

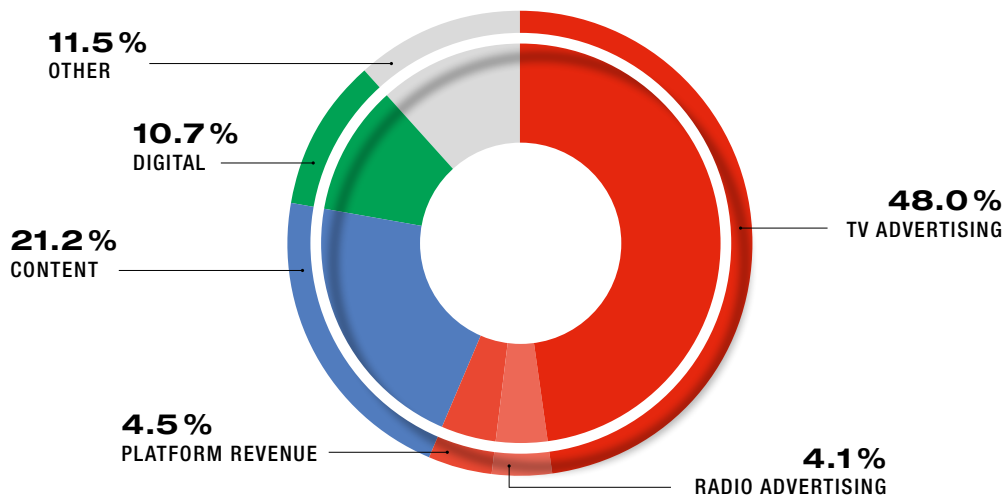
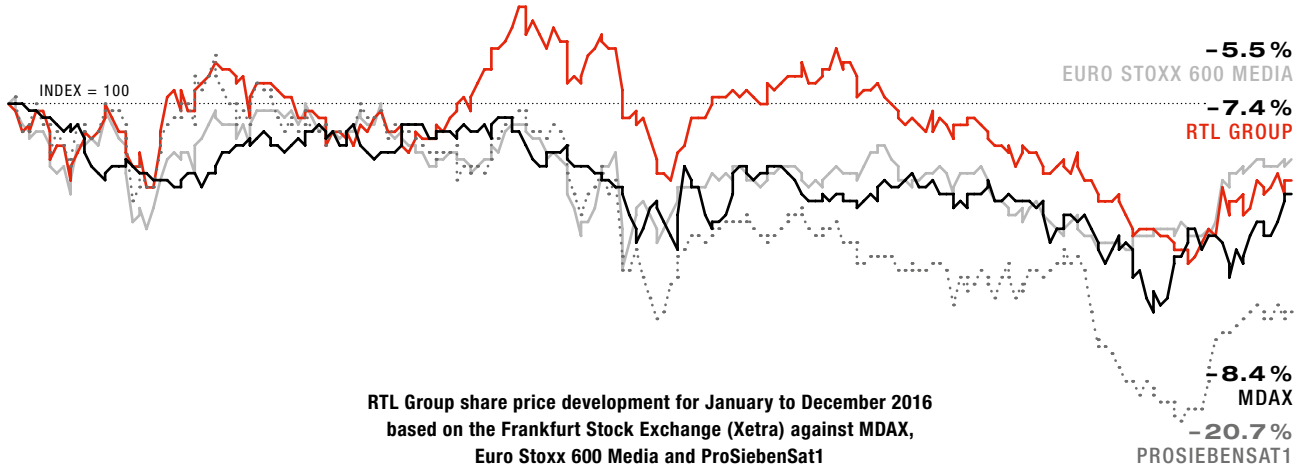
EDITION 2016

# FULL YEAR RESULTS



# KEY FIGURES

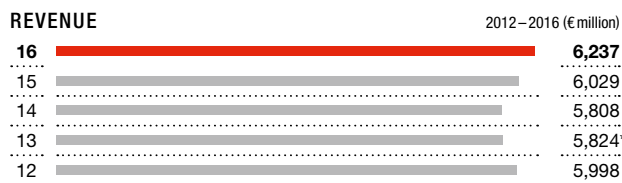
SHARE PRICE PERFORMANCE 01/01/2016 – 31/12/2016



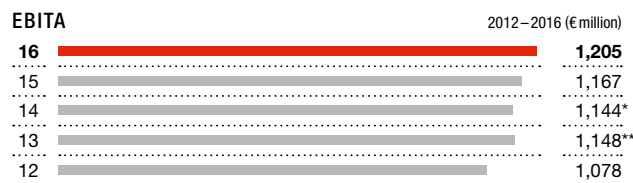
## RTL Group Revenue Split

In 2016, TV advertising accounted for 48.0 per cent of RTL Group's total revenue, making the Group one of the most diversified groups when it comes to revenue. Content represented 21.2 per cent of the total, while greater exposure to fast-growing digital revenue streams and higher margin platform revenue will further improve the mix.

