



# ***INTERIM REPORT***



***JANUARY TO  
SEPTEMBER 2018***

**RTL**  
GROUP

ENTERTAIN. INFORM. ENGAGE.



# HIGHLIGHTS



**Audition Secrète**  
hosts Éric Antoine and  
David Ginola (right)

## SECRET AUDITIONS

In August 2018, Groupe M6 confirmed a licensing agreement with MGM Television to bring its innovative talent show, *Audition Secrète: qui deviendra une star sans le savoir?* (Secret Audition: Who Will Become A Star Without Knowing It?) to twelve territories. It is produced by Studio 89, a Groupe M6 production company, which is increasingly positioning itself as a seller of TV formats.

*Audition Secrète* got off to a successful start on M6. The first episode, in July 2018, earned the channel an audience share of 25 per cent in the target group of women under 50 responsible for purchases, and top position in prime time. The show, hosted by David Ginola and Éric Antoine, secretly auditions performers who have been invited to attend the Cité du Cinéma studio complex in Paris under false pretext. They are invited to sing on stage, but will unknowingly be taking part in a 'secret audition' in front of music producers. The producers will remain hidden if unimpressed, but reveal the situation to the singer if they like what they see and hear.

## BRILLIANT FRIENDS



*My Brilliant Friend* – Wildside's adaptation of Elena Ferrante's sensational bestselling book of the same name – follows the lives of two young girls from Naples: Elena Greco and Raffaella Cerullo. In September 2018, the drama premiered at the Venice Film Festival to huge critical acclaim. The series has already been sold to 56 territories worldwide and will launch on HBO US in November 2018. *My Brilliant Friend* is produced by Lorenzo Mieli and Mario Gianani for Wildside (a Fremantle company), and by Domenico Procacci for Fandango, in collaboration with Rai Fiction, TIMVISION and HBO Entertainment, in co-production with Umedia.

**My Brilliant Friend** characters  
Elena Greco and Raffaella Cerullo (right)



# ***“CONTENT AND VIDEO-ON-DEMAND ARE OUR GROWTH DRIVERS”***



## **Statement from BERT HABETS, Chief Executive Officer of RTL Group**

“In the first nine months of 2018, RTL Group once again demonstrated its position of strength – even in challenging market conditions. This is thanks to our broad international footprint and well-diversified revenue mix. Our main goal is to grow organically across our portfolio, while maintaining attractive shareholder returns.

The mixed developments of the European TV advertising markets show that we are on the right track with our clear focus on two growth areas: building and expanding our non-linear streaming platforms, and producing local exclusive content.

We will substantially increase the content offers of our streaming services across all genres – this includes showing programmes online first and developing original productions for these services. Combined with state-of-the-art user experience, RTL Group is determined to become the European pioneer for the next level of Total Video.”

# RTL GROUP ON TRACK TO REACH FULL-YEAR TARGETS

**January to September 2018: Group revenue up 2.7 per cent to €4,468 million,  
Group EBITDA at €892 million**

**Q3/2018: Fremantle with strong revenue growth; Group revenue up 3.6 per cent**

**Full-year 2018 outlook confirmed**

Luxembourg, 8 November 2018 – RTL Group announces its results for the nine months ending 30 September 2018.

In the first nine months of 2018, RTL Group continued its successful business development and Total Video strategy. Revenue from the period January to September was up for the fourth consecutive year – despite significant negative exchange rate effects and major sporting events such as the Winter Olympics and the FIFA Football World Cup 2018. Based on its very healthy financial position, RTL Group will continue to foster additional organic growth initiatives in two main areas: building video-on-demand services that attract mass audiences across all content genres, and continuing Fremantle's push into scripted drama.

## KEY FINANCIAL FIGURES JANUARY TO SEPTEMBER 2018

	January to September 2018 € m	January to September 2017 € m	Per cent change
Revenue	4,468	4,350	+2.7
Underlying revenue <sup>1</sup>	4,489	4,333	+3.6
Reported EBITDA <sup>2</sup>	892	889	+0.3
Reported EBITDA margin (%)	20.0	20.4	
<b>Reported EBITDA</b>	<b>892</b>	<b>889</b>	
Impairment of disposal group	(8)	–	
Impairment of investments accounted for using the equity method	(2)	(4)	
Depreciation, amortisation and impairment	(157)	(168)	
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	31	21	
<b>EBIT</b>	<b>756</b>	<b>738</b>	<b>+2.4</b>
Net financial income/(expense)	(12)	(12)	
Income tax expense	(243)	(236)	
<b>Profit for the period</b>	<b>501</b>	<b>490</b>	<b>+2.2</b>
Attributable to:			
– Non-controlling interests	77	56	
– RTL Group shareholders	424	434	(2.3)
<b>Reported EPS (in €)</b>	<b>2.76</b>	<b>2.83</b>	<b>(2.5)</b>

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

<sup>2</sup> See note 4 to the Condensed Consolidated Interim Financial Information



## **JANUARY TO SEPTEMBER 2018: FREMANTLE AND DIGITAL BUSINESSES FUEL REVENUE GROWTH**

- Reported Group **revenue** increased by 2.7 per cent to €4,468 million (January to September 2017: €4,350 million), reaching a new record level despite negative exchange rate effects of €64 million. This was driven by higher revenue from Fremantle, the Group's rapidly growing digital businesses and RTL Nederland
- RTL Group's **digital revenue**<sup>3</sup> continued to show very dynamic growth, up 17.9 per cent to €660 million (January to September 2017: €560 million). This was mainly driven by organic growth at Broadband TV, Fremantle and Videoland
- **Platform revenue** grew by 7.3 per cent to €251 million (January to September 2017: €234 million)
- RTL Group's revenue is well diversified, with 46.0 per cent from TV advertising, 19.7 per cent from content, 14.8 per cent from digital activities, 5.6 per cent from platform revenue, 4.0 per cent from radio advertising and 9.9 per cent other revenue
- Reported **EBITDA** was stable at €892 million for the first nine months of 2018 (January to September 2017: €889 million). Higher contributions from Groupe M6 and RTL Nederland were partly balanced by lower contributions from Mediengruppe RTL Deutschland and RTL Hungary
- As a result, reported **EBITDA margin** was at 20.0 per cent (January to September 2017: 20.4 per cent)
- **Net profit** attributable to RTL Group shareholders was down year on year to €424 million (January to September 2017: €434 million)
- **Net cash from operating activities** was €422 million, leading to a higher operating cash conversion of 83 per cent (January to September 2017: 76 per cent)
- Following the payment of an interim dividend of €154 million on 6 September 2018, RTL Group's **net financial debt** was €928 million as at 30 September 2018 as expected (30 June 2018: €943 million; 31 December 2017: €545 million)

## **OUTLOOK**

RTL Group confirms its outlook for the full-year 2018, as most recently communicated at the interim results presentation on 29 August 2018:

- RTL Group expects its total revenue for the fiscal year 2018 to continue to grow moderately (+2.5 per cent to +5.0 per cent), driven by the Group's digital businesses and Fremantle (excluding exchange rate effects)
- The 2017 EBITDA included a positive one-off effect of €94 million from the sale of buildings in Rue Bayard, Paris. Normalised for this effect, RTL Group expects EBITDA in 2018 to be broadly stable (-1.0 per cent to +1.0 per cent)

## **Q3/2018: FREMANTLE AND DIGITAL BUSINESSES DRIVE THIRD-QUARTER RESULTS**

- In the third quarter of 2018, reported Group **revenue** was up 3.6 per cent to €1,422 million (Q3/2017: €1,372 million), mostly due to higher revenue from Fremantle and the digital businesses
- **EBITDA** was down 3.4 per cent to €254 million (Q3/2017: €263 million), mainly as a result of lower EBITDA contribution from Mediengruppe RTL Deutschland, reflecting lower TV advertising revenue. This was partly balanced by the positive effect, at the level of Groupe M6, from the gain on disposals from the transfer of Girondins de Bordeaux players at the end of the season 2017/18
- **Net profit** attributable to RTL Group shareholders was down to €106 million (Q3/2017: €114 million)

<sup>3</sup> Excluding e-commerce, home shopping and platform revenue for digital TV

## **JANUARY TO SEPTEMBER 2018<sup>4</sup> – SEGMENTS: RTL NEDERLAND REPORTS STRONG PERFORMANCE DRIVEN BY VIDEO LAND AND OTHER DIGITAL ACTIVITIES**

- During the first nine months of 2018, **Mediengruppe RTL Deutschland's** EBITDA decreased by 2.6 per cent to €484 million (January to September 2017: €497 million), mainly due to lower TV advertising revenue, in particular in the third quarter of 2018. The months of July and August 2018 were negatively affected by a combination of tough comparisons to a very strong Q3/2017, and the final matches of the Fifa World Cup 2018 being broadcast on the public TV channels
- **Groupe M6's** EBITDA was up by 4.9 per cent to €277 million (January to September 2017: €264 million), thanks to the gain on disposals from the transfer of Girondins de Bordeaux players at the end of the season 2017/18
- **Fremantle's** EBITDA was up 3.1 per cent to €66 million (January to September 2017: €64 million), mainly driven by the strong performances of Fremantle in North America, Germany (UFA) and the Canadian video game company Ludia
- **RTL Nederland's** EBITDA was up 22.2 per cent to €55 million (January to September 2017: €45 million), mainly driven by Videoland and other digital activities

### **HIGHLIGHTS**

#### **Strengthening on-demand services**

- In winter 2018/19, Mediengruppe RTL Deutschland plans to relaunch its video-on-demand service, TV Now. The relaunch will include a new platform, additional exclusive content – namely 'TV Now Originals' – online-first formats and also exclusive and non-exclusive third license content across all genres. An example for a TV Now Original in the fiction genre will be *M – Eine Stadt sucht einen Mörder* (M – A City Searches For A Murderer)
- The number of paid subscribers for TV Now Plus grew by 40 per cent<sup>5</sup> and it registered video views growth of 45 per cent from January to September 2018 compared to the same period last year
- In the Netherlands, Videoland recorded paid subscriber growth of 119 per cent<sup>5</sup>. Total subscriber viewing time increased by 245 per cent in the first nine months of 2018, compared to the same period last year. Videoland's strong growth was primarily driven by local original content shows such as reality format *Temptation Island Vips*, which was exclusively available on the subscription video-on-demand service

#### **Creating a strong digital video group**

- As part of its Total Video strategy, RTL Group is determined to grow its multi-platform network (MPN) businesses significantly. By combining StyleHaul, Divimove and United Screens during the course of 2019, RTL Group aims to build a strong and profitable digital video group which operates at global scale, to reach and entertain young audiences with compelling short-form video content

#### **Fostering enduring partnerships**

- On 27 September 2018, RTL Group and ITV, the largest commercial television network in the UK, signed an agreement to strengthen and extend their existing partnership in international advertising sales. RTL AdConnect will represent ITV globally outside the UK and foster closer collaboration in advertising technology
- On 11 October 2018, RTL Nederland and De Persgroep signed a three-year agreement on content sharing and development as well as establishing creative branded content partnerships, resulting in a new strategic alliance which will combine their respective strengths. In addition, RTL Nederland will partner with Qmusic, one of De Persgroep's radio stations
- In October 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

<sup>4</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;
- The transfer of RTL Radio (France) to Groupe M6; and
- The transfer of Divimove from Fremantle to 'Other segments'

<sup>5</sup> As at 30 September 2018 compared to 30 September 2017



# FINANCIAL REVIEW

## KEY PERFORMANCE INDICATORS

RTL Group controls its financial situation by means of various key performance indicators (KPIs) such as revenue, audience share in main target groups, EBITDA and EBITA, RTL Group Value Added, net debt

and cash conversion. For definitions and more details of these KPIs, please see note 4 to the Condensed Consolidated Interim Financial Information as at and for the nine months ended 30 September 2018.

## REVENUE

In the first nine months of 2018, RTL Group estimates show a mixed picture across the net TV advertising markets the Group is active in.

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

	January to September 2018 net TV advertising market growth rate (in per cent)	January to September 2018 RTL Group audience share in main target group (in per cent)	January to September 2017 RTL Group audience share in main target group (in per cent)
Germany	0.0 to (1.0) <sup>6</sup>	27.4 <sup>7</sup>	29.1 <sup>7</sup>
France	+2.0 <sup>8</sup>	21.5 <sup>9</sup>	22.4 <sup>9</sup>
The Netherlands	+2.9 <sup>6</sup>	27.0 <sup>10</sup>	30.5 <sup>10</sup>
Belgium	(1.4) <sup>6</sup>	34.8 <sup>11</sup>	36.6 <sup>11</sup>
Hungary	+0.5 <sup>12</sup>	27.8 <sup>13</sup>	31.3 <sup>13</sup>
Croatia	+5.2 <sup>6</sup>	27.0 <sup>14</sup>	30.0 <sup>14</sup>
Spain	(1.3) <sup>15</sup>	28.3 <sup>16</sup>	28.4 <sup>16</sup>

Reported **revenue** was up 2.7 per cent to €4,468 million (January to September 2017: €4,350 million). This was driven by higher revenue from Fremantle, RTL Group's rapidly growing digital businesses and RTL Nederland.

On a like-for-like basis (adjusted for portfolio changes and at constant exchange rates) revenue was up 3.6 per cent to 4,489 million (January to September 2017: €4,333 million).

<sup>6</sup> Source: Industry and RTL Group estimates

<sup>7</sup> Source: GfK.

Target group: 14–59

<sup>8</sup> Source: Groupe M6 estimate

<sup>9</sup> Source: Médiamétrie.

Target group:  
women under 50 responsible  
for purchases (free-to-air  
channels: M6, W9 and 6ter)

<sup>10</sup> Source: SKO.

Target group: 25–54, 18–24h

<sup>11</sup> Source: Audimétrie.

Target group: shoppers 18–54,  
17–23h

<sup>12</sup> Commercial volume only –  
excluding state spend.

<sup>13</sup> Source: AGB Hungary.

