead of the Belgian public broadcaster La Une, and 13.3 percentage points ahead of the French broadcaster TF1.

The most watched programme of the year on RTL-TVI was the news show, *RTL Info 19h*, which attracted an average total audience share of 49.1 per cent. Also popular were *Face au Juge* (In Front Of The Judge), with an average audience share of 50.2 per cent, and *Bienvenue chez les Ch'tis* (Welcome To The Sticks), with an audience share of 44.0 per cent – both among shoppers aged 18 to 54. 2018 was also marked by the successful launch of new own productions, across all time slots, including entertainment programme *Donovan Magicien* (Donovan The Magician) and docusoaps *Dutroux, l'évasion* (Dutroux, The Escape) and *Appel d'urgence* (Emergency Call).

Club RTL recorded an audience share of 6.9 per cent among male viewers aged 18 to 54 (2017: 6.7 per cent). Football remains one of the most popular broadcasts on the channel through a wide choice of matches and competitions (Champions League and the Belgian Cup).



**Plug RTL** reported a prime-time audience share of 3.9 per cent among 15 to 34-year-old viewers (2017: 5.9 per cent). The most popular programme was the talk show *Touche pas à mon poste* (5.8 per cent).

According to the CIM audience surveys for 2018 (January to December), **Bel RTL** and **Radio Contact** achieved audience shares of 13.6 and 13.9 per cent respectively, among listeners aged 12 years and over. In 2017 (January to December), audience shares reached 13.0 and 13.4 per cent respectively.

#### **DIGITAL AND DIVERSIFICATION ACTIVITIES**

In March 2018, RTL Belgium launched a new video-on-demand platform, RTL Play, based on the Groupe M6 platform 6play. Offering replays and free content to its users, RTL Play performed strongly within its nine first months, with 445,000 registered users and 127,000 visitors per month.

In 2018, according to the CIM audience survey, RTL Belgium's websites reached 39 million video views, driven by news, football content and major TV shows.

**RTL Info** is the leading French-speaking news application, with an 18 per cent growth in daily unique users during 2018 – an average of 136,692 (2017: 116,132).



**“In 2018, RTL Belgium underwent a profound transformation. In doing so, our teams enabled RTL content to remain the preferred choice of information and entertainment for French-speaking Belgians.”**

**PHILIPPE DELUSINNE,  
CEO RTL BELGIUM**

# OTHER SEGMENTS

This segment mainly comprises RTL Group's digital assets – both its global ad-tech company SpotX, and its MPN investments: BroadbandTV, StyleHaul, Divimove and United Screens. It also includes the fully consolidated businesses RTL Hungary, RTL Croatia, RTL Group's Luxembourgish activities, the German radio business and the investment accounted for using the equity method, Atresmedia in Spain.

## MULTI-PLATFORM NETWORKS

In 2018, the combined revenue of RTL Group's multi-platform networks (MPNs) – including BroadbandTV, StyleHaul, Divimove and United Screens – was up strongly by 28.3 per cent to €331 million compared to €258 million in 2017. The increase was mainly driven by BroadbandTV and the first-time full consolidation of United Screens.



**“With unprecedented growth, we remain the largest multi-platform player in the world. We lead our peer group in all key measures – including unique viewers and watch-time – and continue to grow all revenue streams. 2019 will be another significant year for the business.”**

**SHAHRAZAD RAFATI,  
FOUNDER & CEO BROADBANDTV**



## BROADBANDTV (BBTV)

Throughout 2018, **BroadbandTV** registered a total of 405<sup>45</sup> billion video views – up 19 per cent from 2017 – while revenue increased 31.9 per cent year on year (in Canadian dollars: up 38.4 per cent) achieving break-even at EBITDA. As of December 2018, the company had achieved over 38 billion views per month (December 2017: 34 billion).

At CES (Consumer Electronics Show) in Las Vegas in January 2018, BroadbandTV announced BBTV Interactive, a new business division that builds original games and mobile apps across multiple platforms, for top digital talent. In June 2018, BBTV Interactive launched Squad Rivals, a multi-influencer mobile game featuring 15 YouTube digital stars and influencers who have a combined total of 41 million subscribers and over 319 million monthly video views. In November 2018, BroadbandTV launched the brand safety video solution VISO Prism – a proprietary technology solution scans hundreds of thousands of videos daily and provides safer content to brands and advertisers, while informing the decision making of creators and media companies.

<sup>45</sup> Including views from external partners



**“We are keenly focused on stabilising the business and re-establishing the foundation of our key areas of business and expertise.”**

**SEAN ATKINS,  
CEO STYLEHAUL**



**“2018 was a very successful year. Thanks to the continued growth of resources in our local markets, we will continue to see a significant upsurge in revenue with Brandboost as well as our network business.”**

**TOBIAS SCHIWEK,  
CEO DIVIMOVE**

## STYLEHAUL

**StyleHaul** continues to connect brands to consumers through data-driven social content and now has a community of over 1,500 YouTube-primary creators with 26 billion views in 2018 (2017: 27 billion). StyleHaul’s revenue was down 2.8 per cent in 2018, mainly due to negative foreign exchange rate effects (in US dollars: up 1.2 per cent).

In 2018, StyleHaul continued the roll-out of Shopper Insights (SHI) – a full-service product that offers insights into how influencer media campaigns drive website conversion and sales for brands. SHI helps brands elaborate the success of an influencer ad campaign with several KPIs such as the increase of purchases. One successful example of 2018 was the launch of the Olivia Jade x Sephora Collection Bronze & Illuminate Palette on cosmetics company Sephora’s website.

## DIVIMOVE

In 2018, Europe’s leading multi-platform network, **Divimove**, attracted a total of 24 billion video views (2017: 18 billion). The company registered 300 million subscribers per month – up 134 per cent on the same period in the previous year – across its 900 social influencers in Germany, Spain, the Netherlands, Italy, Poland and France, due to successful influencer management and acquisitions of top influencers in its core markets (2017: 190 million subscribers across its 1,000 social influencers). Divimove’s revenue was up 42.9 per cent in 2018.

In December 2018, RTL Group stepped up its shareholding in Divimove and now owns 100 per cent. It was subsequently announced that Divimove would be combined with UFA X on 1 January 2019 to create an integrated powerhouse for the production, aggregation and monetisation of short-form video content in Europe.

In 2018, Divimove partnered with *Me Contro Te* and Armin van Buuren’s YouTube channel. *Me Contro Te* is Italy’s largest YouTube channel, with 3.1 million subscribers and more than 1.7 billion views in total. Divimove now supports the artist’s channel in all aspects of digital rights management. *Me Contro Te* collaborates closely with Divimove in influencer marketing and both channel and influencer management.



**“2018 was United Screens’ first year within RTL Group, and a year when our strategy began to crystallise. As part of the soon-to-be-formed digital video group with StyleHaul and Divimove, we have the vision and support needed to continue to grow the business.”**

**MALTE ANDREASSON,  
CEO AND FOUNDER, UNITED SCREENS**

#### **UNITED SCREENS**

The leading multi-platform network in the Nordics, **United Screens**, registered 8 billion video views in 2018 – up 44 per cent on the same period in the previous year. On a pro-forma basis, revenue was up 15.4 per cent year on year<sup>46</sup> (in SEK: up 22.7 per cent).

In September 2018, United Screens opened an office in Denmark, completing its presence in all Nordic countries complete while in November 2018, United Screens became a reseller of YouTube’s entire advertising inventory in Sweden. Known as YouTube Reach, the offer adds to United Screens’ product portfolio consisting of brand safe advertising reach within the United Screens premium network on YouTube and influencer marketing with the largest YouTubers and influencers in the Nordics. Meanwhile, December 2018 saw the forming of a new subsidiary, United Screens Music (USM), which enables United Screens to address the online music business directly.

<sup>46</sup> United Screens is consolidated for the first time after the acquisition in January 2018. Revenue presented as if the acquisition would already have taken place on 1 January 2017



**“OTT, addressable TV, and online video were our biggest drivers in 2018. Spend in OTT dramatically increased over the year as we focused on premium supply, and connecting more advertisers to their inventory.”**

**MIKE SHEHAN,  
CO-FOUNDER AND CEO SPOTX**

## AD-TECH

In 2018, RTL Group combined its two major ad-tech investments SpotX and Smartclip into one business with a unified management structure. The new company globally operates with the brand SpotX. Furthermore, RTL Group has two additional minority investments in Clypd and Videoamp. The revenue of these minority shareholdings is not consolidated whereas the profit and loss contributions are shown in the Group's ad-tech EBITDA.

RTL Group's ad-tech revenue<sup>47</sup> was up by 1.8 per cent to €112 million compared to €110 million in 2017 – affected by €5 million of negative foreign exchange rate effects. The combined EBITDA was up 100 per cent to €13 million (2017: €3 million), mainly as a result of lower costs.

## SPOTX

As a leading video ad serving platform for premium publishers and broadcasters, SpotX continues to build solutions to help monetise video content across all screens and devices.

The United States remains SpotX's primary market with over 60 per cent of revenue now coming from major media owners and platforms including Discovery, Roku, Sling TV, and Vudu – a Walmart company. In Europe, SpotX completed its integration of Smartclip, establishing a new EU management team, and rolling out its services, including ad serving and addressable TV, across RTL Group companies as well as other major media companies in EU major markets.

Other growth drivers were new product offerings such as automated guaranteed, first-price auctions, the launch of several new advanced integrations (such as video header bidding) which grew exponentially in 2018, and partnerships with companies such as Yospace<sup>48</sup>.

<sup>47</sup> Excluding the SpotX/Smartclip joint ventures in Germany and the Netherlands which are fully consolidated in the segments Mediengruppe RTL Deutschland and RTL Nederland

<sup>48</sup> Acquired in February 2019



**“RTL Hungary remained market leader in 2018, and the biggest producer of fiction series in Hungary. This gives us an advantage in the digital space, where our high-quality, relaunched platform, RTL Most, is unique in Hungary.”**

**GABRIELLA VIDUS,  
CEO RTL HUNGARY**

#### **RTL HUNGARY**

Total consolidated revenue of **RTL Hungary** was down to €107 million (2017: €110 million) mainly due to lower TV advertising revenue. The Hungarian net TV advertising market was estimated to be slightly up by 0.6 per cent in 2018. EBITDA was down by 65.2 per cent to €8 million (2017: €23 million), mainly due to the fact that 2017 benefitted from a positive one-off effect of an ad tax reclaim and, higher programming cost in 2018.

The combined prime-time audience share of the Hungarian RTL family of channels in the key demographic of 18 to 49-year-old viewers was 28.6 per cent (2017: 31.2 per cent). The prime-time audience share of **RTL Klub** decreased to 14.3 per cent (2017: 16.4 per cent) though the Group's Hungarian flagship channel remained the clear market leader, 4.7 percentage points ahead of its main commercial competitor TV2 (2017: 6.1 percentage points).