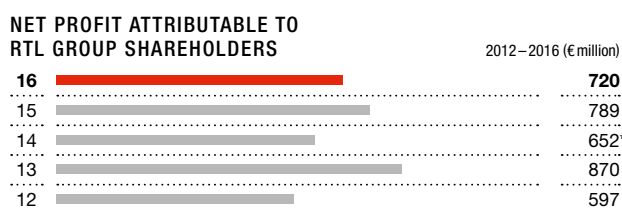
## Key figures



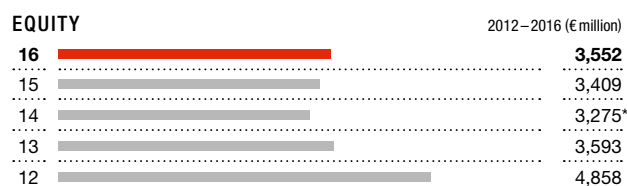
\* Restated for IFRS 11



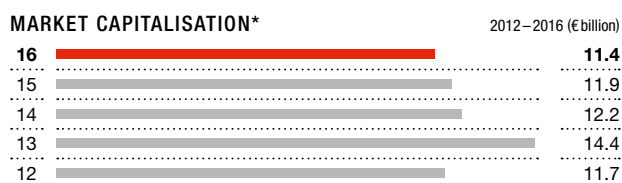
\* Restated for changes in purchase price allocation  
\*\* Restated for IFRS 11



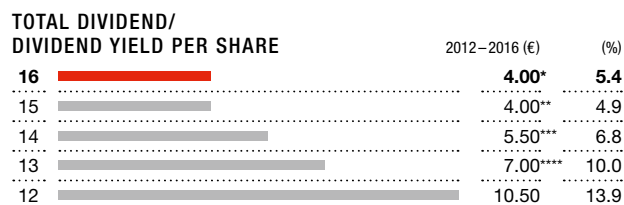
\* Restated for changes in purchase price allocation



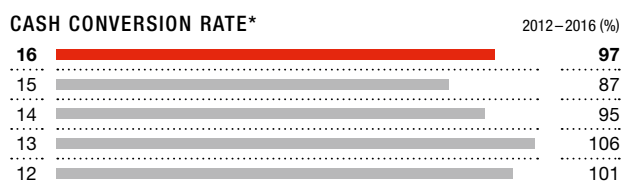
\* Restated for changes in purchase price allocation



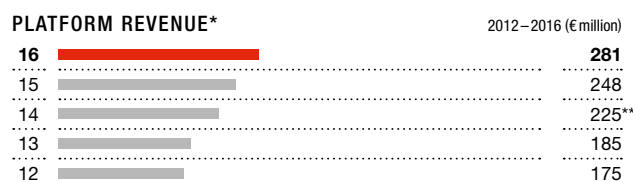
\* As of 31 December



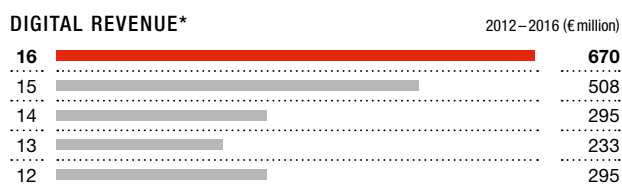
\* Including an extraordinary interim dividend of €1.00 per share, paid in September 2016  
\*\* Including an extraordinary interim dividend of €1.00 per share, paid in September 2015  
\*\*\* Including an extraordinary interim dividend of €2.00 per share, paid in September 2014  
\*\*\*\* Including an extraordinary interim dividend of €2.50 per share, paid in September 2013



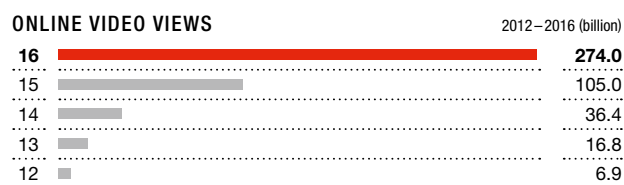
\* Calculated as operating pre-tax free cash flow as a percentage of EBITA




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



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



  
**3h55**  
AVERAGE VIEWING TIME  
IN EUROPE (2015)

**273 MILLION VIEWERS  
WATCH TV  
DURING PRIME TIME  
IN EUROPE**

  
**3 out of 4**  
EUROPEAN  
TV HOUSEHOLDS OWN A HDTV



# “EXCLUSIVE CONTENT IS THE POWER ENGINE FOR EVERYTHING WE DO IN THE TOTAL VIDEO UNIVERSE”



Joint statement from  
**GUILLAUME DE POSCH** and **ANKE SCHÄFERKORDT**,  
Co-Chief Executive Officers of RTL Group

“2016 was another record year for RTL Group. We continued our growth track, with both revenue and EBITA at an all-time high, and at the same time, our three most important business units – Mediengruppe RTL Deutschland, Groupe M6 and FremantleMedia – reported higher operating profits. Mediengruppe RTL Deutschland generated a record profit for the fifth consecutive year, exceeding the level of € 700 million for the first time. Groupe M6 profited from a positive one-off effect financially and from the Euro 2016 in terms of audience shares. We are a very cash-generative business, giving us all financial means for both – further investments and attractive dividend payments to our shareholders.

While we currently review our options for BroadbandTV, this does not change our overall strategy – broadcast, content, digital – which focuses on two main investment goals. One is to further expand and

develop our digital businesses where global scale in content aggregation and advertising technology becomes ever more important. This is paying off: our digital businesses continued to grow dynamically and we already reached our target that 10 per cent of the Group’s total revenue originate from digital.

The other investment goal is to further grow content production. FremantleMedia is making sound progress with its push into high-end drama. Following the premiere of *The Young Pope* in October 2016, we are looking forward to seeing *American Gods* going on air in spring. In a ground-breaking deal with Amazon, we were also able to bring this extraordinary series to viewers worldwide – thanks to the close collaboration between the production and distribution business of FremantleMedia. Exclusive content like this is the power engine for everything we do in the total video universe.”