Target group: 18–49, prime  
time (including cable channels)

<sup>14</sup> Source: AGB Nielsen Media  
Research. Target group:  
18–49, prime time

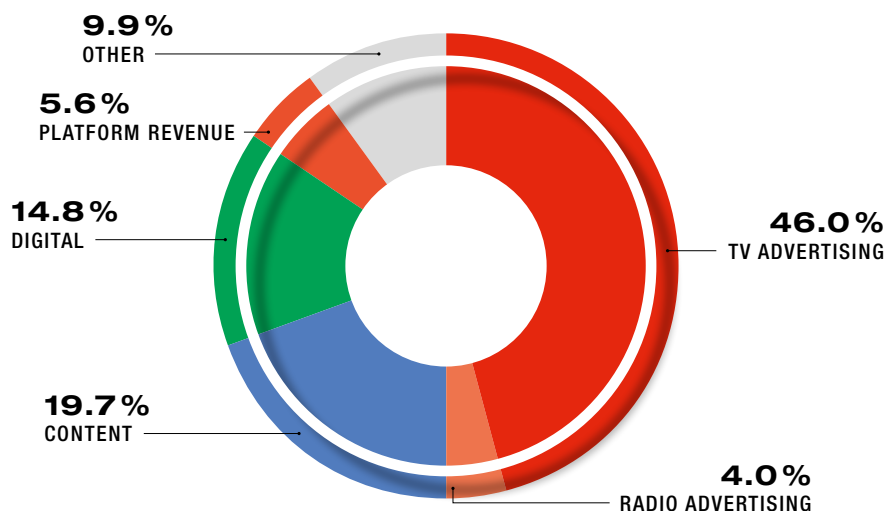
<sup>15</sup> Source: Infoadex

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

## RTL GROUP REVENUE SPLIT

RTL Group's revenue is well diversified, with 46.0 per cent from TV advertising, 19.7 per cent from content, 14.8 per cent from digital activities, 5.6 per cent from platform revenue, 4.0 per cent from radio advertising and 9.9 per cent other revenue.

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



## EBITDA AND EBITA

Reported **EBITDA** was stable at €892 million (January to September 2017: €889 million). Higher contributions from Groupe M6 and RTL Nederland were balanced by lower contributions from Mediengruppe RTL Deutschland and RTL Hungary.

As a result, the reported **EBITDA margin** was 20.0 per cent (January to September 2017: 20.4 per cent).

**EBITA** was up by 1.9 per cent to €746 million (January to September 2017: €732 million), due to higher contributions from Groupe M6, Fremantle and RTL Nederland being partly balanced by Mediengruppe RTL Deutschland and RTL Hungary. The EBITA margin was 16.7 per cent (January to September 2017: 16.8 per cent).

**Group operating expenses** were €3,813 million in January to September 2018, compared to €3,696 million in January to September 2017. This reflects higher programme costs and investments into new programmes which trigger higher author rights and royalties.

## FINANCIAL DEVELOPMENT OVER TIME

	January to September 2018 €m	January to September 2017 €m	January to September 2016 €m	January to September 2015 €m	January to September 2014 <sup>17</sup> €m
Revenue	4,468	4,350	4,230	4,141	3,946
EBITDA	892	889	903	844	818
EBITA	746	732	756	716	677

<sup>17</sup> Restated for changes in purchase price allocation



## **FURTHER GROUP FINANCIALS**

### **Interest expense**

Net interest expense amounted to €16 million (January to September 2017: €16 million) for the nine months ended 30 September 2018.

### **Income tax expense**

In the first nine months of 2018, the tax expense was €243 million (January to September 2017: €236 million).

### **Profit attributable to RTL Group shareholders**

The profit for the period attributable to RTL Group shareholders was down to €424 million (January to September 2017: €434 million).

### **Earnings per share**

Reported earnings per share, based upon 153,552,709 shares, was €2.76 (January to September 2017: €2.83 per share based upon 153,549,707 shares).

### **Net debt position and cash conversion**

As expected the consolidated net debt position at 30 September 2018 was €928 million (31 December 2017: net debt of €545 million), after the Group paid a final 2017 dividend of €460 million (€3.00 per share) on 26 April 2018 and an interim dividend of €154 million on 6 September 2018. The Group continues to generate operating cash flow, with an EBITA to cash conversion ratio of 83 per cent (January to September 2017: 76 per cent).

	As at 30 September 2018 €m	As at 31 December 2017 €m
<b>Net debt position</b>		
Gross balance sheet debt	(1,186)	(815)
Add: cash and cash equivalents	256	265
Add: cash deposit and others	2	5
<b>Net debt position<sup>18</sup></b>	<b>(928)</b>	<b>(545)</b>

### **Related party transactions**

See in note 17 to the condensed consolidated interim financial information.

### **Subsequent events**

See note 18 to the condensed consolidated interim financial information.

18 Of which €77 million of net debt held by Groupe M6 (as at 31 December 2017: €34 million)

# KEY FINANCIAL FIGURES

## JULY TO SEPTEMBER 2018 (Q3/2018)

	Q3/2018 €m	Q3/2017 €m	Per cent change
Revenue	1,422	1,372	+3.6
Reported EBITDA	254	263	(3.4)
Reported EBITDA margin (%)	17.9	19.2	
EBITA	198	199	(0.5)
EBITA margin (%)	13.9	14.5	
Reported EBITDA	254	263	
Impairment of disposal group	(8)	–	
Impairment of investments accounted for using the equity method	–	(2)	
Depreciation, amortisation and impairment	(60)	(67)	
Re-measurement of earn-out arrangements, gain/(loss) from sale of subsidiaries, other investments and re-measurement to fair value of pre-existing interest in acquiree	22	8	
EBIT	208	202	
Net financial income expense	(6)	(4)	
Income tax expense	(67)	(71)	
Profit for the period	135	127	
Attributable to:			
– Non-controlling interests	29	13	
– RTL Group shareholders	106	114	
Reported EPS (in €)	0.69	0.75	

### Revenue

During the third quarter of 2018, **revenue** was up 3.6 per cent to €1,422 million (Q3/2017: €1,372 million). This was largely the result of strong growth of Fremantle, thanks to the delivery of dramas such as *Deutschland 86*, and the Group's digital activities.

### EBITDA and EBITA

As expected reported **EBITDA** was down by 3.4 per cent to €254 million (Q3/2017: €263 million), mainly due to a lower contribution from Mediengruppe RTL Deutschland. This reflects lower advertising revenue.

**EBITA** was broadly stable at €198 million (Q3/2017: €199 million).

Group **operating expenses** were at €1,271 million (Q3/2017: €1,202 million).



**REVIEW BY SEGMENTS:  
NINE MONTHS TO SEPTEMBER 2018 (JANUARY TO SEPTEMBER)**

Revenue	January to September 2018 € m	January to September 2017 <sup>19</sup> € m	Per cent change
Mediengruppe RTL Deutschland	1,532	1,553	(1.4)
Groupe M6	1,052	1,049	+0.3
Fremantle	1,054	970	+8.7
RTL Nederland	352	331	+6.3
RTL Belgium	130	135	(3.7)
Other segments	507	471	+7.6
Eliminations	(159)	(159)	–
<b>Total revenue</b>	<b>4,468</b>	<b>4,350</b>	<b>+2.7</b>

EBITDA	January to September 2018 € m	January to September 2017 <sup>19</sup> € m	Per cent change
Mediengruppe RTL Deutschland	484	497	(2.6)
Groupe M6	277	264	+4.9
Fremantle	66	64	+3.1
RTL Nederland	55	45	+22.2
RTL Belgium	24	23	+4.3
Other segments	(14)	(4)	–
<b>Reported EBITDA</b>	<b>892</b>	<b>889</b>	<b>+0.3</b>

EBITDA margin	January to September 2018 € m	January to September 2017 € m	Percentage point change
Mediengruppe RTL Deutschland	31.6	32.0	(0.4)
Groupe M6	26.3	25.2	+1.1
Fremantle	6.3	6.6	(0.3)
RTL Nederland	15.6	13.6	+2.0
RTL Belgium	18.5	17.0	+1.5
<b>RTL Group</b>	<b>20.0</b>	<b>20.4</b>	<b>(0.4)</b>

<sup>19</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;
- The transfer of RTL Radio (France) to Groupe M6; and
- The transfer of Divimove from Fremantle to 'Other segments'

## REVIEW BY SEGMENTS: THIRD QUARTER OF 2018 (Q3)

Revenue	Q3/2018 €m	Q3/2017 <sup>20</sup> €m	Per cent change
Mediengruppe RTL Deutschland	462	492	(6.1)
Groupe M6	313	306	+2.3
Fremantle	382	331	+15.4
RTL Nederland	111	103	+7.8
RTL Belgium	35	39	(10.3)
Other segments	172	152	+13.2
Eliminations	(53)	(51)	–
<b>Total revenue</b>	<b>1,422</b>	<b>1,372</b>	<b>+3.6</b>

EBITDA	Q3/2018 €m	Q3/2017 <sup>20</sup> €m	Per cent change
Mediengruppe RTL Deutschland	118	134	(11.9)
Groupe M6	95	86	+10.5
Fremantle	24	22	+9.1
RTL Nederland	23	26	(11.5)
RTL Belgium	4	4	–
Other segments	(10)	(9)	–
<b>Reported EBITDA</b>	<b>254</b>	<b>263</b>	<b>(3.4)</b>

EBITDA margin	Q3/2018 per cent	Q3/2017 per cent	Percentage point change
Mediengruppe RTL Deutschland	25.5	27.2	(1.7)
Groupe M6	30.4	28.1	+2.3
Fremantle	6.3	6.6	(0.3)
RTL Nederland	20.7	25.2	(4.5)
RTL Belgium	11.4	10.3	1.1
<b>RTL Group</b>	<b>17.9</b>	<b>19.2</b>	<b>(1.3)</b>

20 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;
- The transfer of RTL Radio (France) to Groupe M6; and
- The transfer of Divimove from Fremantle to 'Other segments'



# MEDIENGRUPPE RTL DEUTSCHLAND

## Financial results

In the reporting period, the German net TV advertising market was estimated to be slightly down year-on-year. Total revenue of Mediengruppe RTL Deutschland was down by 1.4 per cent year on year, to €1,532 million (January to September 2017: €1,553 million). This decrease reflects lower TV advertising revenue, in particular in the third quarter of 2018. The months of July and August 2018 were negatively affected by a combination of tough comparisons to a very strong Q3/2017 and the final matches of the FIFA World Cup 2018 being broadcast on the public TV channels. Accordingly, EBITDA in the first nine months of 2018 was down to €484 million (January to September 2017: €497 million) which mainly reflects lower TV advertising revenue.

	January to September 2018 €m	January to September 2017 <sup>21</sup> €m	Per cent change
Revenue	1,532	1,553	(1.4)
EBITDA	484	497	(2.6)
EBITA	474	487	(2.7)

## Audience ratings

The combined average audience share of Mediengruppe RTL Deutschland in the target group of viewers aged 14 to 59 was 27.4 per cent<sup>22</sup> in the first three quarters of 2018 (January to September 2017: 29.1 per cent). Over the first nine months of 2018, the German RTL family of channels remained ahead, by 2.9 percentage points, of its main commercial competitor, ProSiebenSat1 (24.5 per cent).



# GROUPE M6

## Financial results

The French net TV advertising market was estimated to be up 2.0 per cent compared to the first nine months of 2017. Groupe M6's total revenue was slightly up 0.3 per cent to €1,052 million (January to September 2017: €1,049 million), as Groupe M6 did not broadcast the two major sporting events of the year (Winter Olympics and football World Cup). EBITDA in the first nine months of 2018 was up 4.9 per cent year on year to €277 million (January to September 2017: €264 million), thanks to the renewed distribution agreements and the gain on disposals from the transfer of Girondins de Bordeaux players at the end of the season 2017/18.

The net radio advertising market in France was stable compared to the same period in 2017, with Groupe M6's radio family (RTL, RTL 2, Fun Radio) outperforming the market.

	January to September 2018 €m	January to September 2017 <sup>23</sup> €m	Per cent change
Revenue	1,052	1,049	+0.3
EBITDA	277	264	+4.9
EBITA	190	165	+15.2

## Audience ratings

Groupe M6's family of free-to-air channels slightly decreased its audience share in the commercial target of women under 50 responsible for purchases, with an average audience share of 21.5 per cent (January to September 2017: 22.4 per cent). The total audience share was 13.4 per cent (January to September 2017: 13.9 per cent).



<sup>21</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>22</sup> Including pay-TV channels  
<sup>23</sup> 2017 comparatives have been re-presented as if the transfer of RTL Radio (France) to Groupe M6 had occurred on 1 January 2017

# FREMANTLE

## Financial results

Revenue at RTL Group's content business, Fremantle, was strongly up by 8.7 per cent to €1,054 million in the first nine months of 2018 (January to September 2017: €970 million), despite negative exchange rate effects of €45 million. This increase was mainly driven by the strong performances of Fremantle in North America, Germany (UFA) and the Canadian video game company Ludia. Accordingly, Fremantle's EBITDA was up by 3.1 per cent to €66 million (January to September 2017: €64 million).

	January to September 2018 €m	January to September 2017 <sup>24</sup> €m	Per cent change
Revenue	1,054	970	+8.7
EBITDA	66	64	+3.1
EBITA	55	51	+7.8

## Production highlights

The third quarter of 2018 saw strong revenue growth with the delivery of the new drama series *Deutschland 86*, which was sold to Amazon Prime Video in Germany and the US pay-TV channel Sundance TV.

# RTL NEDERLAND

## Financial results

The Dutch net TV advertising market was estimated to be up 2.9 per cent in the first three quarters of 2018. RTL Nederland's revenue increased to €352 million (January to September 2017: €331 million), mainly as a result of Videoland and other digital activities. This led to EBITDA increasing significantly by 22.2 per cent to €55 million (January to September 2017: €45 million).