During the year, RTL Klub won 272 prime time evenings in the target group (2017: 327 evenings). The most popular programmes were *The X-Faktor* with an average audience share of 30.8 per cent in the target group, and the locally produced comedy series *A mi kis Falunk* (Our little village) with an average audience share of 29.5 per cent. The second series of *Konyhafőnök VIP* (Top Chef VIP) reached an average 20.8 per cent. The main news programme *Híradó* recorded an average audience share of 18.6 per cent (2017: 19.5 per cent).

RTL Hungary's **cable channels** achieved a combined prime-time audience share of 14.3 per cent among viewers aged 18 to 49 (2017: 14.8 per cent). With a prime-time audience share of 5.2 per cent in the target group (2017: 5.1 per cent), Film+ remained the leading cable channel in Hungary.

RTL Hungary's online portfolio generated a total of 110 million video views of long and short-form content in 2018 (2017: 57 million) – 61 million of which were recorded on the on-demand platform, RTL Most, which was relaunched in February 2018. With a monthly average of 430,000 active users, 10 per cent of domestic internet users watched owned and licensed content on RTL Most.

### RTL CROATIA

In Croatia, the net TV advertising market was estimated to be up 5.1 per cent. **RTL Croatia** outperformed the market and increased its revenue to €46 million (2017: €40 million). Accordingly, EBITDA was up to €3 million (2017: €2 million).

RTL Croatia's channels achieved a combined prime-time audience share of 27.1 per cent in the target audience aged 18 to 49 (2017: 29.7 per cent). The decrease is mainly due to the FIFA World Cup 2018, which was broadcast on the public channels. The flagship channel, **RTL Televizija**, recorded a prime-time audience share of 17.9 per cent of 18 to 49-year-olds (2017: 20.2 per cent).

Local production remained a cornerstone of the channel's programming. The year started with the Men's Handball World Championship in France which attracted an average audience share of 39.5 per cent across 17 live matches, while the match between Iceland and Croatia was watched by 64.2 per cent of 18 to 49-year-old viewers. In spring, the ninth season of *Ljubav je na selu* (The Farmer Wants A Wife) scored an average audience share of 22.3 per cent. The casting show *Zvijezde* (Stars) achieved an average audience share of 23.4 per cent.

**RTL 2** experienced a slight decrease in its prime-time audience share to 6.8 per cent (2017: 7.0 per cent). The children's channel, **RTL Kockica**, recorded an average audience share of 21.2 per cent (2017: 23.3 per cent) among children aged four to 14 between the hours of 7:00 and 20:00.

RTL Croatia's video views increased by 65 per cent to 23 million, including around 8.0 million video views from the new video-on-demand platform RTL Play, which was developed in collaboration with Groupe M6. Since its launch in January 2018, the platform registered 400,000 registered users, making it the biggest VOD service in Croatia. Its growth was driven by live broadcasts of Men's Handball World Championship matches, as well as re-runs and the tenth season of *Big Brother*.



**“Overall, 2018 was a very good year for RTL Croatia.**

**We continued to develop our digital assets – especially with RTL Play – growing online audiences as well as revenue.”**

**HENNING TEWES,  
CEO RTL CROATIA**



**“2018 was an excellent year for RTL Luxembourg. By launching RTL Today, we reached an important milestone in our development, catering for the interests of a growing international audience. Another highlight was the parliamentary elections, which attracted a record audience on all RTL media.”**

**CHRISTOPHE GOOSENS,  
CEO RTL LUXEMBOURG**

#### **RTL LUXEMBOURG**

In 2018, RTL Luxembourg again reinforced its position as the leading media brand in the Grand Duchy of Luxembourg. Combining its TV, radio and digital activities (all three of which appear in the top five media ranking in Luxembourg), the RTL Luxembourg media family achieved a daily reach of 82.4 per cent (2017: 84.0 per cent) of all Luxembourgers aged 12 and over.

Remaining the number one station listeners turn to for news and entertainment, **RTL Radio Lëtzebuerg** reaches 189,900 listeners each weekday (2017: 199,800). With the extension of its programme after 20:00, **RTL Télé Lëtzebuerg** reached an important milestone in its history. This positive development among others allowed the TV channel to attract 131,700 viewers each day (2017: 129,500), representing a prime-time audience share of 45.7 per cent of Luxembourgish viewers aged 12 and over, Monday to Friday, 19:00 to 20:00 (2017: 44.7 per cent). Audio-visual content on RTL.lu achieved an average of 382,600 video views per month<sup>49</sup>. (2017: 558,862 video views).

**RTL.lu** – the country’s most visited website with a daily reach of 41.6 per cent among Luxembourgers aged 12 and over (2017: 41.0 per cent) – set a new record in 2018 during the country’s parliamentary elections. In just two days, from Sunday 14 to Monday 15 October 2018, RTL.lu earned 1.1 million visits and 15.1 million page views<sup>50</sup>.

With the launch of **RTL Today** in February 2018, RTL Luxembourg also reaches out to another key audience in Luxembourg: the growing English-speaking community.

#### **BROADCASTING CENTER EUROPE**

In 2018, Broadcasting Center Europe (BCE) strengthened its online services through a key partnership with Freecaster<sup>51</sup>, an expert in streaming and online video. The two companies partnered on key events such as the International Sport Innovation event (The Spot) and the Montreux Volley Masters.

BCE managed the move of RTL Radio (France) to new premises, including the integration of eight new studios for RTL, RTL2 and Fun Radio each equipped with BCE’s visual radio solution (StudioTalk). Both the integration and the StudioTalk solution won awards at the SATIS exhibition for media and communications professionals held in Paris.

With the development of OTT, VOD and catch-up, BCE upgraded its TV traffic software suite to fit Antenne Reunion’s needs for non-linear rights management. It also provided a new infrastructure to ensure the transcoding of customer content for distribution in multiple formats for both IPTV and web platforms.

BCE achieved the HD re-versioning of 198 episodes of the original *Baywatch* series for Fremantle, and ensured the audio correction of the dubbed version, as well as creating titles and credits for the French, German, Italian and Spanish versions.

<sup>49</sup> Source: IP Digital (new measurement method)

<sup>50</sup> Source: CIM Metriweb

<sup>51</sup> Acquired in January 2019



**“In 2018 we established our Total Audio strategy, combining our leading content with new technologies to create innovative audio products that will enable us to reach more listeners than ever before.”**

**STEPHAN SCHMITTER,  
CEO RTL RADIO DEUTSCHLAND**

#### **RTL RADIO DEUTSCHLAND**

**RTL Radio Deutschland** reported revenue of €54 million in 2018 (2017: €48 million) and EBITDA of €11 million (2017: €7 million). The revenue growth of 12.5 per cent was mainly driven by higher advertising revenue at the majority-controlled stations thanks to their higher audience reach.

Radio usage in Germany remained strong, reaching 77.6 per cent of the adult population aged 14 and over each day. Commercial radio is gaining ground again after several years of decline (up 2.0 percentage points in the target group aged 14 to 49). RTL Group's German radio portfolio outperformed the market with a substantial increase in reach in the target group (up 5.6 percentage points), mainly as a result of the increasing reach of Antenne Niedersachsen (Lower Saxony), Radio Hamburg and the Berlin youth station, 93.6 JAM FM.

In Berlin – Germany's most competitive radio market with around 30 FM stations – **104.6 RTL** regained its leading position as market leader in the target group, while **105.5 Spreeradio** recaptured third place (up 14.1 per cent in the total market in Berlin). **93.6 JAM FM** once again proved popular, increasing its average number of listeners per hour by 43.9 per cent in the target group.

In December 2018, RTL Radio Deutschland concluded the acquisition of further shares in the Berlin based youth radio station 93.6 JAM FM, increasing its share from 10.0 per cent to 49.9 per cent. The transaction was completed in January 2019 with approval from the media and antitrust authorities, and payment of the purchase price.

In 2018, RTL Radio Deutschland implemented its Total Audio Strategy by creating innovative digital audio products and technologies through its Digital Media Hub (DMH). The digital unit functions as a strategic and technical partner for various radio stations within and outside the German RTL Radio portfolio.

At the end of 2018, RTL Group's German radio portfolio comprised investments in 17 stations, most of which are minority holdings. In total, these stations reach over 22 million listeners each day (2017: 23 million) and have a combined average audience of around 4.6 million listeners per hour (2017: 4.6 million).

#### **ATRESMEDIA**

The Spanish TV advertising market slightly decreased by an estimated 0.8 per cent in 2018. The **Atresmedia** family of channels achieved a combined audience share of 28.4 per cent in the commercial target group of viewers aged 25 to 59 (2017: 28.5 per cent). The main channel, **Antena 3**, recorded an audience share of 11.9 per cent (2017: 12.1 per cent) in the commercial target group.

On a 100 per cent basis, consolidated revenue of Atresmedia was slightly down 0.9 per cent to €1,042 million (2017: €1,052 million), while operating profit (EBITDA) was down by 7.4 per cent to €187 million (2017: €202 million) and net profit was €88 million (2017: €142 million). The profit share of RTL Group was down to €16 million (2017: €26 million).

# NON-FINANCIAL INFORMATION

## CORPORATE RESPONSIBILITY (CR)

RTL Group believes that CR adds value not only to the societies and communities it serves, but also to the Group and its businesses. Acting responsibly and sustainably enhances the Group's ability to remain successful in the future.

CR is integral to the Group's Mission Statement, which defines what the Group does, what it stands for and how employees communicate – both with the outside world and with each other. At the heart of RTL Group's guiding principles and values is a commitment to embrace independence and diversity in its people, content and businesses.

In 2012, RTL Group created a CR Council (CRC) with the aim of advancing environmental, social and governance issues. The CRC meets three times a year to work on RTL Group's material CR issues and their implications for human resources, investor relations, legal, compliance, risk and communications. It consists of experts in these areas at RTL Group's Corporate Centre in Luxembourg and is currently chaired by the Group's Executive Vice President of Corporate Communications and Marketing. In March 2014, RTL Group expanded its CR task force Group wide, to create the RTL Group CR Network, which consists of CR representatives from RTL Group's profit centres and the Corporate Centre. The CR Network meets once a year to share knowledge and best practice, enabling the CRC to gain a greater understanding of local initiatives.

RTL Group's CR activities focus primarily on the following issues: editorial independence, diversity, community investment, content responsibility, learning, and fair working conditions. These issues were identified in a materiality analysis conducted in 2017 in close consultation with Bertelsmann, the Group's majority shareholder. Although the analysis did not deem environmental and climate protection to be among the most material issues for RTL Group, the Group is nevertheless strongly committed to this issue, and reports on this matter in the CR Report 2018 (page 23) and the Combined Non-financial Report 2018 (to be published in June 2019). RTL Group's CR Report 2018 (pages 6-7) provides more details about the materiality analysis and its findings.

The above-mentioned material issues provide the structure for the CR Report 2018, part of RTL Group's Annual Report 2018. The report provides a comprehensive overview of the Group's CR strategy and initiatives, as well as the results achieved.

RTL Group will publish a separate Combined Non-financial Report on its website (*RTLGroup.com*) by 30 June 2019, which will consist of all legally mandated non-financial disclosures and diversity information required by the European Directive 2014/95/EU and by the provisions of the law of 23 July 2016 regarding the publication of non-financial and diversity information in Luxembourg.