# RECORD REVENUE, EBITA, EBITDA

Full-year revenue up 3.4 per cent to €6,237 million

EBITA up 3.3 per cent to €1,205 million, EBITDA up 3.8 per cent to €1,411 million

Digital revenue<sup>1</sup> continues to grow dynamically, up by 31.9 per cent to €670 million

Attractive shareholder returns: total dividend of €4.00 per share  
for the fiscal year 2016, representing a dividend yield of 5.4 per cent

Luxembourg, 9 March 2017 – RTL Group announces its audited results for the year ended 31 December 2016.

## FINANCIAL SUMMARY

	Year to December 2016 €m	Year to December 2015 €m	Per cent change
Revenue	6,237	6,029	+3.4
Underlying revenue <sup>2</sup>	6,202	6,020	+3.0
EBITA <sup>3</sup>	1,205	1,167	+3.3
EBITA margin (%)	19.3	19.4	
EBITDA <sup>4</sup>	1,411	1,360	+3.8
EBITDA margin (%)	22.6	22.6	
<b>EBITA</b>	<b>1,205</b>	<b>1,167</b>	
Amortisation and impairment of fair value adjustments on acquisitions of subsidiaries	(15)	(6)	
Re-measurement of earn-out arrangements	1	10	
Gain from sale of subsidiaries, other investments and re-measurement to fair value of pre-existing interest in acquiree	6	4	
<b>EBIT</b>	<b>1,197</b>	<b>1,175</b>	
Net financial (expense)/income	(18)	(12)	
Income tax expense	(363)	(300)	
<b>Profit for the period</b>	<b>816</b>	<b>863</b>	
Attributable to:			
– Non-controlling interests	96	74	
– RTL Group shareholders	720	789	(8.7)
<b>Reported EPS (in €)</b>	<b>4.69</b>	<b>5.14</b>	

<sup>1</sup> "Digital" refers to the internet-related activities with exception to online sales of merchandise ("e-commerce"). Digital revenue spreads over the different categories of revenue, for example other advertising sales, the production/distribution of films, programmes and other rights and the professional services, excluding e-commerce, home shopping and platform revenue

<sup>2</sup> Adjusted for scope changes and at constant exchange rates

<sup>3</sup> EBITA represents earnings before interest and taxes excluding impairment of goodwill and of disposal group, and amortisation and impairment of fair value adjustments on acquisitions of subsidiaries, impairment of investments accounted for using the equity method, re-measurement of earn-out arrangements, and gain or loss from sale of subsidiaries, other investments and re-measurement to fair value of pre-existing interest in acquiree, see note 3 to the Consolidated Financial Statements in the Annual Report 2016

<sup>4</sup> EBITDA represents EBIT excluding amortisation and impairment of non-current programme and other rights, of goodwill and disposal group, of other intangible assets, depreciation and impairment of property, plant and equipment, impairment of investments accounted for using the equity method, re-measurement of earn-out arrangements, and gain or loss from sale of subsidiaries, other investments and re-measurement to fair value of pre-existing interest in acquiree, see note 3 to the Consolidated Financial Statements in the Annual Report 2016

## HIGHEST ORGANIC REVENUE GROWTH RATE SINCE 2010

- Group **revenue** increased 3.4 per cent to €6,237 million (2015: €6,029 million), mainly driven by growing revenue at Mediengruppe RTL Deutschland and dynamic growth in digital revenue; underlying/organic growth rate<sup>2</sup> was 3.0 per cent
- Platform revenue<sup>5</sup> was up 13.3 per cent to €281 million (2015: €248 million)
- RTL Group's revenue is well diversified with 52.1 per cent from broadcast advertising (TV and radio), 21.2 per cent from content, 10.7 per cent from digital activities, 4.5 per cent from platform revenue and 11.5 per cent from other revenue
- **EBITA** also reached a new record level, up 3.3 per cent to €1,205 million (2015: €1,167 million). The increase is mainly due to higher EBITA contribution from Germany and a positive one-off effect at Groupe M6 from the settlement of the M6 mobile contract, amounting to €42 million
- **EBITA margin** was stable at 19.3 per cent (2015: 19.4 per cent)
- **EBITDA** was up by 3.8 per cent to €1,411 million (2015: €1,360 million), with an **EBITDA margin** of 22.6 per cent (2015: 22.6 per cent)
- **Net profit** attributable to RTL Group shareholders decreased to €720 million (2015: €789 million), mainly due to higher tax charges
- Net cash from operating activities was €1,106 million, resulting in a higher operating cash conversion<sup>6</sup> of 97 per cent (2015: 87 per cent). **Net financial debt**<sup>6</sup> was €576 million at the end of 2016 (2015: net financial debt of €671 million)
- In the **fourth quarter of 2016**, Group revenue was up 6.3 per cent at €2,007 million (Q4/2015: €1,888 million), while EBITA was stable at €449 million (Q4/2015: €451 million). This reflects a one-off charge at RTL Radio (France) following accounting misstatements over a number of previous years and a decrease at RTL Nederland, partly balanced by higher EBITA contributions from Mediengruppe RTL Deutschland, Groupe M6 and FremantleMedia. Adjusted for the one-off charge at RTL Radio (France), fourth quarter EBITA was up 2.0 per cent year on year
- RTL Group's Board of Directors has proposed a final **ordinary dividend** of €3.00 per share for the fiscal year 2016. This proposal is a reflection of the Group's strong cash flows, future investment plans and its target net debt to full-year EBITDA ratio<sup>6</sup> of 0.5 to 1.0 times. In addition, RTL Group already paid an interim dividend of €1.00 per share for the fiscal year 2016 in September 2016 (2015: ordinary dividend of €3.00 per share plus interim dividend of €1.00)
- Based on the average share price in 2016 (€73.7<sup>7</sup>), the total dividends for the fiscal year 2016 (€4.00 per share; 2015: €4.00 per share) represent an attractive **dividend yield** of 5.4 per cent (2015: 4.9 per cent) and a payment of 85 per cent of the reported EPS (€4.69)