	January to September 2018 €m	January to September 2017 <sup>25</sup> €m	Per cent change
Revenue	352	331	+6.3
EBITDA	55	45	+22.2
EBITA	41	35	+17.1

## Audience ratings

During the first nine months of 2018, the combined prime-time audience share of RTL Nederland's channels in the target group of viewers aged 25 to 54 was 27.0 per cent (January to September 2017: 30.5 per cent), ahead of the public broadcasters (25.7 per cent) and Talpa TV (19.8 per cent).

Fremantle 495 ORIGINAL PRODUCTIONS

UFA blue circle ludia | blu |

MISOFILM WILDSIDE

Kwai ABBOT HAHEIR

4 5 rtl 7/// 8 Lounge Z  
CRIME TELEKIDS! VIDEOLAND BY RTL rtlxl

<sup>24</sup> 2017 comparatives have been re-presented as if the transfer of Divimove from Fremantle to 'Other segments' had occurred on 1 January 2017

<sup>25</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

# RTL BELGIUM

## Financial results

In the first nine months of 2018, the net TV advertising market in French-speaking Belgium was estimated to be down 1.4 per cent. RTL Belgium's revenue was down to €130 million (January to September 2017: €135 million), due to lower advertising revenue. In contrast, EBITDA was up to €24 million (January to September 2017: €23 million), reflecting lower programme costs and the savings from the transformation plan #evolve initiated last year.

	January to September 2018 € m	January to September 2017 <sup>21</sup> € m	Per cent change
Revenue	130	135	(3.7)
EBITDA	24	23	+4.3
EBITA	21	20	+5.0

## Audience ratings

The combined prime-time audience share of RTL Belgium's family of TV channels in the target group (shoppers aged 18 to 54) decreased to 34.8 per cent (January to September 2017: 36.6 per cent). RTL Belgium still clearly leads over the public channels. However, the lead decreased to 12.8 percentage points (January to September 2017: 17.8 percentage points), mainly due to the Fifa Football World Cup 2018 broadcast on the public channels.



## OTHER SEGMENTS

Other segments include the fully consolidated businesses RTL Hungary, RTL Croatia, the German radio business and the investment accounted for using the equity method, Atresmedia in Spain. It also includes RTL Group's digital assets, SpotX, BroadbandTV, Divimove, StyleHaul and United Screens.

In the first nine months of 2018, the Hungarian net commercial TV advertising market (excluding state spend) was estimated to be up slightly by 0.5 per cent. **RTL Hungary's** revenue decreased to €73 million (January to September 2017: €76 million), reflecting lower advertising revenue. The unit's EBITDA decreased to €6 million (January to September 2017: €20 million), mainly due to the fact that the prior year contained positive one-offs (re-claim of over-paid advertising tax in 2017) and higher programme costs in the reporting period.

In Croatia, the net TV advertising market was estimated to be up 5.2 per cent, with **RTL Croatia** clearly outperforming the market. Revenue increased to €29 million (January to September 2017: €25 million), while EBITDA was at minus €2 million (January to September 2017: minus €3 million).

**Atresmedia** in Spain: The Spanish net TV advertising market was estimated to be down 1.3 per cent year on year. The profit share of RTL Group was down to €16 million (January to September 2017: €19 million).

**RTL Radio Deutschland** reported increased revenue of €37 million (January to September 2017: €34 million), reflecting higher radio advertising revenue. As a result, EBITDA increased to €5 million (January to September 2017: €4 million).

In the first nine months of 2018, **SpotX's** IFRS revenue was down 5.0 per cent compared to the same period in 2017, mainly due to negative exchange rate effects and challenging market developments such as the implementation of the EU General Data Protection Regulation (GDPR). Despite this, in the third quarter of 2018 revenue was up 16.7 per cent year on year, primarily due to strong growth in North America.

**BroadbandTV's** revenue was up 26.8 per cent compared to the same period in 2017, a slight acceleration on the first half year 2018 growth rate of 21.9 per cent. In the third quarter of 2018, revenue was up 35.9 per cent. These high growth rates were achieved despite negative foreign exchange rate effects.

**Divimove's** revenue was up 61.5 per cent for the first nine months of 2018. In the third quarter of 2018, revenue was up 60.0 per cent.

StyleHaul's revenue from January to September 2018 decreased 7.7 per cent year on year, mainly due to negative foreign exchange effects. In the third quarter of 2018, revenue was down 6.3 per cent.





# OUTLOOK

RTL Group confirms its outlook for the full-year 2018, as most recently communicated at the interim results presentation on 29 August 2018:

- RTL Group expects its total **revenue** for the fiscal year 2018 to continue to grow moderately (+2.5 per cent to +5.0 per cent), driven by the Group's digital businesses and Fremantle. This is clearly dependent on growth in the fourth quarter of 2018, as the results are expected to be more back-end loaded than the prior year's and excludes potential foreign exchange impacts.
- The 2017 **EBITDA** included a positive one-off effect of €94 million from the sale of buildings in Rue Bayard, Paris. Normalised for this effect, RTL Group expects EBITDA in 2018 to be broadly stable (-1.0 per cent to +1.0 per cent).
- **Fremantle** – RTL Group's content production arm – will continue to face market pressure on both volumes and pricing but should benefit from the investments made in new businesses and also in the pipeline, especially in drama and digital. Accordingly, RTL Group expects Fremantle's revenue to grow between 4 and 7 per cent with EBITDA once again progressing. This revenue growth may be negatively impacted by FX.
- **Digital revenues** are expected to continue to show dynamic double-digit revenue growth and increase their share of RTL Group's total revenue to at least 15 per cent by 2020 to 2022.
- The company will continue to focus on **cash conversion**, and targets 2018 levels to be broadly in line with previous years, not below 85 to 90 per cent.
- RTL Group keeps a **leverage target** of 0.5 and 1.0 times net debt to full-year EBITDA for the financial year 2018.
- The **dividend policy** remains unchanged: RTL Group plans to pay out between 50 and 75 per cent of the adjusted net result for the financial year 2018 as an ordinary dividend.

# CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

for the periods to 30 September

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2018 € m	2017 € m	2018 € m	2017 € m
Revenue	8.	1,422	1,372	4,468	4,350
Other operating income		42	26	61	42
Consumption of current programme rights		(485)	(446)	(1,481)	(1,429)
Depreciation, amortisation, impairment and valuation allowance		(55)	(64)	(147)	(159)
Net impairment losses on financial assets		4	–	(1)	–
Other operating expenses		(735)	(692)	(2,184)	(2,108)
Impairment of disposal group and amortisation of fair value adjustments on acquisitions of subsidiaries		(12)	(3)	(19)	(11)
Gain/(loss) from sale of subsidiaries, other investments and re-measurement to fair value of pre-existing interest in acquiree	7, 9.	22	7	30	21
<b>Profit from operating activities</b>		<b>203</b>	<b>200</b>	<b>727</b>	<b>706</b>
Share of results of investments accounted for using the equity method		5	2	29	32
<b>Earnings before interest and taxes ("EBIT")</b>	4.	<b>208</b>	<b>202</b>	<b>756</b>	<b>738</b>
Interest income		1	1	7	3
Interest expense	17, 1	(10)	(7)	(23)	(19)
Financial results other than interest		3	2	4	4
<b>Profit before taxes</b>		<b>202</b>	<b>198</b>	<b>744</b>	<b>726</b>
Income tax expense		(67)	(71)	(243)	(236)
<b>Profit for the period</b>		<b>135</b>	<b>127</b>	<b>501</b>	<b>490</b>
Attributable to:					
RTL Group shareholders		106	114	424	434
Non-controlling interests		29	13	77	56
<b>Profit for the period</b>		<b>135</b>	<b>127</b>	<b>501</b>	<b>490</b>
<b>EBITA</b>	4.	<b>198</b>	<b>199</b>	<b>746</b>	<b>732</b>
Impairment of disposal group	11.	(8)	–	(8)	–
Impairment of investments accounted for using the equity method		–	(2)	(2)	(4)
Amortisation of fair value adjustments on acquisitions of subsidiaries		(4)	(3)	(11)	(11)
Re-measurement of earn-out arrangements		–	1	1	–
Gain/(loss) from sale of subsidiaries, other investments and re-measurement to fair value of pre-existing interest in acquiree	7, 9.	22	7	30	21
<b>Earnings before interest and taxes ("EBIT")</b>	4.	<b>208</b>	<b>202</b>	<b>756</b>	<b>738</b>
<b>EBITDA</b>	4.	<b>254</b>	<b>263</b>	<b>892</b>	<b>889</b>
Depreciation, amortisation and impairment		(60)	(67)	(157)	(168)
Impairment of disposal group	11.	(8)	–	(8)	–
Impairment of investments accounted for using the equity method		–	(2)	(2)	(4)
Re-measurement of earn-out arrangements		–	1	1	–
Gain/(loss) from sale of subsidiaries, other investments and re-measurement to fair value of pre-existing interest in acquiree	7, 9.	22	7	30	21
<b>Earnings before interest and taxes ("EBIT")</b>	4.	<b>208</b>	<b>202</b>	<b>756</b>	<b>738</b>
<b>Earnings per share (in €)</b>					
– Basic		0.69	0.75	2.76	2.83
– Diluted		0.69	0.75	2.76	2.83

The accompanying notes form an integral part of this condensed consolidated interim financial information.

# CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

for the periods to 30 September

Notes	Three months ended 30 September		Nine months ended 30 September	
	2018 €m	2017 €m	2018 €m	2017 €m
Profit for the period	135	127	501	490
Other comprehensive income ("OCI"):				
Items that will not be reclassified to profit or loss:				
Re-measurement of post-employment benefit obligations	–	(1)	2	5
Income tax	–	–	(1)	(2)
	–	(1)	1	3
Equity investments at fair value through OCI – change in fair value	–	–	–	–
Income tax	–	–	1	–
	–	–	1	–
	–	(1)	2	3
Items that may be reclassified subsequently to profit or loss:				
Foreign currency translation differences	(1)	(30)	–	(64)
Effective portion of changes in fair value of cash flow hedges	15. 2. 7	(14)	26	(65)
Income tax	(2)	4	(1)	20
	5	(10)	25	(45)
Recycling of cash flow hedge reserve	15. 2. (1)	(11)	2	(31)
Income tax	–	4	(1)	10
	(1)	(7)	1	(21)
Fair value gains/(losses) on available-for-sale financial assets	–	(2)	–	(4)
Income tax	–	–	–	–
	–	(2)	–	(4)
	3	(49)	26	(134)
Other comprehensive income/(loss) for the period, net of income tax	3	(50)	28	(131)
Total comprehensive income for the period	138	77	529	359
Attributable to:				
RTL Group shareholders	109	67	452	306
Non-controlling interests	29	10	77	53
Total comprehensive income for the period	138	77	529	359

The accompanying notes form an integral part of this condensed consolidated interim financial information.

# CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

	Notes	30 September 2018 €m	31 December 2017 €m
<b>Non-current assets</b>			
Programme and other rights		115	94
Goodwill		3,032	3,037
Other intangible assets		192	243
Property, plant and equipment		334	352
Investments accounted for using the equity method	9.	382	407
Loans and other financial assets	10.	123	137
Deferred tax assets		254	295
		4,432	4,565
<b>Current assets</b>			
Programme rights		1,340	1,156
Other inventories		16	16
Income tax receivable		38	48
Accounts receivable and other financial assets	17.1.	1,684	1,844
Cash and cash equivalents		256	265
		3,334	3,329
<b>Assets classified as held for sale</b>	11.	141	–
<b>Current liabilities</b>			
Loans and bank overdrafts		617	247
Income tax payable		24	63
Accounts payable	17.1.	2,247	2,672
Contract liabilities	2.	290	–
Provisions	14.	135	178
		3,313	3,160
<b>Liabilities directly associated with non-current assets classified as held for sale</b>	11.	43	–
<b>Net current assets/(liabilities)</b>		119	169
<b>Non-current liabilities</b>			
Loans	17.1.	569	568
Accounts payable		445	475
Contract liabilities	2.	1	–
Provisions	14.	240	242
Deferred tax liabilities		25	25
		1,280	1,310
<b>Net assets</b>		3,271	3,424
<b>Equity attributable to RTL Group shareholders</b>		2,794	2,957
<b>Equity attributable to non-controlling interests</b>		477	467
<b>Equity</b>		3,271	3,424

The accompanying notes form an integral part of this condensed consolidated interim financial information.



# CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

for the periods to 30 September

	Notes	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 period		–	–	–	–	–	434	434	56	490
Foreign currency translation differences		–	–	(62)	–	–	–	(62)	(2)	(64)
Effective portion of changes in fair value of cash flow hedges, net of tax	15.2	–	–	–	(44)	–	–	(44)	(1)	(45)
Recycling of cash flow hedge reserve, net of tax		–	–	–	(21)	–	–	(21)	–	(21)
Fair value gains/(losses) on available-for-sale financial assets, net of tax		–	–	–	–	(4)	–	(4)	–	(4)
Re-measurement of post-employment benefit obligations, net of tax		–	–	–	–	–	3	3	–	3
		–	–	(62)	(65)	(4)	437	306	53	359
<b>Capital transactions with owners:</b>										
Dividends		–	–	–	–	–	(614)	(614)	(70)	(684)
Equity-settled transactions, net of tax		–	–	–	–	–	4	4	4	8
(Acquisition)/disposal of treasury shares		–	1	–	–	–	–	1	–	1
Transactions on non-controlling interests without a change in control		–	–	–	–	–	(126)	(126)	(2)	(128)
Transactions on non-controlling interests with a change in control		–	–	–	–	–	(8)	(8)	–	(8)
Derivatives on equity instruments		–	–	–	–	–	(1)	(1)	(1)	(2)
		–	1	–	–	–	(745)	(744)	(69)	(813)
<b>Balance at 30 September 2017</b>		<b>192</b>	<b>(47)</b>	<b>(146)</b>	<b>(13)</b>	<b>71</b>	<b>2,582</b>	<b>2,639</b>	<b>459</b>	<b>3,098</b>
<b>Balance at 1 January 2018</b>		<b>192</b>	<b>(47)</b>	<b>(145)</b>	<b>(28)</b>	<b>69</b>	<b>2,916</b>	<b>2,957</b>	<b>467</b>	<b>3,424</b>
Adjustment on initial application of IFRS 9 (net of tax)	2.	–	–	–	–	–	(5)	(5)	–	(5)
Adjustment on initial application of IFRS 15 (net of tax)	2.	–	–	–	–	–	(1)	(1)	–	(1)
<b>Adjusted balance at 1 January 2018</b>		<b>192</b>	<b>(47)</b>	<b>(145)</b>	<b>(28)</b>	<b>69</b>	<b>2,910</b>	<b>2,951</b>	<b>467</b>	<b>3,418</b>
<b>Total comprehensive income:</b>										
Profit for the period		–	–	–	–	–	424	424	77	501
Re-measurement of post-employment benefit obligations, net of tax		–	–	–	–	–	1	1	–	1
Equity investments at fair value through OCI – change in fair value, net of tax	2.	–	–	–	–	(2)	3	1	–	1
Effective portion of changes in fair value of cash flow hedges, net of tax	15.2.	–	–	–	25	–	–	25	–	25
Recycling of cash flow hedge reserve, net of tax		–	–	–	1	–	–	1	–	1
		–	–	–	26	(2)	428	452	77	529
<b>Capital transactions with owners:</b>										
Dividends	15.3.	–	–	–	–	–	(614)	(614)	(70)	(684)
Equity-settled transactions, net of tax		–	–	–	–	–	4	4	4	8
(Acquisition)/disposal of treasury shares	15.1.	–	1	–	–	–	–	1	–	1
Transactions on non-controlling interests without a change in control	16.	–	–	–	–	–	(2)	(2)	(3)	(5)
Derivatives on equity instruments		–	–	–	–	–	2	2	2	4
		–	1	–	–	–	(610)	(609)	(67)	(676)
<b>Balance at 30 September 2018</b>		<b>192</b>	<b>(46)</b>	<b>(145)</b>	<b>(2)</b>	<b>67</b>	<b>2,728</b>	<b>2,794</b>	<b>477</b>	<b>3,271</b>

The accompanying notes form an integral part of this condensed consolidated interim financial information.

# CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT

for the periods to 30 September

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2018 €m	2017 €m	2018 €m	2017 €m
<b>Cash flows from operating activities</b>					
Profit before taxes		202	198	744	726
Adjustments for:					
– Depreciation and amortisation		59	64	157	165
– Value adjustments and impairment		7	1	28	24
– Share-based payments expenses		3	3	8	8
– Re-measurement of earn-out arrangements		–	(1)	(1)	–
– Gain on disposal of assets		(57)	(25)	(66)	(40)
– Financial results including net interest expense and share of results of investments accounted for using the equity method		16	–	40	14
Change of provisions		(33)	(30)	(41)	(37)
Working capital changes		35	3	(131)	(169)
Income taxes paid		(36)	(40)	(316)	(304)
<b>Net cash from operating activities</b>		<b>196</b>	<b>173</b>	<b>422</b>	<b>387</b>
<b>Cash flows from investing activities</b>					
Acquisitions of:					
– Programme and other rights		(24)	(26)	(80)	(73)
– Subsidiaries, net of cash acquired	7.	(6)	(16)	(17)	(44)
– Other intangible and tangible assets		(35)	(59)	(85)	(121)
– Other investments and financial assets	9.	(4)	(14)	(16)	(35)
		(69)	(115)	(198)	(273)
Proceeds from the sale of intangible and tangible assets		25	15	45	62
Disposal of other subsidiaries, net of cash disposed of	7.	35	2	36	2
Proceeds from the sale of investments accounted for using the equity method, other investments and financial assets	9.	(1)	4	22	6
Interest received		1	1	6	3
		60	22	109	73
<b>Net cash used in investing activities</b>		<b>(9)</b>	<b>(93)</b>	<b>(89)</b>	<b>(200)</b>
<b>Cash flows from financing activities</b>					
Interest paid		(2)	(1)	(17)	(16)
Transactions on non-controlling interests		(8)	(6)	(9)	(6)
(Acquisition) / disposal of treasury shares		1	–	1	1
Term loan facility due to shareholder	17. 1.	5	106	357	408
Proceeds from loans	5. 2. 1.	18	59	71	90
Repayment of loans	17. 2.	(52)	(15)	(89)	(75)
Dividends paid		(158)	(163)	(685)	(683)
<b>Net cash used in financing activities</b>		<b>(196)</b>	<b>(20)</b>	<b>(371)</b>	<b>(281)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(9)</b>	<b>60</b>	<b>(38)</b>	<b>(94)</b>
<b>Cash and cash equivalents and bank overdrafts at beginning of period</b>		<b>226</b>	<b>272</b>	<b>258</b>	<b>431</b>
Effect of exchange rate fluctuation on cash held		(1)	(2)	(3)	(7)
Effect of cash in disposal group held for sale		(3)	–	(4)	–
<b>Cash and cash equivalents and bank overdrafts at end of period</b>		<b>213</b>	<b>330</b>	<b>213</b>	<b>330</b>

The accompanying notes form an integral part of this condensed consolidated interim financial information.

# ***NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION***

## **1 REPORTING ENTITY AND STATEMENT OF COMPLIANCE**

RTL Group SA (the “Company”), the parent company, is domiciled and incorporated in Luxembourg. This condensed consolidated interim financial information is presented in accordance with the requirements of IAS 34 “Interim Financial Reporting” as adopted by the European Union.

The interim report does not include all notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the consolidated annual financial statements for the year ended 2017.

RTL Group (“the Group”) forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group will be able to operate within the level of its current facilities. Management have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Therefore, RTL Group continues to adopt the going concern basis in preparing its condensed consolidated interim financial information.

This condensed consolidated interim financial information was approved on 7 November 2018 by the Audit Committee upon delegation granted by the Board of Directors.

## **2 SIGNIFICANT ACCOUNTING POLICIES AND CHANGES**

The accounting policies applied to the condensed consolidated interim financial information as of and for the period ended 30 September 2018 are the same as those of the previous financial year, except for the adoption of new standards, amendments to existing standards and interpretations that can be found in the consolidated annual financial statements for the year ended 2017.

RTL Group has initially applied IFRS 9 “Financial Instruments” and IFRS 15 “Revenue from Contracts with Customers” at 1 January 2018. Under the transition methods chosen, comparative information has not been restated. Related changes in accounting policies are described below in notes 2.3. and 2.5. respectively.

This note explains the impact of the adoption of IFRS 9 and IFRS 15 on the Group’s condensed consolidated interim financial information and also discloses the new accounting policies that have been applied from 1 January 2018, where they are different from those applied in prior periods.

**2. 1. Impact of IFRS 9 and IFRS 15 on the condensed consolidated interim financial information**

The following table shows the restatements on the opening balance as of 1 January 2018 following the initial application of IFRS 9 and IFRS 15 for each individual line item. The adjustments are explained in more detail by standard in notes 2.2. and 2.4. respectively.

**Condensed consolidated interim statement of financial position**

	31 December 2017 as originally presented €m	IFRS 9	IFRS 15	1 January 2018 restated €m
<b>Non-current assets</b>				
Programme and other rights	94	–	–	94
Goodwill	3,037	–	–	3,037
Other intangible assets	243	–	–	243
Property, plant and equipment	352	–	–	352
Investments accounted for using the equity method	407	–	–	407
Loans and other financial assets	137	–	–	137
Deferred tax assets	295	1	–	296
	<b>4,565</b>	<b>1</b>	<b>–</b>	<b>4,566</b>
<b>Current assets</b>				
Programme rights	1,156	–	–	1,156
Other inventories	16	–	–	16
Income tax receivable	48	–	–	48
Accounts receivable and other financial assets	1,844	(6)	11	1,849
Cash and cash equivalents	265	–	–	265
	<b>3,329</b>	<b>(6)</b>	<b>11</b>	<b>3,334</b>
<b>Current liabilities</b>				
Loans and bank overdrafts	247	–	–	247
Income tax payable	63	–	–	63
Accounts payable	2,672	–	(245)	2,427
Contract liabilities	–	–	257	257
Provisions	178	–	–	178
	<b>3,160</b>	<b>–</b>	<b>12</b>	<b>3,172</b>
<b>Net current assets</b>	<b>169</b>	<b>(6)</b>	<b>(1)</b>	<b>162</b>
<b>Non-current liabilities</b>				
Loans	568	–	–	568
Accounts payable	475	–	–	475
Provisions	242	–	–	242
Deferred tax liabilities	25	–	–	25
	<b>1,310</b>	<b>–</b>	<b>–</b>	<b>1,310</b>
<b>Net assets</b>	<b>3,424</b>	<b>(5)</b>	<b>(1)</b>	<b>3,418</b>
<b>Equity attributable to RTL Group shareholders</b>	<b>2,957</b>	<b>(5)</b>	<b>(1)</b>	<b>2,951</b>
<b>Equity attributable to non-controlling interests</b>	<b>467</b>	<b>–</b>	<b>–</b>	<b>467</b>
<b>Equity</b>	<b>3,424</b>	<b>(5)</b>	<b>(1)</b>	<b>3,418</b>

**2. 2. IFRS 9 “Financial Instruments” – Impact of adoption**

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.



The adoption of IFRS 9 from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the condensed consolidated interim financial information as presented in the table above. The new accounting policies are set out in note 2.3. In accordance with the transitional provisions of IFRS 9 paragraph 7.2.15, comparative figures have not been restated.

## **2. 2. 1. Assumptions made in adopting IFRS 9**

Changes in accounting policies resulting from the adoption of IFRS 9 are generally applied retrospectively, but various exceptions are granted.

### **General assumptions**

The Group has elected to apply the limited exemption in IFRS 9 paragraph 7.2.15 relating to transition for classification, measurement and impairment, and accordingly has not restated comparative periods in the year of initial application.

Consequently:

- (a) any adjustments to carrying amounts of financial assets or liabilities are recognised at the beginning of the current reporting period, with the difference recognised in opening retained earnings;
- (b) financial assets are not reclassified in the condensed consolidated interim statement of financial position for the comparative period;
- (c) provisions for impairment have not been restated in the comparative period.

Investments in financial assets are classified as either debt or equity investments by reference to the requirements of IAS 32 "Financial Instruments: Presentation".

### **Assumptions related to impairment**

The Group has adopted the simplified expected credit loss model for its trade accounts receivable and contract assets, as required by IFRS 9 paragraph 5.5.15, and the general expected credit loss model for debt investments carried at amortised cost.

RTL Group management have further determined that the contract assets have substantially the same risk characteristics as the trade accounts receivable for the same types of contracts, e.g. in terms of cash flow profile and collaterals. The Group has therefore concluded that the expected loss rates for trade accounts receivable are a reasonable approximation of the loss rates for the contract assets.

### **Assumptions related to hedging**

The Group has designated the spot component of its forward contracts as a hedging instrument with forward points being accounted for through income statement under IAS 39, and will continue to do so under IFRS 9. Accordingly, the Group did not have any transition adjustments in this regard.

## **2. 2. 2. Impact of adoption of IFRS 9**

The total impact on the Group's retained earnings as at 1 January 2018 is as follows:

	2018 €m
Closing reserves and retained earnings as at 31 December 2017 – IAS 39/IAS 18	2,916
Increase in provision for trade accounts receivable and contract assets	(6)
Increase in deferred tax assets relating to impairment provisions	1
<b>Adjustment to reserves and retained earnings from adoption of IFRS 9</b>	<b>(5)</b>
Opening reserves and retained earnings as at 1 January 2018 – IFRS 9 (before restatement for IFRS 15)	2,911

### **I. Classification and measurement**

On 1 January 2018, RTL Group management have assessed which business models apply to the financial assets held by the Group and have classified its financial instruments into the appropriate IFRS 9 categories. The reclassification carried out by RTL Group management had no impact on the Group's condensed consolidated interim statement of changes in equity nor the condensed consolidated interim income statement.

**Equity investments previously classified as available-for-sale**

The Group elected to present in Other Comprehensive Income ("OCI") changes in the fair value of all its equity investments that are not held for trading, previously classified as available-for-sale. As a result, assets with a fair value of €54 million were reclassified from available-for-sale financial assets to financial assets at fair value through OCI ("FVOCI") for €50 million and to financial assets at fair value through profit or loss for €4 million. These equity investments remain presented as "Loans and other financial assets" in the condensed consolidated interim statement of financial position.

The accumulated fair value gains, net of tax, of €14 million were reclassified from "Fair value gains/(losses) on available-for-sale financial assets, net of tax" to "Equity investments at fair value through OCI – change in fair value, net of tax" in the revaluation reserve of the condensed consolidated interim statement of changes in equity as of 1 January 2018 (no fair value change during the nine-month period ended 30 September 2018).

Unlike IAS 39, to the extent that changes in carrying amounts are recognised in other comprehensive income, the equity investments at fair value through OCI will no longer be recycled to profit or loss when these instruments are sold.

**II. Derivatives and hedging activities**

As set forth in note 2.2.1., the hedging instruments held by the Group and hedge accounting are not prone to any significant transition adjustment.

**III. Impairment of financial assets**

The Group's financial assets that are subject to IFRS 9's new expected credit loss model mostly consist of trade accounts receivable, contract assets and other financial assets, all of which are measured at amortised cost.

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was insignificant.

The Group was required to revise its impairment methodology under IFRS 9 for each of those classes of assets. The impact of the changes in impairment methodology on the Group's retained earnings and equity is disclosed in the table on page 25.

**Trade accounts receivable and contract assets**

As set forth in note 2.2.1., for the trade accounts receivable and contract assets, the Group applies the IFRS 9 simplified approach to measuring expected credit losses whereby the Group recognises a loss allowance based on lifetime expected credit loss for all trade accounts receivable and contract assets.