## INNOVATION

RTL Group's innovation management is focused on three core topics: developing new, high-quality TV formats, using all digital means of distribution, and creating new forms of advertising sales and monetisation.

### NEW FRONTIERS

With rapidly changing consumer behaviour and an increasing presence of international tech giants in the video marketplace, competition is now fought on a global rather than a local level. To address this challenge, RTL Group has started a transformation journey **'New Frontiers: re-inventing RTL's pioneering spirit'** with the aim of fostering organic growth through higher levels of creativity and innovation.

With six international workshops bringing together 140 executives, the Group initiated a candid dialogue on its strengths, weaknesses, opportunities and threats in four key areas: cooperation, future organisation, mindset and talent. At the offsite meeting of RTL Group's Operations Management Committee that followed, management committed to six concrete workstreams: VOD collaboration, content/intellectual property, talent, tech/data/artificial intelligence, cutting red tape, and diversification, with a particular focus on strengthening video-on-demand-services, content, creativity and talent.

### VIDEO-ON-DEMAND

In December 2018, Mediengruppe RTL Deutschland relaunched its mass-market streaming service, **TV Now**. In a new premium package, TV Now offers a wide range of exclusive new programmes, live content and the most popular German and US series in HD, including all 13 Mediengruppe RTL Deutschland channels. The product offer will be complemented by additional exclusive German productions – branded TV Now Originals – such as *M – Eine Stadt sucht einen Mörder*.

### CONTENT AND CREATIVITY

RTL Group's families of channels and streaming services focus on local, exclusive content across all genres. In 2018, Mediengruppe RTL Deutschland launched over 150 new local formats, including *Sankt Maik* (RTL Television) and *Milk and Honey* (Vox). In total, Mediengruppe RTL Deutschland invests around € 1 billion in content every year – the majority of which is produced in local formats.

Fremantle – RTL Group's content production arm – is constantly developing new formats, including exclusive shows for digital platforms. In 2018, Fremantle partnered with Facebook to launch localised versions of their new online interactive gameshow *Confetti* on Facebook Watch in India, Thailand, Vietnam, the

Philippines and the UK. Combining Fremantle's leading expertise in entertainment production with Facebook's global community, the gameshow will be further developed for new audiences around the world.

In October 2018, RTL Group collaborated with Inception – one of the Group's shareholdings – to launch the **Creative Reality Fund**. The Group has pledged €1 million to foster innovation within the field of virtual and augmented reality (VR/AR). The fund will be used to encourage RTL Group's business units to imagine and execute new and innovative ideas by covering part, or all, of the investment required. The fund is designed to harness the potential of VR/AR while creating the next generation of RTL Group's intellectual property (IP). Twelve projects from eight business units were submitted, with applications ranging from VR immersion into a popular 90s cult series, to timelines of famous politicians, to creating holograms of celebrities. The four winning projects will be developed in early 2019.

### DIVERSIFICATION AND COLLABORATION

Through its **international sales house, RTL AdConnect**, RTL Group gives international advertisers and agencies easy access to RTL Group's large portfolio of TV and VOD services, MPNs and advertising technology, in a brand-safe environment. To be more relevant in all key European markets, RTL AdConnect's portfolio also encompasses leading partners such as ITV in the UK, RAI in Italy and Mediahuis in Belgium. Thanks to these partnerships, RTL Group is one of the only media companies in Europe that can offer advertisers pan-European digital video campaigns.

In 2018, The **NetID** open log-in standard developed by the European NetID Foundation and initiated by Mediengruppe RTL Deutschland, ProSiebenSat1 and United Internet was launched. The standard offers a single sign-on which can be used on numerous German websites by 35 million users. The partner network of *NetID* already includes media companies such as Süddeutsche Zeitung, Spiegel Gruppe, Gruner + Jahr, retail companies such as Zalando, Otto Group, C&A, Conrad Elektronik, Douglas, as well as the parcel delivery company DPD.

**Synergy Committees** are used for exchanging experience, information and knowledge at RTL Group. In the age of digitalisation, the role of 'big data' – in the form of cookies, clusters or cross-device analytics – is ever-more prominent. With it, the aggregation and exploitation of data is becoming increasingly more important for RTL Group, its advertising customers and ultimately consumers.

## SIGNIFICANT LITIGATIONS

Provisions for litigations correspond to the Group's best estimate of the expected future cash outflow related to disputes arising from the Group's activities (see note **8.13.1** of the RTL Group Annual Report 2018).

RTL Group is party to legal proceedings in the normal course of its business, both as defendant and claimant. The main legal proceedings to which RTL Group is a party are disclosed below.

On 22 February 2018, the Spanish Competition Authority ("CNMC") communicated to Atresmedia the opening of a proceeding for sanctions in relation to possible practices restricting competition prohibited by article 1 of the Spanish Competition Act. On 6 February 2019, the CNMC notified the Statement of Objections in which it assumes proven that specific commercial practices by Atresmedia are restrictive of competition. The directors of Atresmedia and their legal advisors take the view that the aforesaid Statement of Objections is not sufficiently founded and have confidence in a positive outcome for Atresmedia, either during the administrative proceeding or in court proceeding in the event that the CNMC will take a decision imposing sanctions. On this basis, no provision has been recognised at 31 December 2018.

Several subsidiaries of the Group are being sued by the broadcaster RTL 2 Fernsehen GmbH & Co. KG and its sales house El Cartel Media GmbH & Co. KG before the regional court in Düsseldorf, Germany, seeking disclosure of information in order to substantiate a possible claim for damages. The proceedings succeed the imposition of a fine in 2007 by the German Federal Cartel Office for abuse of market dominance with regard to discount scheme agreements ("share deals") IP Deutschland GmbH and SevenOne Media GmbH granted to media agencies. The German Federal Cartel Office argued that these discounts would foreclose the advertising market for

small broadcasters. In 2014, the court of Düsseldorf decided to order an expert report. This expert concluded in February 2018 that the likelihood of damages cannot be proven with certainty. In July 2018, RTL II filed a motion claiming that the expert was not impartial. IP Deutschland has rejected the motion for lack of impartiality as unfounded. The Court has not taken a decision. Similar proceedings from other small broadcasters, initiated in different courts, were unsuccessful or have been withdrawn.

In June 2016, the main competitors of Fun Radio alleged that a host of the morning show had influenced Fun Radio's results by encouraging his listeners to give favourable treatment to Fun Radio in the Médiamétrie surveys. In response to these allegations, Médiamétrie decided to remove Fun Radio from its surveys. Following a legal procedure initiated by Fun Radio, Médiamétrie was required to reinstate Fun Radio in the audience results surveys as from September 2016. Nevertheless, Médiamétrie decided to lower Fun Radio's audience results in its published surveys, alleging the existence of a 'halo effect'. Following a procedure initiated by Fun Radio, a judicial expert was appointed in December 2017 to examine Médiamétrie's assessment of the alleged 'halo effect' and the judicial expert's final report is expected in the course of the second quarter of 2019. In any case, as from September 2017, Médiamétrie has again published the full audience results for Fun Radio. In parallel to the above procedure, the main competitors of Fun Radio also filed, in December 2016, a claim for damages, claiming unfair competition but this procedure is suspended until the end of the judicial expertise. However, in the meantime, four of the six claimants withdrew their claim and from the proceedings.

No further information is disclosed as it may harm the Group's position.

# CORPORATE GOVERNANCE

## PRINCIPAL RISKS AND UNCERTAINTIES

Principal risks and uncertainties are disclosed in note **4** to the consolidated financial statements for the risks linked to financial instruments, and in the section entitled 'Corporate Governance' on the *RTLGroup.com* website for the external and market risks.

## CORPORATE GOVERNANCE STATEMENT

The RTL Group Board of Directors is committed to high standards of corporate governance. RTL Group has applied the principles of good governance for years, even before the Ten Principles of Corporate Governance were implemented by the Luxembourg Stock Exchange – principles that RTL Group is in line with and submitted to.

More information on this topic can be found in the Investors section of the company's website (*RTLGroup.com*), which contains RTL Group's corporate governance charter, and regularly updated information, such as the latest version of the company's governance documents (articles of incorporation, statutory accounts, minutes of shareholders' meetings), and information on the composition and mission of the RTL Group Board and its committees. The Investors section also contains the financial calendar and other information that may be of interest to shareholders.

## SHAREHOLDERS

RTL Group's current share capital is set at €191,845,074, which is divided into 154,742,806 fully paid up shares with no par value.

As at December 2018, Bertelsmann held 75.1 per cent of RTL Group shares, and 24.1 per cent were publicly traded. The remaining 0.8 per cent were held collectively as treasury stock by RTL Group and one of its subsidiaries (see note **8.15.2** to the consolidated financial statements).

General Meetings of Shareholders will be held at the registered office or any other place in Luxembourg indicated in the convening notice. A General Meeting of Shareholders must be convened on the request of one or more shareholders who together represent at least one tenth of the company's capital, and the

Annual General Meeting of Shareholders is held within six months following the end of the financial year at the place and on the date set by the Board of Directors.

Resolutions will be adopted by the simple majority of valid votes, excluding abstentions. Any resolution amending the Articles of Incorporation will be adopted by a majority of two thirds of the votes of all the shares present or represented.

The Annual General Meeting will examine the reports of the Board of Directors and the auditor and, if thought fit, will approve the annual accounts. The meeting will also determine the allocation of profit, and decide on the discharge of the directors and the auditor from any duties.

## BOARD AND MANAGEMENT

### BOARD OF DIRECTORS

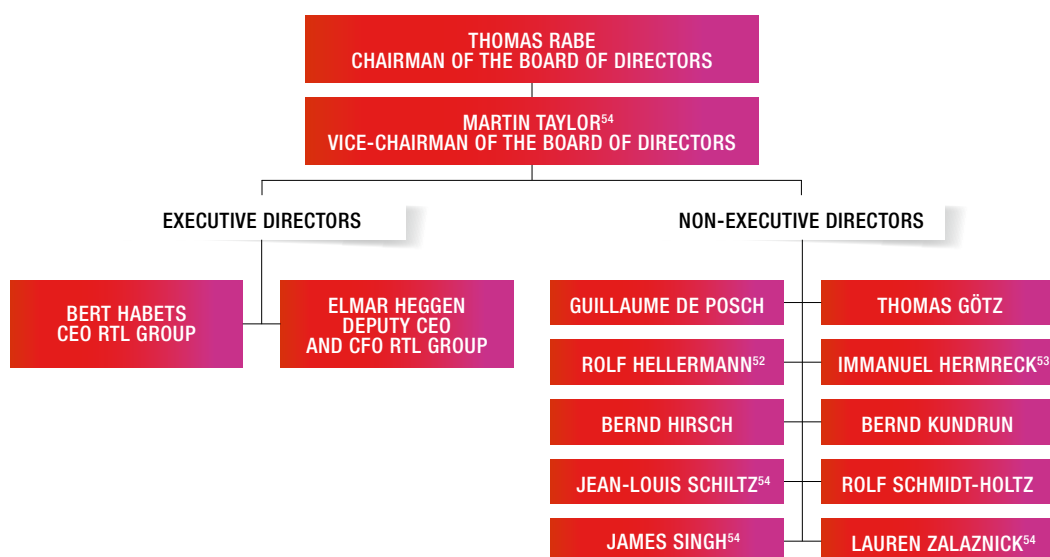
The Board of Directors has the most extensive powers to take, in the interest of the Company, all acts of administration and of disposal, that are not reserved by law or the Article of Incorporation to the General Meeting of Shareholders.