## SEGMENTS: RTL GROUP'S THREE LARGEST BUSINESS UNITS – MEDIENGRUPPE RTL DEUTSCHLAND, GROUPE M6 AND FREMANTLEMEDIA – WITH SIGNIFICANTLY HIGHER PROFIT CONTRIBUTIONS

- Once again, **Mediengruppe RTL Deutschland** closed the year with record results: EBITA grew by 3.1 per cent to €705 million (2015: €684 million), resulting in an outstanding EBITA margin of 31.8 per cent (2015: 32.0 per cent). Over the past ten years, Mediengruppe RTL Deutschland more than doubled its EBITA (2007: €329 million)
- **Groupe M6** also reached a record EBITA of €252 million (2015: €205 million), mainly driven by the positive one-off effect from the settlement of the M6 Mobile contract, amounting to €42 million which more than compensated for the impact of the higher programming costs for the Uefa Euro 2016 live broadcasts
- In line with previous guidance, **FremantleMedia's** EBITA increased by 6.8 per cent to €110 million (2015: €103 million), reflecting higher profit contributions from content coming through the pipeline as a result of recent acquisitions and investments
- **RTL Nederland's** EBITA was down to €85 million (2015: €101 million), due to lower TV advertising revenue, higher programme costs and start-up losses of the SVOD platform, Videoland

<sup>5</sup> Revenue generated across all distribution platforms (cable, satellite, IPTV) including subscription and re-transmission fees

<sup>6</sup> For more information, see note 3 to the Consolidated Financial Statements in the RTL Group Annual Report 2016

<sup>7</sup> Frankfurt Stock Exchange

## OUTLOOK

- Beginning with the fiscal year 2017, RTL Group will report EBITDA as its key performance indicator for operating profit, adapting to more common reporting standards of the media industry (previously: EBITA)
- RTL Group expects its total **revenue** for the fiscal year 2017 to continue to grow moderately (+2.5 per cent to +5.0 per cent), driven by the Group's digital businesses and Mediengruppe RTL Deutschland. At the same time, RTL Group's **EBITDA** for the full year 2017 is expected to be broadly stable (-1.0 per cent to +1.0 per cent), mainly due to the lack of positive one-off effects at the level Groupe M6 recorded in 2016
- **Digital revenue** is expected to continue to show dynamic double-digit growth and increase its share of RTL Group's total revenue to at least 15 per cent within the next three to five years
- RTL Group will keep a leverage target of 0.5 and 1.0 times net debt to full-year EBITDA for the fiscal year 2017. RTL Group will continue to focus on **cash conversion** and expects 2017 levels to be broadly in line with the previous years, not below 90 per cent
- The **dividend** policy remains unchanged: RTL Group plans to pay out between 50 and 75 per cent of the adjusted net result for the fiscal year 2017

## MUST-SEE CONTENT DRIVES RTL GROUP'S BROADCAST BUSINESSES

- In December, RTL Group announced that it plans to regroup its French radio operations into Groupe M6. The transaction is, among others, subject to approval by the French media authority CSA (Conseil supérieur de l'Audiovisuel)
- M6 broadcast a total of 11 matches, including the final, of the biggest European football competition – Uefa Euro 2016. The final, between Portugal and France, achieved the same audience as the final of the 1998 World Cup between Brazil and France: 20.8 million viewers represented a total audience share of 71.8 per cent. This was a new all-time audience record for M6 since its creation, making it the most watched programme on French television in 2016 and the fifth largest TV audience ever recorded in France
- In May, RTL Television signed a new exclusive TV broadcasting rights agreement with Uefa to air 28 of the 40 matches that the German national football team is due to play in the period 2018 to 2022. The new deal grants RTL Television exclusive broadcasting rights for all of Germany's Euro 2020 qualifying games and World Cup 2022 qualifiers. The deal comes on top of the exclusive TV broadcasting rights RTL Television already holds for the period from September 2016 to October 2017 for Germany's qualifying matches for the World Cup 2018 in Russia
- RTL Plus, the latest addition to Mediengruppe RTL Deutschland's family of channels, was launched on 4 June 2016 and is the most successful channel launch of the last few years. In December 2016, RTL Plus already recorded an average audience share of 0.9 per cent in the 14 to 59 demographic