For this purpose, the Group has established a provision matrix for calculating expected losses. The provision matrix is based on an entity's historical default rates over the expected life of the trade accounts receivable and is adjusted for forward-looking estimates.

To measure the expected credit losses, trade accounts receivable and contract assets have been grouped by business unit based on shared credit risk characteristics and the days past due.

On that basis, the loss allowance as at 1 January 2018 was determined as follows for both trade accounts receivable and contract assets:

As at 1 January 2018	Current € m	More than 30 days past due € m	More than 90 days past due € m	Total € m
<b>Average expected loss rate</b>	0.15%	1.30%	6.00%	–
<b>Gross carrying amount</b>	1,232	80	49	<b>1,361</b>
<b>Loss allowance</b>	2	1	3	<b>6</b>

As at 1 January 2018, applying the expected credit risk model resulted in the recognition of a loss allowance on trade accounts receivable and contract assets, which is indicated in note 2.1.

The impact on loss allowance between the incurred loss model of IAS 39 and the expected credit risk model of IFRS 9 is insignificant for the period ending 30 September 2018.

Contract assets, similarly to trade accounts receivable, are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, among others, the failure of a debtor to engage in a repayment plan with the Group.

#### ***Other financial assets at amortised cost***

Other financial assets at amortised cost mostly include other accounts receivable. As at 1 January 2018, applying the expected credit risk model resulted in the recognition of a loss allowance at 1 January 2018, which is indicated in note 2.1.

The impact on loss allowance between the incurred loss model of IAS 39 and the expected credit risk model of IFRS 9 is insignificant for the period ending 30 September 2018.

## **2. 3. IFRS 9 “Financial Instruments” – Accounting policies applied from 1 January 2018**

### **2. 3. 1. Investments and other financial assets**

#### **Classification**

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI, or through profit or loss); and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For financial assets measured at fair value, gains and losses will be recorded in either profit or loss or OCI.

For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (“FVOCI”).

#### **Measurement**

At initial recognition, the Group measures a financial asset at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset, in the case of a financial asset not at fair value through profit or loss (“FVPL”). Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

#### **Debt instruments**

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. The Group classifies its debt instruments into three measurement categories:

- **Amortised cost:** assets that are held in order to collect contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recorded directly in the income statement and presented in “Other operating income” or “Other operating expense”, together with foreign exchange gains and losses. Impairment losses, when applicable, are presented as “Net impairment losses on financial assets” in the condensed consolidated interim income statement;

- FVOCI: assets that are held in order to collect contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Changes in the fair value are taken through OCI, except for the recognition of impairment gains or losses and interest income, which are recognised in the income statement. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in "Financial results other than interest". Interest income from these financial assets is included in finance income using the effective interest rate method. Impairment expenses are presented in "Financial results other than interest" and disclosed separately in the notes to the condensed consolidated interim income statement;
- FVPL: instruments that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt instrument that is subsequently measured at FVPL is recognised in the income statement and presented net within "Financial results other than interest" in the period in which it arises, with the exception of the earn-out arrangement related liabilities which re-measurement is reported in "Other operating income" or "Other operating expense".

#### *Equity instruments*

RTL Group subsequently measures all equity investments at fair value. Where the Group's management have elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in the income statement as other income when the Group's right to receive payments is established.

Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from "Equity investments at fair value through OCI – change in fair value, net of tax" in the revaluation reserve of the condensed consolidated interim statement of changes in equity.

Changes in the fair value of financial assets at FVPL are recognised within "Financial results other than interest" in the condensed consolidated interim income statement.

#### **Impairment**

From 1 January 2018, the Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade accounts receivable, RTL Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition.

### **2. 3. 2. Derivative instruments and hedging activities**

As stated in note 2.1., RTL Group did not have any significant transition adjustments pertaining to derivative instruments and hedging activities. Accordingly, please refer to the consolidated financial statements as of and for the financial year ended 31 December 2017, which form the basis for this condensed consolidated interim financial information. All hedging relationships designated under IAS 39 at 31 December 2017 met the criteria for hedge accounting under IFRS 9 at 1 January 2018 and are therefore regarded as continuing hedging relationships.

### **2. 4. IFRS 15 "Revenue from Contracts with Customers" – Impact of adoption**

RTL Group has adopted IFRS 15 from 1 January 2018, which resulted in changes in accounting policies and adjustments to the amounts recognised in the condensed consolidated interim financial information. The new accounting policies are set out in note 2.5.

### **2. 4. 1. Assumptions made in adopting IFRS 15**

#### **General assumptions**

In accordance with the transition provisions of IFRS 15, the Group has adopted the modified retrospective approach, as a result of which the cumulative effect of initially applying IFRS 15 is recorded as an adjustment to the opening balance as at 1 January 2018.

Application of the new revenue recognition standard has no effect on the cash flows that the Group expects to receive nor on the economics of contracts.

RTL Group management also concluded that costs to obtain and cost to fulfil a contract to be capitalised are not material.

#### **Practical expedients**

As permitted by IFRS 15, the Group has decided to apply the following practical expedients as from 1 January 2018:

#### ***Contract modifications prior to adoption***

The Group has not restated contracts that have been modified prior to 1 January 2018. Instead, RTL Group has reflected the aggregate effect of all of the historic modifications for contracts still in force after 1 January 2018 when:

- I. Identifying the satisfied and unsatisfied performance obligations;
- II. Determining the transaction price; and
- III. Allocating the transaction price to the satisfied and unsatisfied performance obligations.

#### ***Financing components***

The application of IFRS 15 usually requires an adjustment to the transaction price for the effect of the time value of money if the timing of payment results in a significant financing component. As it pertains to the advertising business, contracts are usually signed for a duration of 12 months or less. RTL Group decided to apply the practical expedient in accordance with IFRS 15 paragraph 63 not to adjust the transaction price for any financing component whenever the period between the transfer of a promised good or service to a customer and the associated payment is one year or less.

#### ***Right to invoice approach***

For service-only contracts, RTL Group has decided to apply the practical expedient set forth in IFRS paragraph 15.B16, which allows revenue to be recognised for the amount to which the Group has a right to invoice whenever the entity's right to invoice corresponds directly with the value transferred to the customer.

### **2. 4. 2. Impact of adoption of IFRS 15**

As of 1 January 2018, the adjustment resulting from the transition to IFRS 15 on RTL Group's retained earnings is insignificant, while the presentation of certain amounts in the condensed consolidated interim statement of financial position has been changed to reflect the terminology of IFRS 15, as indicated in note 2.1.

Accordingly, contract liabilities of €257 million were previously presented as "Accounts payable" while contract assets are insignificant and continue to be reported in "Accounts receivable and other financial assets". This revised terminology is mainly triggered by the changes of accounting policies stated in note 2.5.

The impact on revenue recognition between IAS 18 and IFRS 15 for the period ending 30 September 2018 is insignificant.

### **2. 5. IFRS 15 "Revenue from Contracts with Customers" – Accounting policies applied from 1 January 2018**

RTL Group has adopted IFRS 15 as issued in May 2014, which resulted in a change in the revenue recognition accounting policy and adjustments to the amounts recognised in the condensed consolidated interim financial information.

The details of the amended significant accounting policies and the nature of the changes in relation to the Group's main revenue streams are set out below.

#### **Advertising revenue**

##### ***Nature, timing of satisfaction of performance obligations, significant payment terms***

As a rule, advertising revenue is recognised during the period over which the related advertisement is broadcast or appears before the public. Sales house and other agencies' commissions are directly deducted from advertising revenue.



IFRS 15 requires the allocation of the transaction price on the basis of stand-alone selling prices, which may impact both the amount and the timing of recognition of revenue. Overall, the timing and amount of revenue recognised for the full year is not affected since contracts are typically for a calendar year period.

***Nature of change in accounting policy***

Under IFRS 15, both normal and free advertising spots are considered as separate performance obligations and recognised for their relative stand-alone selling price. Accordingly, the estimation of the stand-alone selling price may result in a higher transaction price allocated to free advertising spots as a separate performance obligation. Free advertising spots generate a contract asset if they are aired before normal advertising spots, and a contract liability in the reverse case.

In addition, barter arrangements, whereby particular advertising spots are broadcasted in exchange for other media advertising, generate a contract asset or liability to the extent that the service rendered by the Group does not pertain to the same line of business as the service received from the counterpart.

**Content revenue**

***Nature, timing of satisfaction of performance obligations, significant payment terms***

Content revenue mostly consists of revenue generated from the production and licensing of intellectual property to customers.

Customer contracts typically have a wide variety of performance obligations, from production licence contracts to multi-year format licence agreements, as well as ancillary rights and services (e.g. merchandising rights, sponsorship rights and production consulting services) and distribution activities. The application of IFRS 15 requires an assessment of the nature of RTL Group's promise at contract level (right to access or right to use), unit of account for licences and payment mechanisms. The most significant change from IAS 18 to IFRS 15 is whether licences are determined to be a right to access the content (revenue recognised over time) versus a right to use the content (revenue recognised at a point in time).

RTL Group management have determined that for most of the licences granted, the involvement of the Group is limited to the transfer of the licence, where the performance obligation is satisfied at a point in time. Non-refundable minimum guarantees recoupable over royalties are received as part of some production or distribution arrangements. These are recognised in accordance with the classification of the type of licence granted.

In the case of sales-based or usage-based royalties payable in exchange for a licence of intellectual property, the Group recognises revenue when the subsequent sale or usage occurs and when the performance obligation to which some or all of the sales-based or usage-based royalty has been allocated has been satisfied (or partially satisfied).

***Nature of change in accounting policy***

Under IAS 18, revenue from content was recognised when the customer could generate economic benefit from the exploitation of related rights and the Group had no remaining contractual obligation.

Under IFRS 15, most of the licences granted are licences for which revenue, including minimum guarantees, should be recognised at a point in time.

In parallel, advance payments received from a customer to fulfil non-cancellable arrangements generate a contract liability, while it was previously presented as accounts payable under IAS 18.

**Other revenue - Sales of merchandise, professional and consumer services**

Overall, IFRS 15 did not have a significant impact on the nature and timing of recognition for this category of revenue.

**2. 6. IFRS 16 issued but not yet applied**

IFRS 16, effective from 1 January 2019, will result in almost all leases being recognised on the balance sheet, the distinction between operating and finance leases being removed from a lessee accounting perspective. The only exceptions are short-term and low value leases. The accounting for lessors will not significantly change. RTL Group does not intend to adopt the standard before its effective date.

The quantitative impacts and disclosure requirements are currently being determined and analysed.

The Group has decided to adopt IFRS 16 using the modified retrospective application with the cumulative effect of initially applying IFRS 16 recognised as an adjustment to the opening balance of retained earnings at the date of initial application.

Management will also apply the “grandfathering” practical expedient, i.e. not to reassess whether a contract is, or contains, a lease at the date of initial application in accordance with IFRS 16 but to apply IFRS 16 to contracts that were previously identified as leases under IAS 17 and IFRIC 4. The Group has non-cancellable operating lease commitments of €428 million at 30 September 2018 (€441 million at 31 December 2017). However, the Group is currently determining to what extent these commitments will result in the recognition of an asset and a liability for future payments. Some of the commitments may be covered by the exception for short-term and low-value leases, although this is expected to be insignificant.

**3. ACCOUNTING ESTIMATES AND JUDGEMENTS**

The preparation of condensed consolidated interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial information the significant judgements made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements as at and for the year ended 31 December 2017.

In addition to other short-term bonus schemes, RTL Group has implemented for its senior management a long-term incentive plan (“LTIP”) which runs for the term 2017 to 2019. Management have accrued an amount of €13 million during the period (September 2017: €13 million) on the basis of the achievement of performance targets. The liability related to the LTIP 2017-2019 is €30 million at 30 September 2018 (December 2017: €17 million).

**4. KEY PERFORMANCE INDICATORS**

RTL Group reports different alternative performance measures not defined by IFRS that management believe are relevant for measuring the performance of the operations, the financial position and cash flows, and in decision-making. These key performance indicators (“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.

**EBIT, EBITA and EBITDA**

EBIT, EBITA and EBITDA are indicators of the operating profitability of the Group. These alternative performance measures are presented on page 18 of the condensed consolidated interim financial information.

EBITA represents earnings before interest and taxes (EBIT) excluding some elements of the income statement:

- “Impairment of goodwill, impairment of disposal group, and amortisation and impairment of fair value adjustments on acquisitions of subsidiaries”;
- Impairment of investments accounted for using the equity method reported in “Share of result of investments accounted for using the equity method”;
- Re-measurement of earn-out arrangements presented in “Other operating income” and “Other operating expense”;
- “Gain/(loss) from sale of subsidiaries, other investments and re-measurement to fair value of pre-existing interest in acquiree”.

EBITA is a component of the RTL Group Value Added (RVA, see below) and presents the advantage to consistently include the consumption, depreciation and impairment losses on programmes and other rights for all businesses that RTL Group operates regardless of their classification on the consolidated statement of financial position (current or non-current).

EBITDA represents earnings before interest and taxes (EBIT) excluding some elements of the income statement:

- “Impairment of goodwill, impairment of disposal group, and amortisation and impairment of fair value adjustments on acquisitions of subsidiaries”;
- Amortisation and impairment of non-current programme and other rights, of other intangible assets, depreciation and impairment of property, plant and equipment, with the exception to the part concerning goodwill and fair value adjustments (see above), reported in “Depreciation, amortisation, impairment and valuation allowance”;
- Impairment of investments accounted for using the equity method included in the “Share of result of investments accounted for using the equity method”;
- Re-measurement of earn-out arrangements reported in “Other operating income” and “Other operating expense”;
- “Gain/(loss) from sale of subsidiaries, other investments and re-measurement to fair value of pre-existing interest in acquiree”.

EBITDA is largely used by the financial community, especially by the rating agencies when calculating the “net debt to EBITDA ratio”.

**Net debt**

The net debt is the gross balance sheet financial debt adjusted for:

- “Cash and cash equivalents”;
- Investments held to (collect and) sell presented in “Accounts receivable and other financial assets”; and
- Current deposit with shareholder reported in “Accounts receivable and other financial assets”.