On 31 December 2018 the Board of RTL Group had 13 members: two executive directors, and 11 non-executive directors. The Annual General Meeting (AGM) on 18 April 2018 appointed Lauren Zalaznick as non-executive Director for three years. The other executive and non-executive directors

re-elected at the AGM were appointed for three years. Rolf Hellermann resigned with effect on 31 December 2018. Immanuel Hermreck was co-opted on 12 December 2018, with effect on 1 January 2019. The ratification of his co-optation will be proposed at the AGM of 26 April 2019.

Among the non-executive directors, Jean-Louis Schiltz, James Singh, Martin Taylor, and Lauren Zalaznick are independent of management and other outside interests that might interfere with their independent judgement.

### RTL GROUP'S BOARD OF DIRECTORS FROM 18 APRIL 2018 TO 31 DECEMBER 2018



Martin Taylor was appointed under the criteria of independence of the London Stock Exchange, before RTL Group adopted the Ten Principles of the Luxembourg Stock Exchange. Jean-Louis Schiltz, James Singh, and Lauren Zalaznick are independent directors, and both meet the current criteria of independence of the Ten Principles of the Luxembourg Stock Exchange.

The Board of Directors has to review, with expert help if requested, that any transaction between RTL Group or any of its subsidiaries on the one hand and any of the shareholders or any of their respective subsidiaries on the other hand is on arm's length terms.

The responsibility for day-to-day management of the company is delegated to the Chief Executive Officer (CEO). The Board has a number of responsibilities, which include approving the Group's annual budget, overseeing significant acquisitions and disposals, and managing the Group's financial statements. The Board of Directors met five times in 2018 – with an average attendance rate of 97 per cent – and adopted some decisions by circular resolution. An evaluation process of the Board of Directors' activities, and the activities of its committees, was carried out in early 2018.

<sup>52</sup> Rolf Hellermann resigned with effect on 31 December 2018

<sup>53</sup> Immanuel Hermreck was co-opted on 12 December 2018, with effect on 1 January 2019

<sup>54</sup> Independent Director

Individual attendance of the members of the RTL Group Board of Directors in 2018	Participation in meetings	Attendance %
Thomas Rabe (chairman)	5/5	100
Martin Taylor	5/5	100
Guillaume de Posch	5/5	100
Bert Habets	5/5	100
Elmar Heggen	5/5	100
Thomas Götz	5/5	100
Rolf Hellermann	5/5	100
Bernd Hirsch	5/5	100
Bernd Kundrun	4/5	80
Jean-Louis Schiltz	5/5	100
Rolf Schmidt-Holtz	4/5	80
James Singh	5/5	100
Lauren Zalaznick	3/3	100

The Executive Committee, comprised of the executive directors, updates the Board on the Group's activities and financial situation. At each meeting, representatives of the Executive Committee brief the Board on ongoing matters, and on possible upcoming investment or divestment decisions.

In 2018, a total of € 1.2 million (2017: € 1.0 million) was allocated in the form of attendance fees to the non-executive members of the Board of Directors and the committees that emanate from it. (See note 10.4. to the consolidated financial statements).

Neither options nor loans have been granted to Directors.

Appropriate measures were taken by the Company to ensure compliance with the provisions of the European market abuse regulation, and with the Circulars of the Commission de Surveillance du Secteur Financier (CSSF) concerning the application of this legislation.

## THE FOLLOWING BOARD COMMITTEES ARE ESTABLISHED:

### NOMINATION AND COMPENSATION COMMITTEE

The Nomination and Compensation Committee consults with the CEOs and gives a prior consent on the appointment and removal of executive directors and senior management, makes a proposal to the General Meeting of Shareholders on the appointment and removal of the non-executive directors, and establishes the Group's compensation policy.

The Nomination and Compensation Committee comprises three non-executive directors, one of whom is an independent director (who also chairs the meetings), and meets at least twice a year. The committee's plenary meetings are attended by the CEO and the Executive Vice President Human Resources. The Nomination and Compensation Committee may involve other persons whose collaboration is

deemed to be advantageous to help the committee fulfil its tasks. The Chairman of the Nomination and Compensation Committee reports on the discussion held and conclusions taken by the committee to the subsequent Board of Directors meeting. The Nomination and Compensation Committee met eight times in 2018, physically or via telephone conference, with an average attendance rate of 91.7 per cent.

Individual attendance of the members of the Nomination and Compensation Committee in 2018	Participation in meetings	Attendance %
Martin Taylor (chairman)	8/8	100
Thomas Rabe	8/8	100
Rolf Schmidt-Holtz	6/8	75

### AUDIT COMMITTEE

The Audit Committee monitors the financial reporting process, the statutory audit of the legal and consolidated accounts, the independence of the external auditors, the effectiveness of the Group's internal controls, the compliance programme, and the Group's risks. The Audit Committee reviews the Group's financial disclosures and submits a recommendation to the Board of Directors regarding the appointment of the Group's external auditors.

The Head of Audit and Compliance and the external auditors have direct access to the Chairman of the Audit Committee, who is an independent director.

The Audit Committee is composed of a maximum of four non-executive directors – two of whom are independent – and meets at least four times a year.

The committee's meetings are attended by the CEO, the Chief Financial Officer (CFO), the Head of Audit and Compliance, the external auditors and other senior Group finance representatives. The Audit Committee may invite other persons whose collaboration is deemed to be advantageous to help the committee fulfil its tasks.

Individual attendance of the members of the Audit Committee in 2018	Participation in meetings	Attendance %
James Singh (chairman)	6/6	100
Bernd Hirsch	6/6	100
Thomas Rabe	5/6	83
Martin Taylor	5/6	83

The Audit Committee met six times in 2018 – physically or via telephone conference – with an average attendance rate of 92 per cent. The Chairman of the Audit Committee reports on the discussions held and conclusions taken by the Audit Committee to the subsequent Board of Directors meeting.

The Committee assists the Board of Directors in its responsibility with respect to overseeing the Group's financial reporting, risk management and internal control, and standards of business conduct and compliance.

#### CEO

Responsibility for the day-to-day management of the company rests with the CEO, who – on a regular basis and upon request of the Board – informs the Board of Directors about the status and development of the Company.

The CEO is responsible for proposing the annual budget, to be approved by the Board of Directors. He is also responsible for determining the ordinary course of the business.

#### EXECUTIVE COMMITTEE

As from 1 January 2018, the Executive Committee was comprised of the two executive directors, the CEO and the Deputy CEO and CFO. The Executive Committee is vested with internal management authority.

In 2018, a total of €8.0 million (2017: €11.4 million) was allocated in the form of salaries, non-cash benefits and a post-employment benefit plan to the members of the Executive Committee (see note 10.3. to the Consolidated Financial Statements).

#### EXTERNAL AUDITOR

In accordance with the Luxembourg law on commercial companies, the Company's annual and consolidated accounts are certified by an external auditor, appointed at the Annual General Meeting of Shareholders. On 18 April 2018, the shareholders appointed PricewaterhouseCoopers, société coopérative (PwC) for a year. PwC's mandate will expire at the Annual General Meeting on 26 April 2019.

#### DEALING IN SHARES

The company's shares are listed on Euronext Brussels, and on the Frankfurt and Luxembourg stock exchanges. Applicable Belgian, German and Luxembourg insider dealing and market manipulation laws prevent anyone with material non-public information about a company from dealing in its shares and from committing market manipulations.

A detailed Dealing Code contains restrictions on dealings by directors and certain employees of RTL Group and its subsidiaries, or associated companies.

Restrictions apply to:

- members of the Board of Directors
- all employees of RTL Group SA, and directors and employees of any subsidiary or affiliated company of RTL Group who, because of their position or activities, may have access to unpublished price-sensitive information.

## CODE OF CONDUCT

Basic guidelines for conducting business at RTL Group are governed by the Code of Conduct, which outlines binding minimum standards for responsible behaviour towards business partners and the public, and for behaviour within the company. The Group has a

training programme in place to ensure all employees are fully aware of the code.

The Code of Conduct is available at [www.rtlgroup.com/codeofconduct](http://www.rtlgroup.com/codeofconduct)

## INTERNAL CONTROLS OVER FINANCIAL REPORTING

Internal controls over financial reporting aim to provide reasonable assurance on the reliability of external and internal financial reporting, and their conformity with the applicable laws and regulations. They help to ensure that financial reporting presents a true and fair picture of the Group's net assets, financial position and operational results. The Code of Conduct requires the Group to manage record-keeping and financial reporting with integrity and transparency.

### STANDARDS AND RULES

The rules governing the Group's financial reporting environment and critical accounting policies are set out in the Group's Financial Accounting Manual (FAM). The FAM, which is regularly updated, is circulated to the members of the Group's finance community, and published on RTL Group's intranet. Standards of a minimum control framework for key accounting processes at the level of RTL Group's fully consolidated reporting units are formalised in a set of expected key controls. RTL Group's centralised treasury and corporate finance activities are governed by dedicated policies and procedures. Hedging of exposure in non-Euro currencies is governed by a strict policy. All internal and external financial reporting processes are organised through a centrally managed reporting calendar.

### SYSTEMS AND RELATED CONTROLS

Locally used ("ERP", treasury applications) finance systems are largely centrally monitored via a common system platform to ensure a consistent set-up of system-embedded controls. Segregation of duties, access rights and approval limits are regularly reviewed by the local data owners for all reporting units whose finance systems are centrally maintained. Internal and external financial reporting is up-streamed through a centrally managed integrated finance system – from budgeting and trend year analysis, monthly internal management reporting, forecasting of financial and operational KPIs, to consolidation and external financial reporting, and finally risk management reporting (see the section 'How we manage risks').

Specific system-embedded controls support the consolidation process, including the reconciliation of intercompany transactions. IT General Controls (ITGCs) are regularly assessed by external experts or internal audit. Controls objectives are defined for all the RTL Group central applications and interfaces (the Referenced Applications) and their related IT infrastructure. The description of the control environment and the effectiveness of these controls are subject to an annual SOC1 ISAE3402 third-party assurance report. The Group's consolidation scope is constantly updated, both at the level of financial

interests captured in the consolidation system, and at the level of legal information through a dedicated legal scope system.

### ANALYTICS AND REPORTING

All internal and external local and consolidated financial reporting is systematically reviewed by local finance staff or by finance teams within the Corporate Centre. Typical analyses include comparisons with previous years, budget and forecast, financial and operational KPIs, flows of key captions on the income statement, statement of the financial position, changes in equity, and cash flow statement.

Regular communication between RTL Group's operations and the Corporate Centre's finance department ensures any issue that could affect the Group's financial reporting is immediately flagged and resolved. Quarterly reporting to the financial market is reviewed by the Audit Committee and approved by the Board of Directors. (Q1 and Q3 condensed consolidated interim financial information is approved by the Audit Committee upon delegation by the Board of Directors.)