## CONTENT: ADDITIONAL INVESTMENTS IN THE CREATIVE PIPELINE

- In 2016, FremantleMedia made several investments, strengthening capabilities in the scripted, entertainment and factual genres. This included *Abot Hameiri* (51 per cent), *Dr Pluto* (25 per cent), *Wild Blue Media* (25 per cent), and *Dancing Ledge* (25 per cent)
- On 24 August, FremantleMedia announced a deal with Amazon to showcase its ambitious fantasy drama, *American Gods*, on Amazon Prime Video in 2017. The show will be available on Amazon's SVOD platform in over 200 territories, shortly after its US premiere on the pay-TV channel Starz in April 2017
- In September, highly acclaimed drama, *The Young Pope* – produced by FremantleMedia's Wildside for Sky, HBO and Canal Plus – celebrated its world premiere at the Venice Film Festival. *The Young Pope* was the best premiere for a new series on Sky in Italy, launched as Canal Plus' number one new international drama of 2016 in France, and was Sky Atlantic's number three new drama of the year in the UK
- On 14 October, UFA Fiction, FremantleMedia International and RTL Television announced that the sequel to the nationally and internationally award-winning series *Deutschland 83* will premiere exclusively on Amazon Prime Video in Germany in 2018. RTL Television has secured a first-look option for the linear TV rights and expects to air the sequel on German free-to-air television in 2018/19, after Amazon's first window

## DIGITAL HAS BECOME A SIGNIFICANT PILLAR OF RTL GROUP'S REVENUE

- RTL Group's digital revenue<sup>8</sup> continued to show strong growth, up 31.9 per cent to €670 million (2015: €508 million), mostly due to organic growth. Digital revenue now makes up more than 10 per cent of RTL Group's total revenue
- All of the three main businesses of the RTL Digital Hub – BroadbandTV, StyleHaul and SpotX – continued to show strong individual revenue growth. Year-on-year, BroadbandTV was up 131 per cent, StyleHaul was up 54 per cent, and SpotX was up 18 per cent
- Mediengruppe RTL Deutschland, Groupe M6 and RTL Nederland reported outstanding online video advertising revenue growth rates. Comparing 2016 with 2015: Mediengruppe RTL Deutschland was up 106 per cent (driven by organic growth and the acquisition of Smartclip), Groupe M6 was up 37 per cent and RTL Nederland was up 61 per cent
- RTL Group's catch-up TV services, websites and MCNs attracted a total 274 billion online video views in 2016 (2015: 105 billion video views)
- In March 2016, Mediengruppe RTL Deutschland announced the acquisition of a 93.75 per cent majority stake in Smartclip, with a call option to acquire the remaining shares. The purchase price was €48 million. Smartclip currently bundles the online video advertising inventory of 750 publishers worldwide, and manages the integration and serving of video advertising to all internet-connected devices. Smartclip complements RTL Group's investments in digital advertising sales, including in particular SpotX. Approval from Germany's Federal Cartel Office was received on 22 April 2016
- Also in March, Mediengruppe RTL Deutschland bundled their catch-up services of the 'Now' family (RTL Now, Vox Now, RTL II Now, RTL Nitro Now, Super RTL Now and N-TV Now) in a new offer called TV Now

<sup>8</sup> Excluding e-commerce, home shopping and platform revenue for digital TV

# CORPORATE PROFILE

## RTL GROUP – ENTERTAIN. INFORM. ENGAGE.

With interests in 60 television channels, 31 radio stations, a global business for content production and distribution, and rapidly growing digital video businesses, RTL Group entertains, informs and engages audiences around the world. The Luxembourg-based company owns stakes in TV channels and radio stations in Germany, France, Belgium, the Netherlands, Luxembourg, Spain, Hungary, Croatia and South East Asia. With FremantleMedia, it is one of the world's leading producers of television content: from talent and game shows to drama, daily soaps and telenovelas, including *Idols*, *Got Talent*, *The X Factor*, *Good Times – Bad Times* and *Family Feud*. And with digital investments in North America – BroadbandTV, StyleHaul and SpotX – RTL Group reached critical mass in online video.

The roots of the company date back to 1924, when Radio Luxembourg first went on air. Compagnie Luxembourgeoise de Radiodiffusion (CLR) was

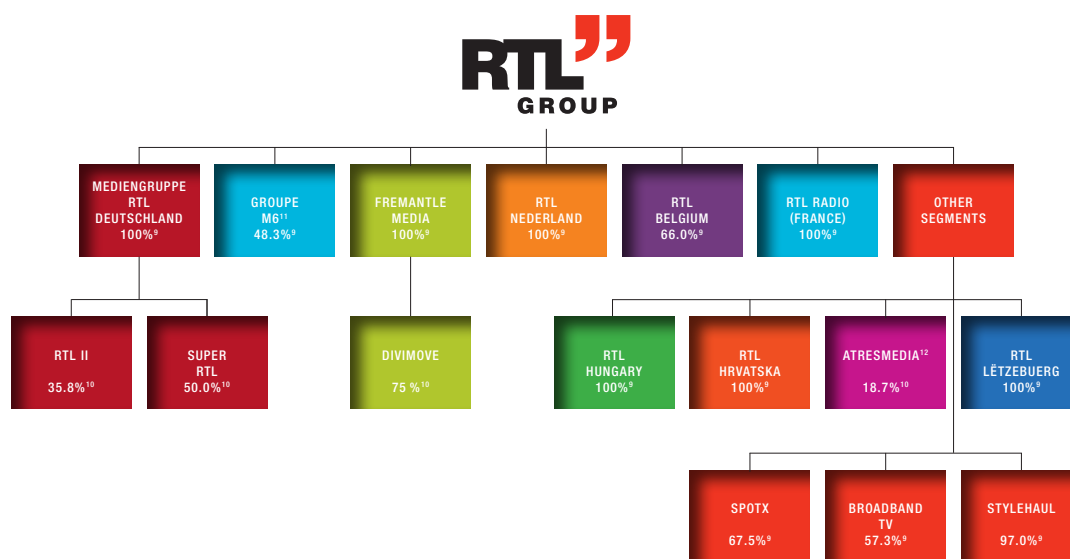
founded in 1931. As a European pioneer, the company broadcast a unique programme in several languages using the same wavelength.