	September 2018 € m	December 2017 € m
Current loans and bank overdrafts	(617)	(247)
Non-current loans	(569)	(568)
	<b>(1,186)</b>	<b>(815)</b>
Deduction of:		
Cash and cash equivalents	256	265
Marketable securities and other short-term investments	–	5
Current deposit with shareholder	2	–
<b>Net debt</b>	<b>(928)</b>	<b>(545)</b>

**OCC**

Operating cash conversion ratio (OCC) means operating free cash flow divided by EBITA, operating free cash flow being net cash from operating activities adjusted as follows:

	September 2018 € m	September 2017 € m
Net cash from operating activities	422	387
Adjusted by:		
– Income tax paid	316	304
Acquisitions of:		
– Programme and other rights	(80)	(73)
– Other intangible and tangible assets	(85)	(121)
Proceeds from the sale of intangible and tangible assets	45	62
<b>Operating free cash flow</b>	<b>618</b>	<b>559</b>
<b>EBITA</b>	<b>746</b>	<b>732</b>
<b>Operating cash conversion ratio</b>	<b>83 %</b>	<b>76 %</b>

The operating cash conversion ratio reflects the level of operating profits converted into cash available for investors after incorporation of the minimum investments required to sustain the current profitability of the business and before reimbursement of funded debts (interest included) and payment of income taxes. The operating cash conversion of RTL Group's operations is subject to seasonality and may decrease at the time the Group significantly increases its investments in operations with longer operating cycles. RTL Group historically had, and expects in the future to have, a strong OCC due to a high focus on working capital and capital expenditure throughout the operations.

**RVA**

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). 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.

	September 2018 € m	September 2017 € m
<b>EBITA</b>	<b>746</b>	732
Deduction of shares of results of investments accounted for using the equity method and already taxed	(17)	(17)
	<b>729</b>	715
Net basis after deduction of uniform tax rate	<b>488</b>	479
Shares of results of investments accounted for using the equity method and already taxed	<b>17</b>	17
<b>NOPAT</b>	<b>505</b>	496
Invested capital at beginning of year	<b>4,123</b>	4,181
Invested capital at end of the period	<b>4,260</b>	4,354
66 per cent of the net present value of operating leases and satellite transponder service agreements at beginning of year	<b>302</b>	320
66 per cent of the net present value of operating leases and satellite transponder service agreements at end of the period	<b>286</b>	300
Adjusted average invested capital	<b>4,486</b>	4,578
<b>Cost of capital</b>	<b>269</b>	275
<b>RVA</b>	<b>236</b>	221

## 5. FINANCIAL RISK MANAGEMENT

### 5. 1. Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency, interest rate, inflation and equity), counterparty credit and liquidity risks.

This condensed consolidated interim financial information does not include all financial risk management information and disclosures required in the annual consolidated financial statements; they should be read in conjunction with the Group's consolidated financial statements as at 31 December 2017. There has been no change in the risk management policies and organisation since year end.

### 5. 2. Accounting classifications and fair value hierarchy

#### 5. 2. 1. Financial instruments by category

Except for the long-term loan arrangement with Bertelsmann SA & Co. KGaA and the external funding of Groupe M6, the fair value of each class of financial assets and liabilities are equivalent to their carrying amount.

The fair value of the 10-year-term facility – calculated as the present value of the payments associated with the debt and based on the applicable yield curve and RTL Group credit spread – amounts to €539 million at 30 September 2018 (December 2017: €546 million).

The fair value of the 7-year Euro Private Placement bond issued by Groupe M6 amounts to €50 million (December 2017: €50 million). At 30 September 2018, Groupe M6 used € nil million out of the €120 million bilateral committed facilities (December 2017: €10 million).

**5. 2. 2. Fair value hierarchy**

The following table presents the Group's financial assets and liabilities measured at fair value.

The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets (or liabilities);
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or the liability that are not based on observable market data (unobservable inputs).

	Total € m	Level 1 € m	Level 2 € m	Level 3 € m
<b>Assets</b>				
Equity investments at fair value through OCI	36	5	–	31
Equity investments accounted at FVTPL	4	–	–	4
Debt instruments measured at FVTPL	7	–	7	–
Derivatives used for hedging <sup>1</sup>	22	–	22	–
<b>At 30 September 2018</b>	<b>69</b>	<b>5</b>	<b>29</b>	<b>35</b>
<b>Liabilities</b>				
Derivatives used for hedging <sup>2</sup>	18	–	18	–
Liabilities in relation to put options on non-controlling interests	18	–	–	18
<b>At 30 September 2018</b>	<b>36</b>	<b>–</b>	<b>18</b>	<b>18</b>

There were no transfers between Levels 1, 2 and 3 during the nine-month period ended 30 September 2018.

	Total € m	Level 1 € m	Level 2 € m	Level 3 € m
<b>Assets</b>				
Available-for-sale investments	54	5	–	49
Derivatives used for hedging <sup>3</sup>	24	–	24	–
Accounts receivable and other financial assets	4	4	–	–
<b>At 31 December 2017</b>	<b>82</b>	<b>9</b>	<b>24</b>	<b>49</b>
<b>Liabilities</b>				
Derivatives used for hedging <sup>4</sup>	38	–	38	–
Liabilities in relation to put options on non-controlling interests	18	–	–	18
<b>At 31 December 2017</b>	<b>56</b>	<b>–</b>	<b>38</b>	<b>18</b>

There were no transfers between Levels 1, 2 and 3 during the year 2017.

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. These instruments are included in Level 1. The quoted market price used for financial assets by the Group is the current bid price.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

If one or more significant inputs is not based on observable market data, the instrument is included in Level 3.

1 ■ Of which €12 million are derivatives used to offset currency exposure relating to recognised monetary assets and liabilities for which hedge accounting as defined under IFRS 9

2 ■ Of which €10 million are derivatives used to offset currency exposure relating to recognised monetary assets and liabilities for which hedge accounting as defined under IFRS 9 is not applied

3 ■ Of which €8 million are derivatives used to offset currency exposure relating to recognised monetary assets and liabilities for which hedge accounting as defined under IFRS 9

4 ■ Of which €10 million are derivatives used to offset currency exposure relating to recognised monetary assets and liabilities for which hedge accounting as defined under IFRS 9 is not applied

5 ■ Out of which €4 million are derivatives used to offset currency exposure relating to recognised monetary assets and liabilities for which hedge accounting as defined under IAS 39

6 ■ Out of which €20 million are derivatives used to offset currency exposure relating to recognised monetary assets and liabilities for which hedge accounting as defined under IAS 39 is not applied

7 ■ Out of which €23 million are derivatives used to offset currency exposure relating to recognised monetary assets and liabilities for which hedge accounting as defined under IAS 39

8 ■ Out of which €15 million are derivatives used to offset currency exposure relating to recognised monetary assets and liabilities for which hedge accounting as defined under IAS 39 is not applied



The Group's finance department, which includes Group Treasury and Controlling teams, perform the recurring and non-recurring valuations of items to be valued at fair value for financial purposes, including Level 3 fair values. These teams report directly to the Chief Financial Officer, who reports to the Audit Committee at least once every quarter, in line with the Group's quarterly reporting dates. The main Level 3 related inputs used by RTL Group relate to the determination of the expected discounted cash flows as well as the discount rates used in the different valuations.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments (Level 2);
- The fair value of forward foreign exchange contracts classified under Level 2 are determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value;
- For instruments classified under Level 3, other techniques, such as discounted cash flow analysis, based for the main instruments on the significant unobservable inputs (e.g. forecast revenue growth rates and market multiples are used to determine fair value for the remaining financial instruments) or the Black-Scholes-Merton model. Volatility is primarily determined by reference to comparable publicly traded peers.

The following tables present the change in Level 3 instruments for the six-month period ended 30 September.

	Financial assets at fair value through profit or loss € m	Assets Equity investments at fair value through OCI € m	Total assets € m	Liabilities Liabilities at fair value through profit or loss € m
<b>Balance at 1 January 2018</b>	4	45	49	18
Other changes <sup>5</sup>	–	(14)	(14)	–
<b>Balance at 30 September 2018</b>	4	31	35	18

	Financial assets at fair value through profit or loss € m	Assets Available- for-sale investments € m	Total assets € m	Liabilities Liabilities at fair value through profit or loss € m
<b>Balance at 1 January 2017</b>	3	49	52	28
Acquisitions and additions	–	4	4	–
Gains and losses recognised in profit or loss ("Financial results other than interest")	–	–	–	5
Other changes	(3)	–	(3)	(15)
<b>Balance at 30 September 2017</b>	–	53	53	18

<sup>5</sup> Following scope changes as  
Radio NRW GmbH (see note 9)

**6. SEGMENT REPORTING**

Three months ended 30 September	Mediengruppe RTL Deutschland		Groupe M6		Fremantle		RTL Nederland		RTL Belgium		Other segments		Eliminations		Total Group	
	2018 €m	2017 <sup>6</sup> €m	2018 €m	2017 <sup>7</sup> €m	2018 €m	2017 <sup>8</sup> €m	2018 €m	2017 <sup>6</sup> €m	2018 €m	2017 €m	2018 €m	2017 <sup>6,8</sup> €m	2018 €m	2017 €m	2018 €m	2017 €m
Revenue from external customers	461	490	312	306	342	295	111	103	35	38	161	140	–	–	1,422	1,372
Inter-segment revenue	1	2	1	–	40	36	–	–	–	1	11	12	(53)	(51)	–	–
<b>Total revenue</b>	<b>462</b>	<b>492</b>	<b>313</b>	<b>306</b>	<b>382</b>	<b>331</b>	<b>111</b>	<b>103</b>	<b>35</b>	<b>39</b>	<b>172</b>	<b>152</b>	<b>(53)</b>	<b>(51)</b>	<b>1,422</b>	<b>1,372</b>
Profit/(loss) from operating activities	113	128	71	40	22	22	18	22	3	3	(24)	(15)	–	–	203	200
Share of results of investments accounted for using the equity method	2	2	1	–	(1)	(3)	–	–	–	–	3	3	–	–	5	2
<b>EBIT</b>	<b>115</b>	<b>130</b>	<b>72</b>	<b>40</b>	<b>21</b>	<b>19</b>	<b>18</b>	<b>22</b>	<b>3</b>	<b>3</b>	<b>(21)</b>	<b>(12)</b>	<b>–</b>	<b>–</b>	<b>208</b>	<b>202</b>
<b>EBITDA</b>	<b>118</b>	<b>134</b>	<b>95</b>	<b>86</b>	<b>24</b>	<b>22</b>	<b>23</b>	<b>26</b>	<b>4</b>	<b>4</b>	<b>(10)</b>	<b>(9)</b>	<b>–</b>	<b>–</b>	<b>254</b>	<b>263</b>
Depreciation and amortisation (impairment of disposal group and amortisation of fair value adjustments on acquisitions of subsidiaries excluded)	(3)	(4)	(36)	(45)	(2)	(2)	(5)	(4)	(1)	(1)	(9)	(8)	–	–	(56)	(64)
<b>EBITA</b>	<b>115</b>	<b>130</b>	<b>59</b>	<b>41</b>	<b>22</b>	<b>20</b>	<b>18</b>	<b>22</b>	<b>3</b>	<b>3</b>	<b>(19)</b>	<b>(17)</b>	<b>–</b>	<b>–</b>	<b>198</b>	<b>199</b>
Impairment of disposal group	–	–	(8)	–	–	–	–	–	–	–	–	–	–	–	(8)	–
Impairment of investments accounted for using the equity method	–	–	–	–	–	(2)	–	–	–	–	–	–	–	–	–	(2)
Amortisation of fair value adjustments on acquisitions of subsidiaries	–	–	(1)	(1)	(1)	–	–	–	–	–	(2)	(2)	–	–	(4)	(3)
Re-measurement of earn-out arrangements	–	–	–	–	–	1	–	–	–	–	–	–	–	–	–	1
Gain/(loss) from sale of subsidiaries, other investments and re-measurement to fair value of pre-existing interest in acquiree	–	–	22	–	–	–	–	–	–	–	–	7	–	–	22	7
<b>EBIT</b>	<b>115</b>	<b>130</b>	<b>72</b>	<b>40</b>	<b>21</b>	<b>19</b>	<b>18</b>	<b>22</b>	<b>3</b>	<b>3</b>	<b>(21)</b>	<b>(12)</b>	<b>–</b>	<b>–</b>	<b>208</b>	<b>202</b>
Interest income	–	–	–	–	–	–	–	–	–	–	–	–	–	–	1	1
Interest expense	–	–	–	–	–	–	–	–	–	–	–	–	–	–	(10)	(7)
Financial results other than interest	–	–	–	–	–	–	–	–	–	–	–	–	–	–	3	2
Income tax expense	–	–	–	–	–	–	–	–	–	–	–	–	–	–	(67)	(71)
<b>Profit for the period</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>135</b>	<b>127</b>

6 SpotX and Smartclip companies (Smartclip AG and Smartclip Benelux BV excluded) have been combined into one integrated Ad-tech unit reported since 1 January 2018 in 'Other segments'. Smartclip was initially allocated to the operating segment Mediengruppe RTL Deutschland.

Smartclip AG continues to be part of the operating segment Mediengruppe RTL Deutschland and Smartclip Benelux BV has been transferred to the operating segment RTL Nederland. 2017 segment information has been accordingly restated as if this transaction had occurred since 1 January.