### TRANSPARENCY

RTL Group's policy on the reporting of significant compliance incidents requires business units to immediately report fraud or other significant compliance incidents to the Group. Identified control weaknesses that could impact the reliability of financial reporting – reported by either external or internal audit – are brought to the attention of management and the Audit Committee, and are part of a follow-up process.

Each year, the business units self-assess the maturity level of their local internal controls over financial reporting. Results of this self-assessment are reviewed by internal audit and reported to the Audit Committee. At each meeting the Audit Committee is updated on the key accounting, tax and legal issues within the Group.

The Corporate Centre constantly promotes the importance of sound internal controls – not only over financial reporting, but also for operational processes – through dedicated workshops with RTL Group's business units, and the work of the Audit and Compliance department.

## RISK MANAGEMENT

Type of risk	Description and areas of impact	Mitigation activities
<b>External and market risk</b>		
<b>Legal</b>	Local and European regulations are subject to change. Some changes could alter businesses and revenue streams (for example, a ban on certain types of advertisements, — opening of markets, deregulation of markets, cancellation of restrictions, limitation of advertising minutes, data protection)	RTL Group tries to anticipate any changes in legislation and to act accordingly by developing and exploiting new revenue sources
<b>Audience and market share</b>	A decrease in audience and /or market share may have a negative impact on RTL Group's revenue	New talent and formats are developed or acquired. Performance of existing shows is under constant review with the aim of driving audience share performance and hence future revenue. Moreover, RTL Group remains constantly proactive in the monitoring of international market trends
<b>Strategic direction</b>	Wrong strategic decisions could lead to potential losses of revenue. Also, wrong strategic investment decisions and overpricing could generate the risk on an impairment of goodwill	Prudent investment policies are followed, underpinned by realistic and conservative business plans, approval levels being followed to ensure the relevant degree of management 'sign-off', solid valuation models, and regular strategic planning sessions. A regular review of strategic options is undertaken to ensure the strategic course of the Group is well understood and consistent over time
<b>Cyclical development of economy</b>	Economic development directly impacts the advertising markets and therefore RTL Group revenue	RTL Group tries to diversify the revenue base through regional expansion as well as new products and services that generate non-advertising revenue
<b>Market risks</b>		
<b>New entrants and market fragmentation</b>	As countries move towards digital switchover, market entry barriers are reduced. New entrants will also provide further choice to the viewer. Higher competition in programme acquisition, fragmentation due to thematic channels, and expansion of platform operators may impact RTL Group's position	RTL Group's strategy is to embrace new digital opportunities by ensuring its channels and stations are platform neutral (available on the widest possible choice) and that we develop strong families of channels for the digital age based around our leading brands
<b>Technological challenges / innovation</b>	The growing importance of new broadcasting technologies (such as digital broadcasting, internet, video-on-demand) may mean not only opportunities, but also threats for RTL Group	RTL Group remains proactive on new technological and broadcasting trends, and develops digitisation activities to offset the removal/loss of analogue activities
<b>Risks in key business</b>		
<b>Customers</b>	Bad debts or loss of customers may negatively impact RTL Group's financial statements	Credit analysis of all new advertisers is systematically undertaken to prevent such a risk. Depending on the customer's creditworthiness, insurances may be used. This risk is also mitigated by broadening the advertiser base
<b>Suppliers</b>	The supply of certain types of content is limited and may lead to a rise in costs. Over-reliance on one supplier may also cause costs to rise in the long term	The Group tries wherever possible to diversify its sources of supply. RTL Group benchmarks purchasing terms and conditions to identify best practices with the aim of reducing costs via, for example, joint purchasing. RTL Group selects high quality and solid suppliers for key services or equipment to reduce the risk of bankruptcy of business partners
<b>Inventories</b>	There is a risk of over-accumulation of stock that would be unused or could become obsolete. This may entail that write offs/impairments are necessary	RTL Group has strict commercial policies, very close follow-up of existing inventories, and strict criteria for approval of investment proposals for rights
<b>Pricing / discounting</b>	There is potential price erosion, either at broadcaster level in their pricing strategy, or at production level where broadcasters increase pressure on prices, or in the digital environment where rapidly increasing competition could reduce margin levels. There is also a risk that can arise through the pricing of the partner revenue share	RTL Group has strict commercial policies, very close follow-up of existing inventories, and strict criteria for approval of investment proposals for rights
<b>Financial risks</b>		
<b>Foreign exchange exposure</b>	Effective management of foreign exchange risk is an important factor. The operating margin and broadcasting costs are impacted by foreign exchange volatility, especially if there is a strong increase of the USD against the EUR (feature films or sport /distribution rights purchases, scripted programme productions)	RTL Group has in place a strict policy regarding foreign exchange management, which is monitored and followed up by Group Treasury, using plain vanilla hedge instruments and applying hedge accounting principles to mitigate volatility on the income statement

By their nature, media businesses are exposed to risk. Television and radio channels can lose audiences rapidly as new competitive threats emerge, with consequent loss of revenue. Broadcasters and producers are exposed to legal risks, such as litigation by aggrieved individuals or organisations, and media businesses are more exposed than most to economic cycles – advertising is usually one of the first casualties in an economic downturn. RTL Group's international presence exposes it to further risks, such as adverse currency movements and debtors' default.

The Board of Directors is responsible for ensuring RTL Group maintains a sound system of internal controls, including financial, operational and compliance risks.

RTL Group defines its risk management as a continuous process at Business Unit and Group level to prevent, protect, mitigate and leverage risks considering execution of RTL Group's mission and strategic objectives. RTL Group's risk management system has been designed to be fully aligned with international risk management standards (such as the COSO framework) and Bertelsmann SE & Co. KGaA's risk management practices.

The Group's robust risk management processes are designed to ensure that risks are identified, monitored and controlled, and its risk management system is based on a specific policy and a clear set of procedures. Policies and procedures are reviewed on a regular basis by the Internal Audit Department and/or external consulting companies. Risk management and risk reporting are coordinated by the Head of Enterprise Risk Management (ERM), and reporting is reviewed by the Internal Audit Department.

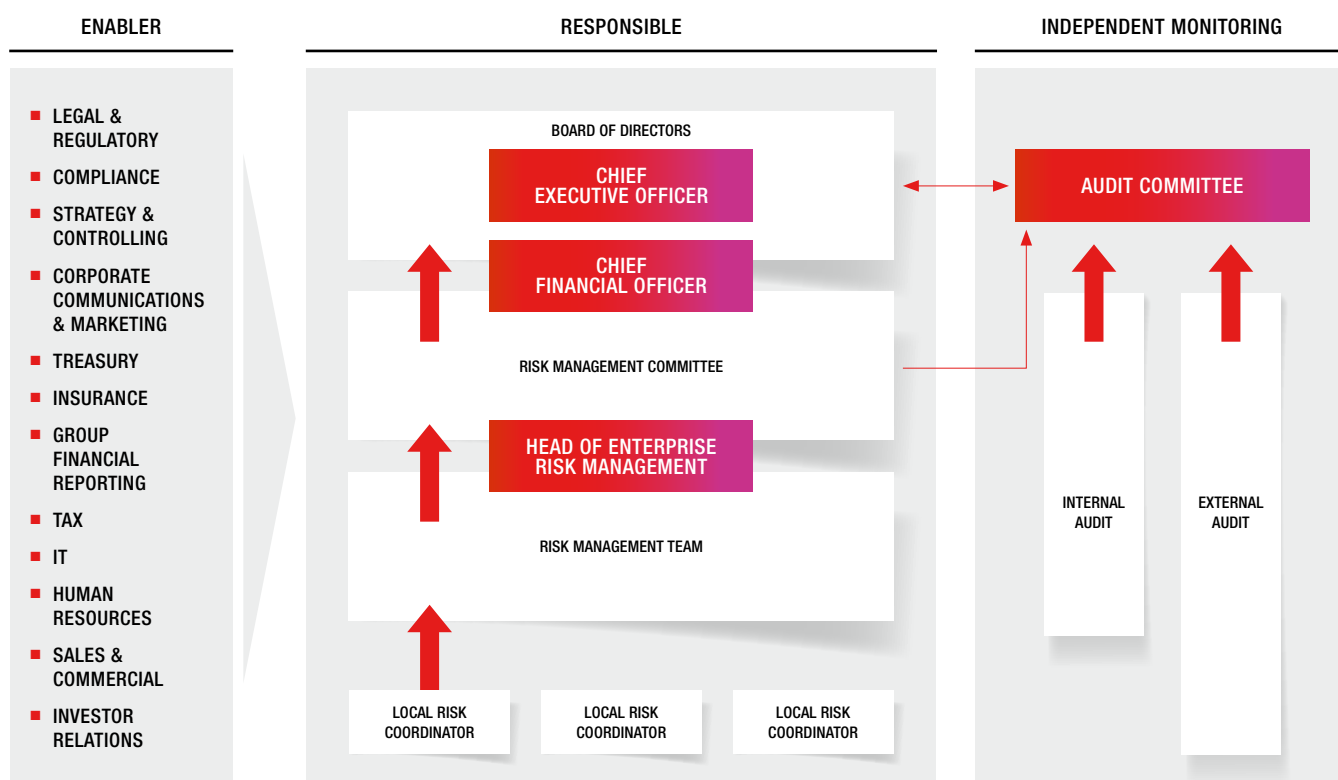
RTL Group's risk management process intends to meet the following three main objectives:

- **Embedded culture:** promote and embed a common risk management culture in the daily work of all RTL Group's employees;
- **Consistent policy:** develop consistent risk policies on key matters to be tailored and implemented at Business Unit level with consideration of local challenges and environment;
- **Harmonised response:** ensure harmonised risk management prevention, detection and mitigation measures across RTL Group and its Business Units against key risks, as well as a continuous related monitoring and improvement programme.

The risk management organisation is the combination of structures and relationships (see the diagram on the next page) which enables a proper risk governance environment. RTL Group's risk management governance model has a strong vertical component descending from the Board, Executive, Audit and Risk Management Committees, through the executive responsible (CEO, CFO and Head of ERM), down to all levels of the dedicated risk management functions, including Group local entities. This backbone is enabled by related control functions carried out by the Legal and Regulatory, Compliance, Strategy and Controlling, Corporate Communications and Marketing, Treasury, Insurance, Group Financial Reporting, Tax, IT, Human Resources, Sales and Commercial and Investor Relations departments. Independent monitoring is also carried out by Internal Audit and External Audit.