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

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

## SCHEME OF RTL GROUP REPORTING SEGMENTS

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



RTL Group's business comprises the seven reporting segments: Mediengruppe RTL Deutschland, Groupe M6, FremantleMedia, RTL Nederland, RTL Belgium, RTL Radio (France) and Others (which includes RTL Hungary, RTL Croatia, RTL Group's Luxembourgish activities, the German radio business and the investment accounted for using the equity method, Atresmedia in Spain). The segment "Others" also includes RTL Group's global digital businesses, SpotX, BroadbandTV and StyleHaul, which are part of the RTL Digital Hub.

RTL Group's business covers three business areas: broadcast, content and digital. The Group's broadcast businesses are, above all, local businesses. Each segment serves different cultures, traditions and identities across Europe and further afield. For that reason, each segment is led by its own CEO and acts autonomously with full editorial independence. This entrepreneurial approach enables each segment to act flexibly in its local market, to build its own local identity, and to benefit from one of the most important success-factors in the broadcasting business: proximity to its audience.

Although the Group's segments have the advantage of being able to act independently to their markets' needs, each segment benefits from the integrated approach of knowledge and experience sharing across the Group. The Group's Synergy Committees (Sycos) have become a major platform for information and knowledge sharing across the Group's decentralised organisation. The Sycos – which are comprised of executives and experts from

each segment and from the Corporate Centre – meet regularly to discuss topics such as programming, news, radio, advertising sales and new media. While each segment makes its own management decisions, it is free to draw on the understanding and expertise of other RTL Group companies to replicate successes and share ideas. The Sycos are coordinated by RTL Group's Corporate Strategy team.

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

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

The Corporate Centre comprises the following functions: Consolidation and Accounting, Corporate Strategy & Controlling, Corporate Human Resources, Legal, Investor Relations, Corporate Communications & Marketing, Treasury & Corporate Finance, Internal Audit & Compliance, and Tax.

<sup>9</sup> Fully consolidated

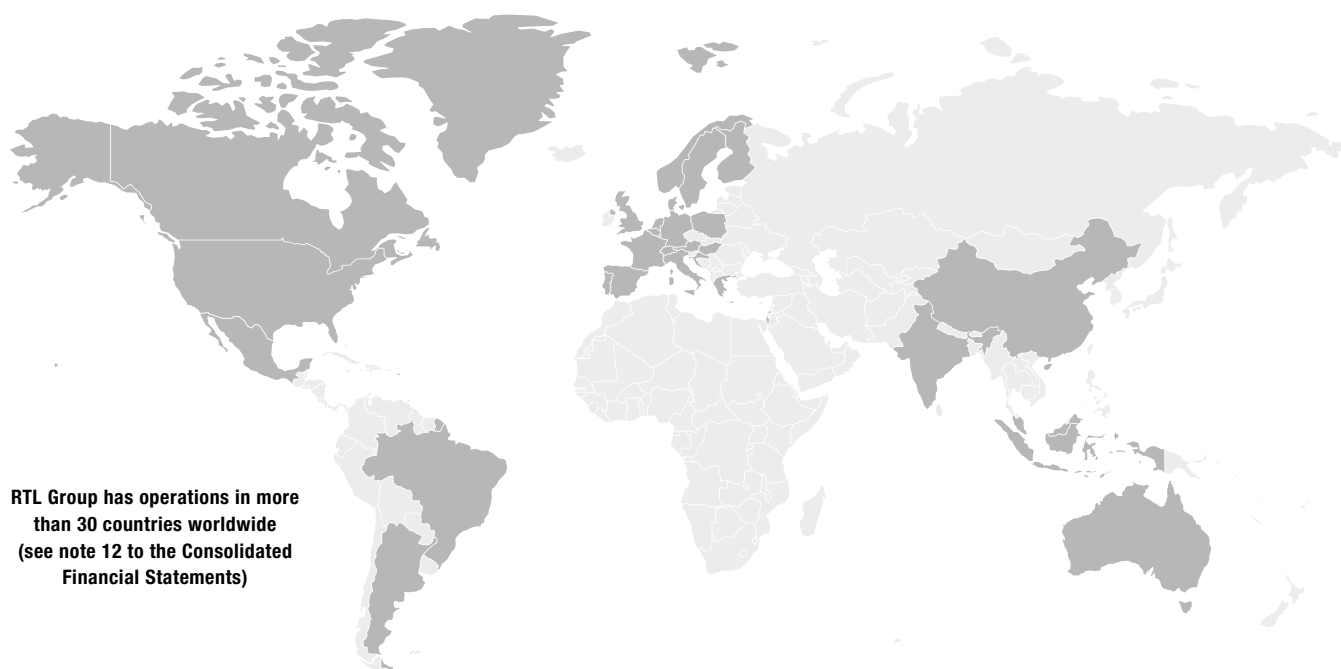
<sup>10</sup> Investment accounted for using the equity method