€6 million of goodwill have been reallocated to the cash-generating unit Ad-tech ('Other segments')

7 RTL Radio (France) was transferred to Groupe M6 on 1 October 2017. 2017 segment information has been accordingly restated as if this transaction had occurred since 1 January

8 Divimove does not report any more to Fremantle management at 31 December 2017 and has been transferred to 'Other segments'. 2017 segment information has been accordingly restated as if this change had occurred since 1 January

Notes to the Condensed Consolidated Interim Financial Information

Nine months ended 30 September	Mediengruppe RTL Deutschland		Groupe M6		Fremantle		RTL Nederland		RTL Belgium		Other segments		Eliminations		Total Group	
	2018 €m	2017 <sup>9</sup> €m	2018 €m	2017 <sup>10</sup> €m	2018 €m	2017 <sup>11</sup> €m	2018 €m	2017 <sup>9</sup> €m	2018 €m	2017 €m	2018 €m	2017 <sup>9,11</sup> €m	2018 €m	2017 €m	2018 €m	2017 €m
Revenue from external customers	1,529	1,551	1,046	1,041	940	857	352	331	129	134	472	436	–	–	4,468	4,350
Inter-segment revenue	3	2	6	8	114	113	–	–	1	1	35	35	(159)	(159)	–	–
<b>Total revenue</b>	<b>1,532</b>	<b>1,553</b>	<b>1,052</b>	<b>1,049</b>	<b>1,054</b>	<b>970</b>	<b>352</b>	<b>331</b>	<b>130</b>	<b>135</b>	<b>507</b>	<b>471</b>	<b>(159)</b>	<b>(159)</b>	<b>4,468</b>	<b>4,350</b>
Profit/(loss) from operating activities	459	466	199	160	55	52	49	36	21	20	(56)	(28)	–	–	727	706
Share of results of investments accounted for using the equity method	15	20	(1)	1	–	(5)	–	(1)	–	–	15	17	–	–	29	32
<b>EBIT</b>	<b>474</b>	<b>486</b>	<b>198</b>	<b>161</b>	<b>55</b>	<b>47</b>	<b>49</b>	<b>35</b>	<b>21</b>	<b>20</b>	<b>(41)</b>	<b>(11)</b>	<b>–</b>	<b>–</b>	<b>756</b>	<b>738</b>
<b>EBITDA</b>	<b>484</b>	<b>497</b>	<b>277</b>	<b>264</b>	<b>66</b>	<b>64</b>	<b>55</b>	<b>45</b>	<b>24</b>	<b>23</b>	<b>(14)</b>	<b>(4)</b>	<b>–</b>	<b>–</b>	<b>892</b>	<b>889</b>
Depreciation and amortisation (impairment of disposal group and amortisation of fair value adjustments on acquisitions of subsidiaries excluded)	(10)	(10)	(87)	(99)	(11)	(13)	(14)	(10)	(3)	(3)	(21)	(22)	–	–	(146)	(157)
<b>EBITA</b>	<b>474</b>	<b>487</b>	<b>190</b>	<b>165</b>	<b>55</b>	<b>51</b>	<b>41</b>	<b>35</b>	<b>21</b>	<b>20</b>	<b>(35)</b>	<b>(26)</b>	<b>–</b>	<b>–</b>	<b>746</b>	<b>732</b>
Impairment of disposal group	–	–	(8)	–	–	–	–	–	–	–	–	–	–	–	(8)	–
Impairment of investments accounted for using the equity method	–	–	(2)	–	–	(4)	–	–	–	–	–	–	–	–	(2)	(4)
Amortisation of fair value adjustments on acquisitions of subsidiaries	–	(1)	(4)	(4)	(1)	–	–	–	–	–	(6)	(6)	–	–	(11)	(11)
Re-measurement of earn-out arrangements	–	–	–	–	1	–	–	–	–	–	–	–	–	–	1	–
Gain/(loss) from sale of subsidiaries, other investments and re-measurement to fair value of pre-existing interest in acquiree	–	–	22	–	–	–	8	–	–	–	–	21	–	–	30	21
<b>EBIT</b>	<b>474</b>	<b>486</b>	<b>198</b>	<b>161</b>	<b>55</b>	<b>47</b>	<b>49</b>	<b>35</b>	<b>21</b>	<b>20</b>	<b>(41)</b>	<b>(11)</b>	<b>–</b>	<b>–</b>	<b>756</b>	<b>738</b>
Interest income	–	–	–	–	–	–	–	–	–	–	–	–	–	–	7	3
Interest expense	–	–	–	–	–	–	–	–	–	–	–	–	–	–	(23)	(19)
Financial results other than interest	–	–	–	–	–	–	–	–	–	–	–	–	–	–	4	4
Income tax expense	–	–	–	–	–	–	–	–	–	–	–	–	–	–	(243)	(236)
<b>Profit for the period</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>501</b>	<b>490</b>

9 SpotX and Smartclip companies (Smartclip AG and Smartclip Benelux BV excluded) have been combined into one integrated Ad-tech unit reported since 1 January 2018 in 'Other segments'. Smartclip was initially allocated to the operating segment Mediengruppe RTL Deutschland. Smartclip AG continues to be part of the operating segment Mediengruppe RTL Deutschland and Smartclip Benelux BV has been transferred to the operating segment RTL Nederland. 2017 segment information has been accordingly restated as if this transaction had occurred since 1 January. €6 million of goodwill have been reallocated to the cash-generating unit Ad-tech ('Other segments')

10 RTL Radio (France) was transferred to Groupe M6 on 1 October 2017. 2017 segment information has been accordingly restated as if this transaction had occurred since 1 January

11 Divimove does not report any more to Fremantle management at 31 December 2017 and has been transferred to 'Other segments'. 2017 segment information has been accordingly restated as if this change had occurred since 1 January

## Notes to the Condensed Consolidated Interim Financial Information

	Mediengruppe RTL Deutschland		Groupe M6		Fremantle		RTL Nederland		RTL Belgium		Other segments		Eliminations		Total Group	
	September 2018 € m	December <sup>12</sup> 2017 € m	September 2018 € m	December 2017 € m	September 2018 € m	December 2017 € m	September 2018 € m	December <sup>12</sup> 2017 € m	September 2018 € m	December 2017 € m	September 2018 € m	December <sup>12</sup> 2017 € m	September 2018 € m	December 2017 € m	September 2018 € m	December 2017 € m
Segment assets (assets classified as held for sale and investments accounted for using the equity method excluded)	1,670	1,637	1,714	1,767	1,971	1,935	392	408	148	166	783	818	(152)	(201)	6,526	6,530
Investments accounted for using the equity method	63	79	11	14	9	17	7	8	–	–	292	289	–	–	382	407
Assets classified as held for sale	–	–	131	–	–	–	–	–	–	–	–	–	–	–	131	–
<b>Segment assets</b>	<b>1,733</b>	<b>1,716</b>	<b>1,856</b>	<b>1,781</b>	<b>1,980</b>	<b>1,952</b>	<b>399</b>	<b>416</b>	<b>148</b>	<b>166</b>	<b>1,075</b>	<b>1,107</b>	<b>(152)</b>	<b>(201)</b>	<b>7,039</b>	<b>6,937</b>
Segment liabilities (liabilities directly associated with non-current assets classified as held for sale excluded)	1,000	1,063	624	670	573	594	166	139	92	103	430	442	(149)	(197)	2,736	2,814
Liabilities directly associated with non-current assets classified as held for sale	–	–	43	–	–	–	–	–	–	–	–	–	–	–	43	–
<b>Segment liabilities</b>	<b>1,000</b>	<b>1,063</b>	<b>667</b>	<b>670</b>	<b>573</b>	<b>594</b>	<b>166</b>	<b>139</b>	<b>92</b>	<b>103</b>	<b>430</b>	<b>442</b>	<b>(149)</b>	<b>(197)</b>	<b>2,779</b>	<b>2,814</b>
<b>Invested capital</b>	<b>733</b>	<b>653</b>	<b>1,189</b>	<b>1,111</b>	<b>1,407</b>	<b>1,358</b>	<b>233</b>	<b>277</b>	<b>56</b>	<b>63</b>	<b>645</b>	<b>665</b>	<b>(3)</b>	<b>(4)</b>	<b>4,260</b>	<b>4,123</b>
<b>Segment assets</b>															<b>7,039</b>	<b>6,937</b>
Deferred tax assets															254	295
Income tax receivable															38	48
Other assets															320	349
Cash and cash equivalents															256	265
<b>Total assets</b>															<b>7,907</b>	<b>7,894</b>
<b>Segment liabilities</b>															<b>2,779</b>	<b>2,814</b>
Deferred tax liabilities															25	25
Income tax payable															24	63
Other liabilities															1,808	1,568
<b>Total liabilities</b>															<b>4,636</b>	<b>4,470</b>

12. SpotX and Smartclip companies (Smartclip AG and Smartclip Benelux BV excluded) have been combined into one integrated Ad-tech unit reported since 1 January 2018 in 'Other segments'. Smartclip was initially allocated to the operating segment Mediengruppe RTL Deutschland. Smartclip AG continues to be part of the operating segment Mediengruppe RTL Deutschland and Smartclip Benelux BV has been transferred to the operating segment RTL Nederland. 2017 segment information has been accordingly restated as if this transaction had occurred since 1 January. €6 million of goodwill have been reallocated to the cash-generating unit Ad-tech ('Other segments')

## 7 ACQUISITIONS AND DISPOSALS

### September 2018

#### United Screens

On 2 January 2018, UFA Film und Fernseh GmbH (“UFA”) acquired 100 per cent of U Screens AB (“United Screens”), a Swedish company with a Finnish subsidiary, for SEK 120 million on a cash and debt free basis. United Screens is 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. A portion of the purchase price has been paid into an escrow account to serve as collateral for cash adjustments and potential warranty claims. A price adjustment of SEK 15 million has been determined on 20 April 2018.

The transaction qualifies as a business combination since RTL Group gained the control of United Screens.

The purchase consideration amounted to €10 million, net of cash acquired. The fair value of identified assets has been allocated to customer contracts (€0.9 million) and to content creators (€0.5 million). A corresponding deferred tax liability has been recognised for €0.3 million. As a result, a goodwill of €9 million has been recognised, attributable mainly to the skills and talent of United Screens’ workforce. The goodwill is not tax deductible. United Screens operates as a separate cash-generating unit.

The transaction-related costs are insignificant.

#### monAlbumPhoto

On 26 July 2018, Groupe M6 disposed of 100 per cent of its interests held in monAlbumPhoto SAS for €39 million a capital gain of €22 million has been generated in the accounts of RTL Group.

	2018 €m
Fair value of consideration received	39
Net assets disposed of	(17)
<b>Net gain on disposal of subsidiaries</b>	<b>22</b>
Cash and cash equivalents	(4)
Goodwill	(11)
Other intangible assets	(2)
Property, plant and equipment	(4)
Other inventories	(1)
Accounts receivable and other financial assets	(1)
Accounts payable	6
<b>Net assets disposed of</b>	<b>(17)</b>
<b>Total disposal proceeds</b>	<b>39</b>
Cash and cash equivalent in operations disposed of	(4)
<b>Cash inflow on disposal</b>	<b>35</b>

#### Other acquisitions and transactions

The escrow account related to the disposal on 26 October 2016 of Couverts Reserveren BV by RTL Nederland BV was released for €1 million during the first semester 2018.

On 9 July 2018, M6 Web SAS acquired 100 per cent of Altima Hosting SAS (“Altima”), a French company operating hosting services and facilities management. The transaction qualifies as a business combination since Groupe M6 gained the control of Altima.

The related cash-out amounts to €2 million at 30 September 2018. A provisional goodwill of €2 million has been recognised; the goodwill is not tax deductible. Altima has been allocated to the Groupe M6 cash-generating unit.

On 31 August 2018, Groupe M6 acquired a 51 per cent stake in the share capital of CTZAR SAS (“CTZAR”) based in Paris. CTZAR is a pioneer in influencer marketing through its international network SOCIADDICT with more than 15,000 influencers. With this acquisition, Groupe M6 strengthens its presence in influencer marketing and enriches its range of advertising solutions for brands. The transaction qualifies as a business combination since Groupe M6 gained the control of CTZAR. The related cash-out amounts to €3 million at 30 September 2018. The transaction resulted in the recognition of a provisional goodwill of €4 million; the goodwill is not tax deductible. CTZAR has been allocated to the Groupe M6 cash-generating unit.

## 8. REVENUE

Revenue is disaggregated below by nature and timing of recognition. The table also includes a reconciliation with reportable segments.

Nine months ended 30 September	Mediengruppe RTL Deutschland 2018 €m	Groupe M6 2018 €m	Fremantle 2018 €m	RTL Nederland 2018 €m	RTL Belgium 2018 €m	Other segments 2018 €m	Total Group 2018 €m
Revenue from advertising	1,242	739	7	231	105	176	2,500
Revenue from exploitation of programmes, rights and other assets	179	139	924	98	18	230	1,588
Revenue from selling goods and merchandise and providing services	108	168	9	23	6	66	380
	<b>1,529</b>	<b>1,046</b>	<b>940</b>	<b>352</b>	<b>129</b>	<b>472</b>	<b>4,468</b>
Timing of revenue recognition							
At a point in time	122	181	872	15	2	217	1,409
Over time	1,407	865	68	337	127	255	3,059
	<b>1,529</b>	<b>1,046</b>	<b>940</b>	<b>352</b>	<b>129</b>	<b>472</b>	<b>4,468</b>

Three months ended 30 September	Mediengruppe RTL Deutschland 2018 €m	Groupe M6 2018 €m	Fremantle 2018 €m	RTL Nederland 2018 €m	RTL Belgium 2018 €m	Other segments 2018 €m	Total Group 2018 €m
Revenue from advertising	369	213	3	69	28	53	735
Revenue from exploitation of programmes, rights and other assets	57	47	338	35	6	83	566
Revenue from selling goods and merchandise and providing services	35	52	1	7	1	25	121
	<b>461</b>	<b>312</b>	<b>342</b>	<b>111</b>	<b>35</b>	<b>161</b>	<b>1,422</b>
Timing of revenue recognition							
At a point in time	37	56	318	4	–	81	496
Over time	424	256	24	107	35	80	926
	<b>461</b>	<b>312</b>	<b>342</b>	<b>111</b>	<b>35</b>	<b>161</b>	<b>1,422</b>



**9. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD****Main changes in the Group's ownership interest in associates****September 2018****Nachrichtenmanufaktur**

On 29 January 2018, Mediengruppe RTL Deutschland GmbH has acquired a 25.1 per cent stake for an amount of €2 million, in the share capital of Nachrichtenmanufaktur GmbH, a company based in Berlin. Nachrichtenmanufaktur GmbH is an editorial office which creates journalistic content for the N-TV news app, website and teletext. The related carrying amount is €2 million at 30 September 2018.