The internal control system is designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

- effectiveness and efficiency of operations, and the optimal use of the Group's resources
- integrity and reliability of financial and operational information
- reliability of financial reporting
- proper identification, assessment, mitigation and reporting of material risks
- compliance with applicable laws, regulations, standards and contracts



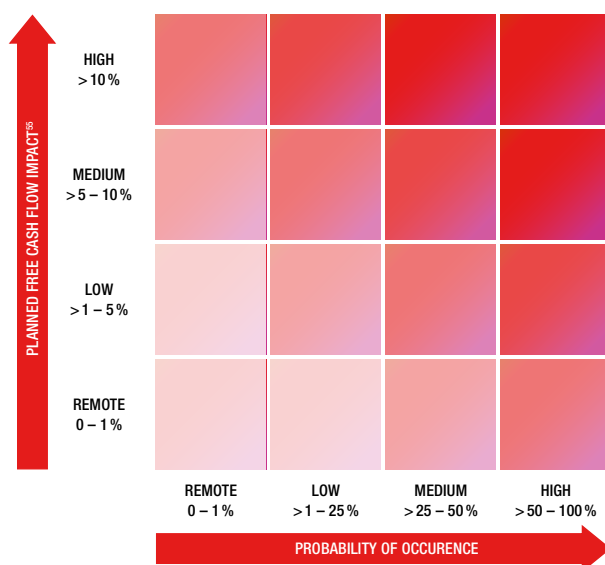
#### DEFINITION OF RISK

The Risk Management Committee is composed of the following permanent members:

- RTL Group Chief Financial Officer and Head of the Corporate Centre
- RTL Group Deputy CFO and Executive Vice President Finance
- RTL Group Executive Vice President Audit and Compliance
- RTL Group Senior Vice President Treasury and Enterprise Risk Management
- RTL Group Senior Vice President Controlling and Investments
- RTL Group General Counsel
- RTL Group Senior Vice President Group IT
- Media Assurances' Chief Executive Officer
- Additional guests may be invited to participate in Risk Management Committee meetings as subject matter experts, based on the topics to be addressed.

RTL Group defines risk as the danger of a negative development that could endanger the solvency or existence of a business unit or have a negative impact on the Group's income statement.

## RISK CLASSIFICATION



### RISK REPORTING FRAMEWORK

RTL Group has developed a framework for the reporting of risks, in line with good corporate practice.

This framework is based on several key principles:

- Comprehensive scope of risk assessment: risks are assessed within a framework of defined key risk categories. Regular risk assessments include a description of the risk, an indication of the potential financial impact, and steps taken to mitigate the risk. These steps are performed throughout RTL Group, consolidated by the Head of Enterprise Risk Management, reviewed by the Internal Audit Department, and ultimately summarised in a dedicated risk management report. Results are presented to the Audit Committee.
- Regular and consistent reporting: RTL Group's system of internal controls ensures that risks are addressed, reported and mitigated when they arise. All significant risks are comprehensively assessed within the risk reporting framework and reported to RTL Group management on a bi-annual basis. This ensures that necessary actions are undertaken to manage, mitigate or offset risks within the Group. The risks are reported using a common reporting tool to ensure consistency in scope and approach.
- Bottom-up approach: RTL Group assesses risks where they arise – in its operations. All business units assess themselves according to the three parts of the risk management report:
  - Risk Management System: risk assessment and quantification of residual risks if applicable
  - Internal Control System: self-assessment on internal controls in place
  - Information Security Management System: risk assessment and quantification of IT-related risks
- Consolidated Group matrix: The Enterprise Risk Management (ERM) team aggregates a comprehensive view of significant risks for the Group by consolidating local risk assessments. A Risk Management Committee prepares and reviews this consolidated Group risk matrix. The committee also:
  - advises on the control and reporting process for any major risks, and recommends mitigation strategies to the Group CFO
  - monitors follow-up of risks and ensures mitigation measures have been taken
  - increases risk awareness within the Group
  - identifies potential optimisation opportunities in processes
- Audit approach: both the process of local risk assessments and the consolidated Group risk matrices are regularly reviewed by the Internal Audit Department.

### RISK MANAGEMENT IN THE FUTURE

RTL Group's risk management framework is constantly challenged – at both operational and Group level – through the Risk Management Committee, to ensure it reflects the risk profile of the Group at any time.

To ensure RTL Group's Enterprise Risk Management process and reporting requirements are consistently implemented throughout the Group, it holds regular workshops to update staff and to introduce new tools available to assess risk.

<sup>55</sup> Expected free-cash-flow impact according to the Executive Board budget in the respective period

## **GENERAL MANAGEMENT STATEMENT ON RISK EVALUATION**

RTL Group is committed to high risk management standards and applies principles endorsed by local and European regulations and expected by market authorities. Consequently, RTL Group has developed a risk management system integrated into an enterprise-wide process as outlined in the previous section.

RTL Group defines its risk management process as a continuous process at Business Unit and Group level to prevent, protect, mitigate and leverage risks considering the execution of the Group's mission, strategic objectives and values. RTL Group's risk management strategy is a holistic and enterprise-wide process, aligned to the definition and execution of the Group's strategy. RTL Group may have to make strategic decisions involving a new set of risks or reassessment of existing risks that need to be addressed within the risk management framework.

The global media industry – especially advertising markets – is subject to constant market change and intense competition. The Group is in a strong strategic and operational position to use the market's dynamism as an opportunity to grow across broadcast, content and digital.

At the time this Directors' report was compiled, RTL Group is characterised by overall very good revenue and earnings, and a strong financial position and operating performance. Strong cash flows enable attractive dividend payments to be combined with significant investments. Management's priority has always been to further develop the Group, to make the right investments and to achieve profitable growth. RTL Group has leading market positions across the value chain of the rapidly evolving Total Video market. With this financial strength, it is the company's ambition to further grow RTL Group over the coming years – to transform the leading European entertainment network into a truly global powerhouse in video production, aggregation and monetisation. Against this backdrop, as of the date of preparation of this Directors' report, RTL Group estimates risks to be limited, and the overall risk situation to remain manageable. Given the rapid changes in global economy and the industry, RTL Group considers the overall risk situation to be slightly more serious than the previous year.

There are currently no discernible risks that, individually or in combination with other risks, could have a material or lasting adverse effect on the revenue, earnings, financial position or performance of RTL Group over the projection period of three years.

## OPPORTUNITY MANAGEMENT

### OPPORTUNITY MANAGEMENT SYSTEM

An efficient opportunity management system enables RTL Group to secure its corporate success in the long term, and to exploit potential in the best possible way. Opportunities are defined as future developments or events that could result in a positive change from either the Group's outlook or from strategic objectives. RTL Group's Risk Management System (RMS) is an important part of the company's business processes and decisions. Significant opportunities are identified from profit centre level upward, during the Group's annual strategy and planning process.

This largely decentralised system is coordinated by central departments to identify opportunities for cooperation across the Group and within the business units. Experience is shared within divisions, and this collaborative approach is reinforced by regular senior management meetings.

### OPPORTUNITIES

While opportunities associated with positive development may be accompanied by corresponding risks, certain risks are necessary to exploit potential opportunities. This link to risk within the Group offers strategic, operational, legal, regulatory and financial opportunities for the company. Strategic opportunities can be derived primarily from the Group's strategic priorities. Strengthening core businesses, driving digital transformation, developing growth platforms and expanding in prosperous regions are the most important long-term expansion opportunities for RTL Group. Specifically, there are opportunities to exploit synergies as a result of the Group's expanding portfolio, individual operational opportunities, the possibility of more favourable economic development, and the potential for efficiency improvements.

Two major opportunities for RTL Group are a better-than-expected development of the TV and radio advertising market and increasing audience and advertising market shares.

The rapidly changing digital environment is opening opportunities as the media landscape fragments. High-quality content can be distributed across multiple platforms, both nationally and internationally. New revenue streams can be generated by exploiting existing TV content across multiple platforms, and by creating native digital content. With the expansion of its presence in the digital space, RTL Group could increase online video advertising sales on all screens and TV platforms and establish hybrid models in the on-demand world – consisting of a free catch-up service and a paid premium service. New advertising sales could emerge through the offering of new interactive forms of advertising parallel to linear TV use, and from more effective targeted advertising in the digital environment – namely thanks to developments in advertising technology. What's more, as an established content producer with a global presence, RTL Group could further expand its digital distribution through multi-platform networks and digital streaming platforms.

Other opportunities could arise from changes to the legal and regulatory environment and because of favourable changes to interest and exchange rates.

## LUXEMBOURG LAW ON TAKEOVER BIDS

The following disclosures are made in accordance with article 11 of the Luxembourg Law on Takeover Bids of 19 May 2006.

### A) SHARE CAPITAL STRUCTURE

RTL Group SA has issued one class of shares which is admitted to trading on the Frankfurt Stock Exchange, Euronext Brussels and the Luxembourg Stock Exchange. No other securities have been issued. The issued share capital as at 31 December 2018 amounts to € 191,845,074 represented by 154,742,806 shares with no par value, each fully paid-up.

### B) TRANSFER RESTRICTIONS

At the date of this report, all RTL Group SA shares are freely transferable but shall be subject to the provisions of the applicable Belgian, German and Luxembourg insider dealing and market manipulation laws, which prevent anyone who has material non-public information about a company from dealing in its shares and from committing market manipulations. A detailed Dealing Code contains restrictions on dealings by directors and certain employees of RTL Group SA and its subsidiaries.

### **C) MAJOR SHAREHOLDING**

The shareholding structure of RTL Group SA as at 31 December 2018 is as follows: Bertelsmann Capital Holding GmbH held 75.1 per cent, 24.1 per cent were publicly traded and the remaining 0.8 per cent were held collectively as treasury stock by RTL Group SA and one of its subsidiaries.

### **D) SPECIAL CONTROL RIGHTS**

All the issued and outstanding shares of RTL Group SA have equal voting rights and no special control rights attached.

### **E) CONTROL SYSTEM**

#### **IN EMPLOYEE SHARE SCHEME**

RTL Group SA's Board of Directors is not aware of any issue regarding section e) of article 11 of the Luxembourg Law on Takeover Bids of 19 May 2006.

### **F) VOTING RIGHTS**

Each share issued and outstanding in RTL Group SA represents one vote. The Articles of Association do not provide for any voting restrictions. In accordance with the Articles of Association, a record date for the admission to a general meeting is set and certificates for the shareholdings and proxies shall be received by RTL Group SA the 14th day before the relevant date at 24 hours (Luxembourg time). Additional provisions may apply under Luxembourg law.

### **G) SHAREHOLDERS' AGREEMENT WITH TRANSFER RESTRICTIONS**

RTL Group SA's Board of Directors has no information about any agreements between shareholders which may result in restrictions on the transfer of securities or voting rights.

### **H) APPOINTMENT OF BOARD MEMBERS, AMENDMENTS OF THE ARTICLES OF ASSOCIATION**

The appointment and replacement of Board members and the amendments of the Articles of Association are governed by Luxembourg Law and the Articles of Association. The Articles of Association are published under the 'Investors' Corporate Governance Section on the company's website, RTLGroup.com.

### **I) POWERS OF THE BOARD OF DIRECTORS**

The Board of Directors is vested with the broadest powers to manage the business of RTL Group SA. It may take all acts of administration and of disposal in the interest of RTL Group SA. The Board of Directors has set up several committees whose members are Directors. The responsibilities and functionalities of the Board of Directors and its committees are described in the Articles of Association and the Corporate Governance Charter, published under the 'Investors' Corporate Governance Section on RTLGroup.com. The Company's General Meeting held on 16 April 2014 authorised the Board of Directors to acquire a total number of shares of the company not exceeding 150,000 in addition to the shares already held (i.e. 1,168,701 own shares) as of the date of the General Meeting. This authorisation is valid for five years and the purchase price is fixed at a minimum of 90 per cent and a maximum of 110 per cent of the average closing price of the RTL Group share over the last five trading days preceding the acquisition.