<sup>11</sup> Net of treasury shares and own shares held by Métropole Télévision SA under liquidity contract

<sup>12</sup> Net of treasury shares



## THE BUSINESS AREAS



RTL Group has operations in more than 30 countries worldwide (see note 12 to the Consolidated Financial Statements)

### Broadcast

**Television:** RTL Group is Europe's largest free-to-air broadcaster. Each day, millions of viewers all over Europe watch RTL Group's television channels, which include the families of channels clustered around the flagships RTL Television in Germany, M6 in France, RTL 4 in the Netherlands and RTL-TVI in Belgium. The Group also has broadcasting operations in Hungary (RTL Klub, RTL II, and six cable channels), Croatia (RTL Televizija, RTL 2, RTL Kockica), and Luxembourg and interests in Atresmedia in Spain. In August 2013, RTL Group and CBS Studios International launched RTL CBS Asia Entertainment Network, which operates two pay-TV channels within South East Asia.

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

### Content

RTL Group's content production arm, FremantleMedia, is one of the largest creators, producers and distributors of television brands in the world. With operations in 31 countries, FremantleMedia creates over 10,000 hours of TV programming each year. FremantleMedia also distributes more than 20,000 hours of content in over 200 territories.

### Digital

RTL Group has become the leading European media group in online video and is ranked among the top global players in online video. In June 2015, RTL Group founded the RTL Digital Hub, bundling key investments in multi-channel networks (MCNs) such as BroadbandTV and StyleHaul, and SpotX – one of the leading players in programmatic video advertising – as well as the investments accounted for at equity: Clypd, a pioneer in programmatic TV, and VideoAmp, a platform for cross-screen data optimisation. Additionally, Mediengruppe RTL Deutschland acquired Smartclip in 2016 and a 30 per cent share in data expert Q Division in January 2017.

## MARKET ENVIRONMENT

Digitisation has significantly transformed the TV market, with more channels and more content available than ever before. 92 per cent of EU households now receive their TV signal digitally. In Germany alone, viewers have access to over 75 linear television channels.

Digitisation has brought with it new ways of reaching viewers, such as IPTV and especially the open internet, which complement conventional modes of distribution such as terrestrial television, cable and satellite. Broadcasting groups such as RTL Group have seized the opportunity to air their programmes not only linear, based on the channels' programme schedules, but also non-linear, on demand. In addition to the extensive changes in the technical infrastructure of content distribution, above all, it's the development of devices that has led to far-reaching changes in viewing behaviour. In 2015, about 19.3 per cent of the European population owned a tablet and 55.9 per cent owned a smartphone. In fact, media convergence became a reality long ago on these screens.

Against the background of the ongoing digitisation, RTL Group's markets are shaped by four key trends: **Competition**, **Consolidation**, **Convergence** and **Complexity** (see pages 18 to 21 of the Annual Report 2016).

While linear TV is still by far the main way of consuming video content (representing around 90 per cent of all video content consumed in Germany, France and the Netherlands), usage growth is driven by non-linear viewing. Three general trends summarise changing viewing behaviours driven by this growth of non-linear video consumption:

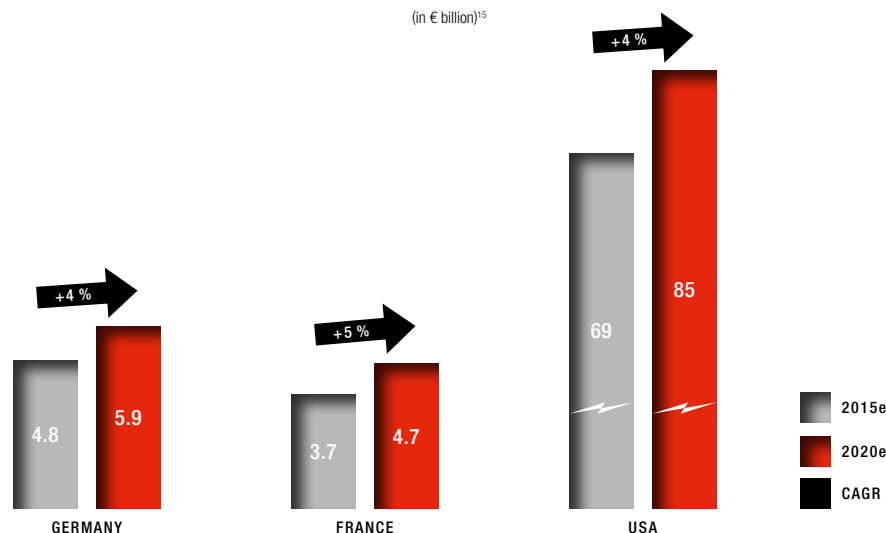
- the younger the target group, the higher the share of non-linear viewing;
- the younger the target group, the higher the share of viewing on mobile devices;
- watching video content on mobile devices increases the demand for 'short-form video' (short clips lasting a few minutes).

Consequently, for RTL Group as a video content provider, TV no longer means just 'television', it now means 'total video'.

The total video market comprises linear TV; catch-up platforms of TV channels<sup>13</sup>; on-demand services financed by advertising, pay per view or subscriptions<sup>14</sup>; and YouTube, Facebook and other short-form online video. Total video revenue in Germany, France and the US is expected to grow by 4 to 5 per cent annually until 2020.