Since 8 May 2018, the interest held by the Group in the Radio NRW GmbH ("Radio NRW") has increased from 16.1 per cent to 22.6 per cent following the purchase by Radio NRW of its own shares. Radio NRW operates a German radio network. Radio NRW was previously an equity investment at fair value through OCI. The accumulated fair value was €3 million before tax. The related carrying amount is €4 million at 30 September 2018.

On 24 May 2018, RTL Nederland Ventures BV ("RTL Nederland Ventures") concluded an airtime equity agreement with the controlling shareholders of Sarthro Travelbags BV ("Travelbags"). RTL Nederland Ventures holds 23 per cent of Travelbags, who retail bags and luggage online. The related carrying amount is €3 million at 30 September 2018.

**Atresmedia**

As at 30 September 2018 the share price of Atresmedia was €5.35 which results in a fair value less costs of disposal of €213 million for the 18.7 per cent held by RTL Group.

RTL Group management consider that the current share price of Atresmedia does not reflect its earnings potential which could include new digital and platform revenue streams and further content and channel exploitation opportunities. Therefore, the recoverable amount of Atresmedia at 30 September 2018 was based on the value in use determined on a discounted cash flow model.

The following key assumptions were applied:

- Perpetual growth rate: 1 per cent;
- Discount rate: 9 per cent.

The carrying amount amounts to €253 million and the headroom is €28 million at 30 September 2018.

When taken individually, the following changes in the key assumptions would reduce the DCF based valuation of Atresmedia as follows:

Variation	30 September 2018 €m
Revenue growth reduced by (1) per cent on each period	(34)
EBITA margin reduced by (1) per cent on each period	(17)
Discount rate increased by 100 basis points	(37)

**Main changes in the Group's ownership interest in joint ventures****September 2018**

On 6 June 2018, RTL Nederland Ventures BV Holding has disposed of all shares held in Future Whiz Media BV for €12 million and has generated a capital gain of €8 million.

**10. LOANS AND OTHER FINANCIAL ASSETS**

	2018 €m	2017 €m
Available-for-sale investments	–	54
Equity investments at fair value through OCI	36	–
Equity investments accounted at FVTPL	4	–
Debt instruments measured at FVTPL	7	–
Loans receivable to investments accounted for using the equity method	16	14
Loans, accounts receivable and other financial assets	60	69
	<b>123</b>	<b>137</b>

**11. ASSETS CLASSIFIED AS HELD FOR SALE****Football Club Girondins de Bordeaux**

On 27 July 2018, Groupe M6 announced that it had entered into exclusive negotiations with the US-based investment fund GACP, with a view to selling its entire shareholding in the Football Club Girondins de Bordeaux (“FCGB”). On 12 October 2018, the Bordeaux Métropole Council agreed on the guarantees offered by GACP in relation to the lease payments owed by FCGB for the use of the stadium. The transaction was closed on 6 November 2018.

An impairment loss of €8 million on the remeasurement of the disposal group to the lower of its carrying amount and its fair value less costs to sell has been recognised in “Impairment of disposal group and amortisation of fair value adjustments on acquisitions of subsidiaries”.

At 30 September 2018, the disposal group comprises the following assets and liabilities:

	2018 €m
<b>Non-current assets classified as held for sale, disposal group</b>	
Goodwill	12
Other intangible assets	47
Property, plant and equipment	7
Loans and other financial assets	39
<b>Current assets</b>	
Other inventories	2
Accounts receivable and other financial assets	33
Cash and cash equivalents	4
Impairment of disposal group	(8)
	<b>136</b>
<b>Liabilities directly associated with non-current assets classified as held for sale</b>	
<b>Non-current liabilities</b>	
Provisions	1
Accounts payable	7
<b>Current liabilities</b>	
Provisions	30
Accounts payable	2
Contract liabilities	3
	<b>43</b>

**RadicalMedia**

The investment in the associate @radical.media LLC and its 100 per cent affiliates (“RadicalMedia”) is presented as held for sale following the decision of RTL Group’s management to dispose of this asset in 2018. The related carrying amount is €5 million at 30 September 2018.

## 12. SEASONALITY OF OPERATIONS

The Group's broadcast business is subject to strong seasonal fluctuations and hence the results for the first nine months of 2018 do not necessarily permit predictions as to its future performance. Advertising revenue is impacted by underlying economic conditions and the cyclical demand for advertising – which during the important fourth quarter normally offset the traditionally weaker summer months. Additional political uncertainty, such as the ongoing discussions around Brexit, the Italian budget and an escalating trade war between the US and China, is likely to also weigh on the development of European advertising in 2018.

The Group's content arm, Fremantle, usually generates a higher proportion of both revenue and EBITA in the second half of the year partly due to the seasonality of programme sales but also to the revenue generated by the distribution, licensing and merchandising business. This seasonality is not expected to be substantially different for 2018 but the timing of the delivery and/or exploitation of certain high value drama productions, combined with exchange rate volatility, could impact revenue growth in the last quarter of 2018.

Digital revenue growth is also subject to seasonality and foreign exchange movements. The repositioning of the Group main ad tech business is expected to help drive growth over the last quarters of 2018 while the non-renewal of certain contractual commitments with some of the Group's YouTube creative talents is expected to reduce growth rates in some specific businesses.

## 13. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to RTL Group shareholders of €424 million (September 2017: €434 million) and a weighted average number of ordinary shares outstanding during the period of 153,552,709 (September 2017: 153,549,707) calculated as follows:

	September 2018	September 2017
Profit attributable to RTL Group shareholders (in € million)	424	434
Weighted average number of ordinary shares:		
Issued ordinary shares at 1 January	154,742,806	154,742,806
Effect of treasury shares held	(1,168,701)	(1,168,701)
Effect of liquidity programme	(21,396)	(24,398)
Weighted average number of ordinary shares	153,552,709	153,549,707
Basic earnings per share (in €)	2.76	2.83
Diluted earnings per share (in €)	2.76	2.83

## 14. PROVISIONS

Following the decision taken in April 2018 to implement the “fan-centric growth strategy”, RTL Nederland BV management announced a restructuring plan. A final version of this plan was approved by the staff representatives and the trade unions at the end of June. As a result of the new organisational structure, 43 employees have been made redundant as of 1 August 2018. 12 new positions are being offered to some of those made redundant which might reduce the number to 31 employees leaving the company. €5.3 million restructuring costs have been recognised over the first half of 2018 and the provision for restructuring amounts to €3.1 million at 30 September 2018.

At 30 September 2018, the remaining restructuring provision recognised at 31 December 2017 by RTL Belgium amounts to €6.7 million.

Provisions for litigation are described in the annual report 2017. No significant change occurred over the nine months period 2018. No further information is disclosed as it may harm the Group's position.

## 15. EQUITY

### 15. 1. Treasury shares

The Company's General Meeting held on 16 April 2014 had authorised the Board of Directors to acquire a total number of shares of the Company not exceeding 150,000 in addition to the own 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 per share 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.

Following the shareholders' resolution and in order to foster the liquidity and regular trading of its shares that are listed on the stock market in Brussels and Luxembourg and the stability of the price of its shares, the Company entered, on 28 April 2014, into a liquidity agreement (the "Liquidity Agreement"). During the period ended 30 September 2018, under the Liquidity Agreement, the Liquidity Provider has:

- purchased 142,534 shares at an average price of € 65.81; and
- sold 152,998 shares at an average price of € 66.79, in the name and on behalf of the Company.

At 30 September 2018, a total of 23,838 (December 2017: 34,302) RTL Group shares are held by the Company and € 1.6 million (December 2017: €1.2 million) are in deposit with the Liquidity Provider under the terms of the Liquidity Agreement.

### 15. 2. Hedging reserves

The hedging reserve (equity attributable to non-controlling interests included) comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

Between 31 December 2017 and 30 September 2018, the hedging reserve increased by €28 million before tax effect. This consists of:

- increase by €18 million due to foreign exchange contracts that existed at 2017 year end and which were still hedging off-balance sheet commitments at 30 September 2018;
- increase by €2 million due to foreign exchange contracts that existed at 2017 year end which were mainly transferred from the hedging reserve to adjust the carrying value of assets purchased (basis adjustment) and subsequently released to the income statement in 2018;
- increase by €8 million due to foreign exchange contracts entered into in 2018 hedging new off-balance sheet commitments.

Between 31 December 2016 and 30 September 2017, the hedging reserve decreased by €96 million before tax effect. This consists of:

- decrease by €56 million due to foreign exchange contracts that existed at 2016 year end and which were still hedging off-balance sheet commitments at 30 September 2017;
- decrease by €31 million due to foreign exchange contracts that existed at 2016 year end but were mainly transferred from the hedging reserve to adjust the carrying value of assets purchased (basis adjustment) and subsequently released to the income statement in 2017;
- decrease by €9 million due to foreign exchange contracts entered into in 2017 hedging new off-balance sheet commitments.

### 15. 3. Dividends

On 18 April 2018, the Annual General Meeting of Shareholders decided, after having taken into account the interim dividends of €1 per share paid on 7 September 2017, to distribute a final dividend of €3 per share. Accordingly, an amount of €460 million was paid out on 26 April 2018.

On 28 August 2018, RTL Group's board of Directors authorised the distribution of an interim dividend of €1 per share. The payment on 6 September 2018 amounted to €154 million.

## 16. NON-CONTROLLING INTERESTS

### Transactions on non-controlling interests without a change in control

#### September 2018

- Groupe M6 has acquired and disposed of own shares in respect to the forward purchase contract and the liquidity programme.

## 17. RELATED PARTY TRANSACTIONS

### 17.1. Transactions with shareholders

#### Financing

##### Deposits Bertelsmann SE & Co. KGaA

With the view to investing its cash surplus, RTL Group 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;
  - 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.

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 30 September 2018 and 31 December 2017, neither RTL Group SA nor RTL Group Deutschland GmbH hold any deposit with Bertelsmann SE & Co. KGaA. The interest income for the period is €nil million (September 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 30 September 2018, the balance of the cash pooling receivable and payable amounts to €2 million (December 2017: €4 million). The interest income/expense for the period is insignificant (September 2017: insignificant).

##### Loans from Bertelsmann SE & Co. KGaA and Bertelsmann Business Support Sàrl (former BeProcurement 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 on 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 has been transferred from Bertelsmann SE & Co. KGaA to Bertelsmann Business Support Sàrl controlled by Bertelsmann Luxembourg Sàrl. At 30 September 2018, the term loan balance amounts to €500 million (December 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 30 September 2018, the total of revolving and swingline loan amounts to €495 million (December 2017: €138 million).

The interest expense for the period amounts to €11 million (September 2017: €11 million). The commitment fee charge for the period amounts to €0.7 million (September 2017: €0.4 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 SA, a direct subsidiary of RTL Group, providing for the payment to CLT-UFA SA 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 SA 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 the change to the 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.

For the interim periods, the Commission is determined on management's reasonable estimate on both expected annual taxable results of the tax group RGD and the tax group Bertelsmann SE & Co. KGaA. This estimate is reviewed on a quarterly basis to take into account actual year-to-date results and material known developments affecting the two entities for the remaining part of the year.

At 30 September 2018, the balance payable to BCH amounts to €347 million (December 2017: €450 million) and the balance receivable from Bertelsmann SE & Co. KGaA amounts to €256 million (December 2017: €267 million).

For the period ended 30 September 2018, the German income tax in relation to the tax pooling with Bertelsmann SE & Co. KGaA amounts to €103 million (September 2017: €86 million). The Commission



amounts to €13 million (September 2017: €nil million).

The UK Group relief of Fremantle Group to Bertelsmann Group resulted in a tax income of €5 million (September 2017: €2 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.

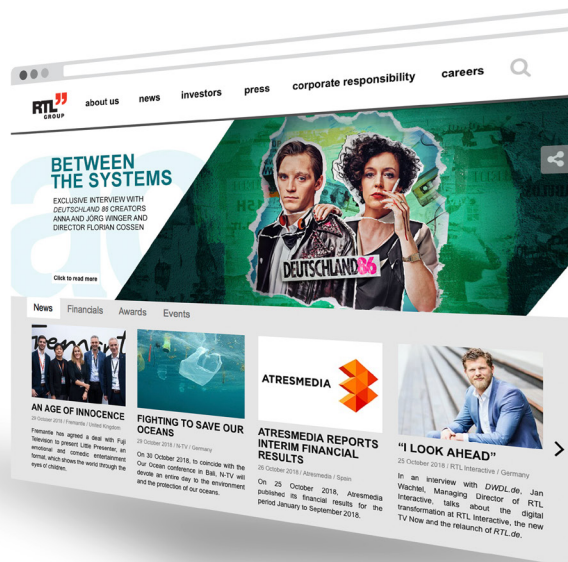
**17. 2. Main transaction with investments accounted for using the equity method**

At 30 September 2018, RTL Group owed a cash pooling payable to RTL Disney Fernsehen GmbH & Co. KG for an amount of €9 million (December 2017: €40 million).

**18. SUBSEQUENT EVENTS**

There are no subsequent events reported as at 30 September 2018.

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### **Financial calendar**

14 March 2019	Full-year results 2018
26 April 2019	Annual General Meeting 2019
16 May 2019	Results January to March 2019
28 August 2019	Interim Results 2019
06 November 2019	Results January to September 2019

### **Credits**

Cover	Mediengruppe RTL Deutschland/Willi Weber, Fremantle/Nicholas Wilson, M6/Sylvie Lancrenon
Page 2	M6/Thomas Padilla (2), Eduardo Castaldo (2)
Page 3	Ramon Haindl

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