### **J) SIGNIFICANT AGREEMENTS OR ESSENTIAL BUSINESS CONTRACTS**

The Board of Directors is not aware of any significant agreements to which RTL Group SA is party and which take effect, alter or terminate upon a change of control of RTL Group SA following a takeover bid.

### **K) AGREEMENTS WITH DIRECTORS AND EMPLOYEES**

The Executive Committee members are entitled to contractual severance payments in case of dismissal, except in the case of dismissal for serious reasons.

## SUBSEQUENT EVENTS

On 1 January 2019, the non-controlling shareholders of iGraal SAS ("iGraal") exercised their put option. Consequently, Groupe M6 acquired the remaining 49 per cent of the share capital of iGraal for €22 million.

On 1 January 2019, Broadcasting Center Europe SA ("BCE") acquired 100 per cent of the share capital of Freecaster Sàrl and its fully owned French and Luxembourg subsidiaries ("Freecaster"). Freecaster operates production and broadcast of live and non-live media content on both mobile and the internet. With this investment of €1 million, subject to a net asset adjustment, BCE strengthens its online services. In addition, there is an earn-out mechanism over four years, subject to the financial performance of Freecaster, which is capped at below €1 million. The transaction qualifies as a business combination since RTL Group gained the control of Freecaster.

On 1 January 2019, RTL Nederland Holding BV ("RTL Nederland") acquired 100 per cent of the share capital of BrandDeli BV and its fully owned subsidiary BrandDeli CV ("BrandDeli"). BrandDeli has the non-exclusive right for a minimum of three years to sell advertising space for the brand portfolio of Discovery, Fox and VIMN and herewith expands its offering of TV commercials, branded partnerships and online (video and display) advertising space for their clients. The purchase consideration is €nil million. The transaction qualifies as a business combination since RTL Group gained the control of BrandDeli.

After the share buyback by YoBoHo New media Private Ltd ("YoBoHo") and the share acquisition by BroadbandTV Corp. ("BBTV") realised on 2 January 2019 for INR 149 million, the Group owns 100 per cent of YoBoHo.

On 16 January 2019, following the approval from the media and antitrust authorities, RTL Radio Center Berlin GmbH ("RTL Radio Center") completed the acquisition of additional shares in Skyline Medien GmbH ("93.6 Jam FM"). The radio station, which is based in Berlin, targets young listeners. With this investment of below €1 million, RTL Radio Center has increased its ownership to 49.9 per cent. The transaction qualifies as a joint arrangement as RTL Radio Center jointly controls the company.

Since the gain of control in June 2013, RTL Group held a call option on the BroadbandTV Corp. ("BBTV") non-controlling interests, which it decided not to exercise. On 29 January 2019, the non-controlling shareholders extended an offer to RTL Group for the

sale of all of their shares in BBTV. This triggered an exit mechanism pursuant to which the non-controlling shareholders can drag RTL Group's stake in a 100 per cent sale of the company at a price at least equal to the price offered to RTL Group, if RTL Group decides not to accept their offer. Such drag-along right would expire one year after RTL Group's decision not to accept their offer. RTL Group, on the other hand, has a right to sell the company in a 100 per cent sale at any time by dragging the non-controlling shareholders' stake. RTL Group is currently evaluating the offer of the non-controlling shareholders.

On 31 January 2019, Groupe M6 entered into exclusive negotiations with Lagardère Active for the acquisition of Lagardère's Television Business. The acquisition is subject to consultation with the employee representative bodies of both Lagardère Group's Television Business and Groupe M6, as well as to approval of the Conseil Supérieur de l'Audiovisuel (French broadcasting authority) and the Competition Authorities. Approval for the acquisition is expected in the second half of 2019.

On 1 February 2019, SpotX Limited acquired 100 per cent of the share capital of Yospace Entreprises Limited and its fully owned subsidiary, Yospace Technologies Limited ("Yospace"). Yospace is a UK-based video technology company which has developed solutions for server-side dynamic ad insertion ("SSDAI") which enables the replacement of existing commercials with more targeted advertising. This acquisition complements the ad-tech stack of the Group and secures SpotX as a key technology to win, retain, and scale premium media clients, including RTL Group broadcasters and streaming services. The transaction qualifies as a business combination since RTL Group gained the control of Yospace. Former EMI options have been accelerated. Growth shares have been provided to key managers for a capped amount of USD 7 million. The purchase consideration amounts to USD 20 million, contingent on a net cash and working capital position. The parties also agreed on an earn-out mechanism capped to USD 5 million, subject to the performance of the business.

On 19 February 2019, FremantleMedia Overseas Holding BV exercised its call option to acquire the remaining 49 per cent of the share capital of Miso Holding ApS. The purchase consideration amounts to €14 million, including deferred contingent consideration estimated and recognised at €2 million. Since RTL Group already has control over Miso, the acquisition will be treated as an equity transaction.

# OUTLOOK

RTL Group is reverting back to guidance on EBITA in its outlook statement. The Group believes this will provide a better operational KPI than continuing to use EBITDA. The Group notes that the analyst community continues to use EBITA – some on an exclusive basis – as the main KPI for the Group's profitability. Reverting back to EBITA will therefore align the Group's guidance to the expectations of the investment community. In addition, the Group's EBITDA will be affected by the new IFRS 16 (Leases) standard from 2019 onwards. Both EBITDA and EBITA will continue to be reported on for the Group's business segments. As outlook guidance will revert back to EBITA, RTL Group will also comment primarily on EBITA as the KPI for operating profit in 2019.

## REVENUE

Given the current economic climate RTL Group expects 2019 to be another challenging year for TV advertising. Accordingly, RTL Group plans on an overall stable, to slightly down, growth for the Group's TV businesses.

Fremantle, the Group's content division, will continue to benefit from the drama pipeline which contains a number of new and second season commissions.

Accordingly, RTL Group expects Fremantle's organic revenue to grow between 4 and 7 per cent with EBITA once again progressing. For the sake of clarity, this revenue guidance excludes any impact from foreign exchange movements.

The Group's digital revenues are expected to continue to show revenue growth of around 10 per cent in 2019.

In summary, RTL Group expects its total revenue for the fiscal year 2019 to grow moderately (+2.5 per cent to +5.0 per cent) excluding foreign exchange rate effects, driven by the Group's digital businesses and Fremantle.

## LEVERAGE RATIO, CASH CONVERSION, DIVIDEND

RTL Group will continue to target a leverage ratio of between 0.5 and 1.0 times net debt to full-year EBITDA for the fiscal year 2019.

The company will continue to focus on EBITA cash conversion, and targets levels not below 85 to 90 per cent. Given the Group's low leverage at the start of 2019 and modest M&A intentions the Group will maintain its current dividend policy and expects the payout for 2019 to be in line with prior years.

## EBITA

In terms of profitability, as measured in EBITA, RTL Group believes it will be able to deliver another good year in 2019, despite the investments in programming and the launch of our new direct-to-consumer businesses.

Our broadcasters will continue to invest in their TV schedules. In Germany, Mediengruppe RTL Deutschland will air ten football matches of the German national team this year – eight qualifying games and two friendlies (2018: total of two matches). This will come with a certain cost and will weigh on EBITA. In addition, the Group will accelerate its investments in its VOD activities and these are expected to impact EBITA negatively.

In terms of upsides the Group expects the absolute amount of Fremantle's EBITA to be higher again in 2019, on the back of the drama successes and lower development costs. The EBITA from our digital activities, even with some potential restructuring at the level of StyleHaul, is also expected to improve, reflecting lower overall losses at the MPNs and higher profits in the Group's ad tech activities.

Overall RTL Group currently expects the Group's EBITA for 2019 to be moderately down i.e. to be within a range of 1.11 and 1.14 billion Euros compared to 2018.

Outlook RTL Group	2018 € m	2019e € m	Outlook	Change %
			<b>Moderately up (excluding FX effects)</b>	
Revenue	6,505	6,668 to 6,830		+2.5 to +5.0
EBITA	1,171	1,112 to 1,142	<b>Moderately down</b>	–2.5 to –5.0

13 March 2019  
The Board of Directors

# MANAGEMENT RESPONSIBILITY STATEMENT

We, Bert Habets, Chief Executive Officer, and Elmar Heggen, Deputy Chief Executive Officer and Chief Financial Officer, confirm, to the best of our knowledge, that these 2018 consolidated financial statements which have been prepared in accordance with the International Financial Reporting Standards as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of RTL Group and the undertakings included in the consolidation taken as a whole, and that the Directors' report includes a fair review of the development and performance of the business and the position of RTL Group and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

Luxembourg, 13 March 2019



**Bert Habets**  
Chief Executive Officer



**Elmar Heggen**  
Deputy Chief Executive Officer,  
Chief Financial Officer

# CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER

	2018 € m	2017 € m
Revenue	6,505	6,373
Other operating income	74	148
Consumption of current programme rights	(2,103)	(2,036)
Depreciation, amortisation, impairment and valuation allowance	(209)	(223)
Net impairment losses on financial assets	(2)	–
Other operating expenses	(3,150)	(3,083)
Impairment of goodwill and amortisation and impairment of fair value adjustments on acquisitions of subsidiaries	(120)	(17)
Gain/(loss) from sale of subsidiaries, other investments and re-measurement to fair value of pre-existing interest in acquiree	25	21
<b>Profit from operating activities</b>	<b>1,020</b>	<b>1,183</b>
Share of results of investments accounted for using the equity method	56	63
<b>Earnings before interest and taxes ("EBIT")</b>	<b>1,076</b>	<b>1,246</b>
Interest income	9	4
Interest expense	(29)	(26)
Financial results other than interest	7	(2)
<b>Profit before taxes</b>	<b>1,063</b>	<b>1,222</b>
Income tax expense	(278)	(385)
<b>Profit for the year</b>	<b>785</b>	<b>837</b>
Attributable to:		
RTL Group shareholders	668	739
Non-controlling interests	117	98
<b>Profit for the year</b>	<b>785</b>	<b>837</b>
<b>EBITA</b>	<b>1,171</b>	<b>1,248</b>
Impairment of goodwill of subsidiaries	(105)	–
Impairment of investments accounted for using the equity method	(2)	(6)
Amortisation and impairment of fair value adjustments on acquisitions of subsidiaries	(15)	(17)
Re-measurement of earn-out arrangements	2	–
Gain/(loss) from sale of subsidiaries, other investments and re-measurement to fair value of pre-existing interest in acquiree	25	21
<b>Earnings before interest and taxes ("EBIT")</b>	<b>1,076</b>	<b>1,246</b>
<b>EBITDA</b>	<b>1,380</b>	<b>1,464</b>
Depreciation, amortisation and impairment	(224)	(233)
Impairment of goodwill of subsidiaries	(105)	–
Impairment of investments accounted for using the equity method	(2)	(6)
Re-measurement of earn-out arrangements	2	–
Gain/(loss) from sale of subsidiaries, other investments and re-measurement to fair value of pre-existing interest in acquiree	25	21
<b>Earnings before interest and taxes ("EBIT")</b>	<b>1,076</b>	<b>1,246</b>
<b>Earnings per share (in €)</b>		
– Basic	4.35	4.81
– Diluted	4.35	4.81

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER

	2018 € m	2017 € m
<b>Profit for the year</b>	<b>785</b>	<b>837</b>
<b>Other comprehensive income ("OCI"):</b>		
<b>Items that will not be reclassified to profit or loss:</b>		
Re-measurement of post-employment benefit obligations	5	(2)
Income tax	(1)	(2)
	<b>4</b>	<b>(4)</b>
Equity investments at fair value through OCI – change in fair value	2	–
Income tax	1	–
	<b>3</b>	<b>–</b>
	<b>7</b>	<b>(4)</b>
<b>Items that may be reclassified subsequently to profit or loss:</b>		
Foreign currency translation differences	8	(61)
Effective portion of changes in fair value of cash flow hedges	32	(65)
Income tax	(10)	21
	<b>22</b>	<b>(44)</b>
Recycling of cash flow hedge reserve	2	(40)
Income tax	(1)	12
	<b>1</b>	<b>(28)</b>
Fair value gains/(losses) on available-for-sale financial assets	–	(8)
Income tax	–	2
	<b>–</b>	<b>(6)</b>
	<b>31</b>	<b>(139)</b>
<b>Other comprehensive income/(loss) for the year, net of income tax</b>	<b>38</b>	<b>(143)</b>
<b>Total comprehensive income for the year</b>	<b>823</b>	<b>694</b>
<b>Attributable to:</b>		
RTL Group shareholders	707	598
Non-controlling interests	116	96
<b>Total comprehensive income for the year</b>	<b>823</b>	<b>694</b>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	31 December 2018 €m	31 December 2017 €m
<b>Non-current assets</b>		
Programme and other rights	91	94
Goodwill	2,919	3,037
Other intangible assets	213	243
Property, plant and equipment	332	352
Investments accounted for using the equity method	395	407
Loans and other financial assets	133	137
Deferred tax assets	333	303
	<b>4,416</b>	<b>4,573</b>
<b>Current assets</b>		
Programme rights	1,236	1,156
Other inventories	11	16
Income tax receivable	24	48
Accounts receivable and other financial assets	2,133	1,844
Cash and cash equivalents	422	265
	<b>3,826</b>	<b>3,329</b>
<b>Assets classified as held for sale</b>	<b>82</b>	<b>–</b>
<b>Current liabilities</b>		
Loans and bank overdrafts	333	247
Income tax payable	40	63
Accounts payable	2,626	2,672
Contract liabilities	295	–
Provisions	126	178
	<b>3,420</b>	<b>3,160</b>
<b>Liabilities directly associated with non-current assets classified as held for sale</b>	<b>63</b>	<b>–</b>
<b>Net current assets</b>	<b>425</b>	<b>169</b>
<b>Non-current liabilities</b>		
Loans	561	568
Accounts payable	462	475
Contract liabilities	7	–
Provisions	229	242
Deferred tax liabilities	29	25
	<b>1,288</b>	<b>1,310</b>
<b>Net assets</b>	<b>3,553</b>	<b>3,432</b>
<b>Equity attributable to RTL Group shareholders</b>	<b>3,047</b>	<b>2,965</b>
<b>Equity attributable to non-controlling interests</b>	<b>506</b>	<b>467</b>
<b>Equity</b>	<b>3,553</b>	<b>3,432</b>

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

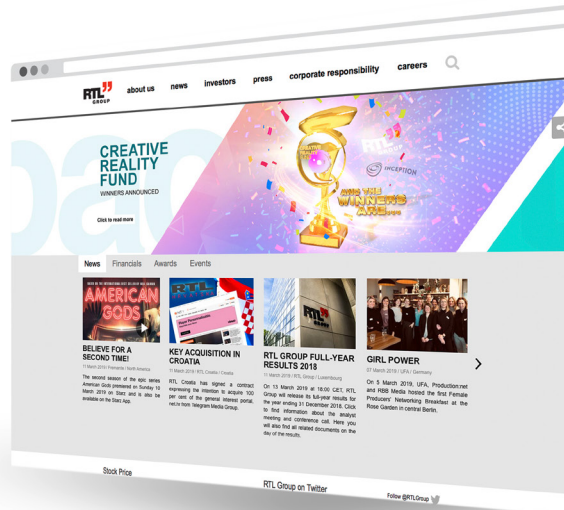
	Share capital € m	Treasury shares € m	Currency translation reserve € m	Hedging reserve € m	Revaluation reserve € m	Reserves and retained earnings € m	Equity attributable to RTL Group shareholders € m	Equity attributable to non-controlling interests € m	Total equity € m
<b>Balance at 1 January 2017</b>	<b>192</b>	<b>(48)</b>	<b>(84)</b>	<b>52</b>	<b>75</b>	<b>2,890</b>	<b>3,077</b>	<b>475</b>	<b>3,552</b>
<b>Total comprehensive income:</b>									
Profit for the year	–	–	–	–	–	739	739	98	837
Re-measurement of post-employment benefit obligations, net of tax	–	–	–	–	–	(2)	(2)	(2)	(4)
Foreign currency translation differences	–	–	(61)	–	–	–	(61)	–	(61)
Effective portion of changes in fair value of cash flow hedges, net of tax	–	–	–	(44)	–	–	(44)	–	(44)
Recycling of cash flow hedge reserve, net of tax	–	–	–	(28)	–	–	(28)	–	(28)
Fair value gains/(losses) on available-for-sale financial assets, net of tax	–	–	–	–	(6)	–	(6)	–	(6)
	–	–	(61)	(72)	(6)	737	598	96	694
<b>Capital transactions with owners:</b>									
Dividends	–	–	–	–	–	(614)	(614)	(72)	(686)
Equity-settled transactions, net of tax	–	–	–	–	–	6	6	5	11
(Acquisition)/disposal of treasury shares	–	1	–	–	–	–	1	–	1
Transactions on non-controlling interests without a change in control	–	–	–	–	–	(92)	(92)	(34)	(126)
Transactions on non-controlling interests with a change in control	–	–	–	–	–	(8)	(8)	–	(8)
Derivatives on equity instruments	–	–	–	–	–	(3)	(3)	(3)	(6)
	–	1	–	–	–	(711)	(710)	(104)	(814)
<b>Balance at 31 December 2017</b>	<b>192</b>	<b>(47)</b>	<b>(145)</b>	<b>(20)</b>	<b>69</b>	<b>2,916</b>	<b>2,965</b>	<b>467</b>	<b>3,432</b>
Adjustment on initial application of IFRS 9 (net of tax)	–	–	–	–	–	(5)	(5)	–	(5)
Adjustment on initial application of IFRS 15 (net of tax)	–	–	–	–	–	(3)	(3)	–	(3)
<b>Adjusted balance at 1 January 2018</b>	<b>192</b>	<b>(47)</b>	<b>(145)</b>	<b>(20)</b>	<b>69</b>	<b>2,908</b>	<b>2,957</b>	<b>467</b>	<b>3,424</b>
<b>Total comprehensive income:</b>									
Profit for the year	–	–	–	–	–	668	668	117	785
Re-measurement of post-employment benefit obligations, net of tax	–	–	–	–	–	3	3	1	4
Equity investments at fair value through OCI – change in fair value, net of tax	–	–	–	–	(1)	4	3	–	3
Foreign currency translation differences	–	–	10	–	–	–	10	(2)	8
Effective portion of changes in fair value of cash flow hedges, net of tax	–	–	–	22	–	–	22	–	22
Recycling of cash flow hedge reserve, net of tax	–	–	–	1	–	–	1	–	1
	–	–	10	23	(1)	675	707	116	823
<b>Capital transactions with owners:</b>									
Dividends	–	–	–	–	–	(614)	(614)	(73)	(687)
Equity-settled transactions, net of tax	–	–	–	–	–	5	5	5	10
(Acquisition)/disposal of treasury shares	–	3	–	–	–	(4)	(1)	–	(1)
Transactions on non-controlling interests without a change in control	–	–	–	–	–	(5)	(5)	(7)	(12)
Transactions on non-controlling interests with a change in control	–	–	–	–	–	(4)	(4)	(4)	(8)
Derivatives on equity instruments	–	–	–	–	–	2	2	2	4
	–	3	–	–	–	(620)	(617)	(77)	(694)
<b>Balance at 31 December 2018</b>	<b>192</b>	<b>(44)</b>	<b>(135)</b>	<b>3</b>	<b>68</b>	<b>2,963</b>	<b>3,047</b>	<b>506</b>	<b>3,553</b>

# CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER

	2018 € m	2017 € m
<b>Cash flows from operating activities</b>		
Profit before taxes	1,063	1,222
Adjustments for:		
– Depreciation and amortisation	224	230
– Value adjustments and impairment	157	79
– Share-based payments expenses	10	11
– Re-measurement of earn-out arrangements	(2)	–
– Gain on disposal of assets	(60)	(132)
– Financial results including net interest expense and share of results of investments accounted for using the equity method	30	24
Change of provisions	(52)	23
Working capital changes	(143)	(89)
Income taxes paid	(354)	(345)
<b>Net cash from operating activities</b>	<b>873</b>	<b>1,023</b>
<b>Cash flows from investing activities</b>		
Acquisitions of:		
– Programme and other rights	(104)	(94)
– Subsidiaries, net of cash acquired	(18)	(30)
– Other intangible and tangible assets	(121)	(145)
– Other investments and financial assets	(19)	(43)
	<b>(262)</b>	<b>(312)</b>
Proceeds from the sale of intangible and tangible assets	47	170
Disposal of other subsidiaries, net of cash disposed of	106	–
Proceeds from the sale of investments accounted for using the equity method, other investments and financial assets	30	10
Interest received	7	4
	<b>190</b>	<b>184</b>
<b>Net cash used in investing activities</b>	<b>(72)</b>	<b>(128)</b>
<b>Cash flows from financing activities</b>		
Interest paid	(19)	(17)
Transactions on non-controlling interests	(24)	(148)
Acquisition of treasury shares	(1)	1
Term loan facility due to shareholder	94	(251)
Proceeds from loans	33	105
Repayment of loans	(34)	(59)
Dividends paid	(686)	(687)
<b>Net cash used in financing activities</b>	<b>(637)</b>	<b>(1,056)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>164</b>	<b>(161)</b>
<b>Cash and cash equivalents and bank overdrafts at beginning of year</b>	<b>258</b>	<b>431</b>
Effect of exchange rate fluctuation on cash held	–	(12)
<b>Cash and cash equivalents and bank overdrafts at end of year</b>	<b>422</b>	<b>258</b>

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## Financial Calendar

26 April 2019	Annual General Meeting 2019
16 May 2019	Results January to March 2019
28 August 2019	Interim results 2019
6 November 2019	Results January to September 2019

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