### ESTIMATED 'TOTAL VIDEO' MARKET DEVELOPMENT

(in € billion)<sup>15</sup>



<sup>13</sup> Examples include: TV Now (Mediengruppe RTL Deutschland), iPlayer (Groupe M6), BBC iPlayer

<sup>14</sup> AVOD – advertising-financed video on demand (for example Viewster, Clipfish); TVOD – transactional video on demand (for example Apple's iTunes store or Google's Google Play services); SVOD – subscription video on demand (for example Netflix, Amazon Prime Video, Hulu Plus, Videoland, HBO Go)

<sup>15</sup> Source: IHS May 2016

## TOTAL VIDEO: A GLOBAL FORCE IN VIDEO PRODUCTION, AGGREGATION AND MONETISATION

RTL Group has built market-leading positions across the value chain of the total video industry. With their families of channels, RTL Group's subsidiaries are either number one or number two in the European markets in which they operate. RTL Group's production arm, FremantleMedia, is a global leader in content production. And with its digital investments in North America – BroadbandTV, StyleHaul and SpotX – RTL Group reached a critical mass in online video.

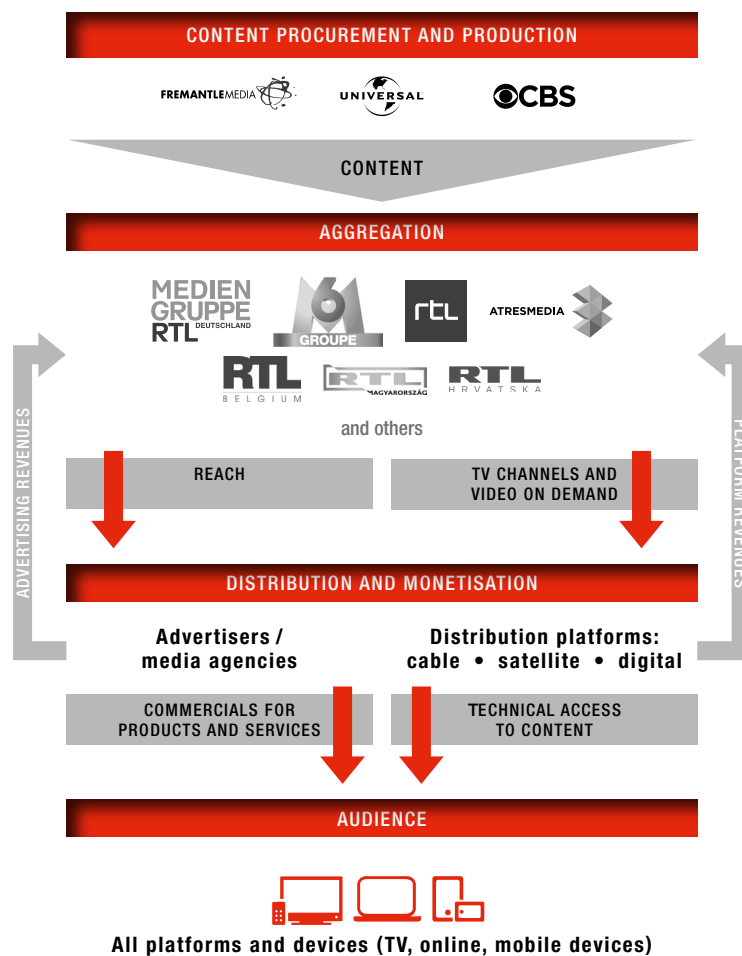
While the following segment describes RTL Group's strategy from the angle of the Group's three main investment areas – broadcast, content and digital –

there are also three strategic priorities for long-term growth which are outlined on pages 18 to 21 of the Annual Report 2016: a) **Create must-see TV**, which applies to both broadcasters and FremantleMedia; b) **Grow audiences**, which is true for both broadcasters and multi-channel networks and c) **Capture the value of digital**, which is important for all three investment areas.

RTL Group's general value chain is outlined on pages 16 and 17 of the Annual Report 2016. Value chains and business models outlined in this section of the report are specific to individual business areas.

### Broadcast

#### BROADCASTING BUSINESS MODEL



Strengthening RTL Group's core business remains a key part of the Group's strategy and **building and extending families of channels** is key to tackling increasing audience fragmentation and competition

in a digital, multi-channel world. The Group has established strong families of channels in Western Europe, all of which are either number one or two in their respective markets. In recent years, these



families of channels have been enhanced by the addition of several digital channels with clearly defined profiles, including RTL Nitro, RTL Plus, Toggo Plus, W9, 6ter and RTL Z.

One focus of the broadcast strategy is to achieve a significant **increase in non-advertising revenue** by establishing a second revenue stream from platform operators. RTL Group aims to receive a fair revenue share for its brands and programmes from the major distribution platforms – cable network operators, satellite companies and internet TV providers – for new services such as high-definition TV channels, on-demand platforms and digital pay channels. RTL Group increased its platform revenue from €128 million in 2011<sup>16</sup> to €281 million in 2016.

As ‘must-see’ content becomes ever-more valued by today’s digital audience, broadcasters must invest in **top-quality content** that will attract high viewing figures. As well as nurturing and refreshing established popular shows, news, daily soaps and reality formats, RTL Group’s broadcasters invest significantly in developing new, exclusive formats and premium content that build image, strengthen the brand and – most importantly – command exclusivity in the marketplace. The major task for today’s linear TV channels is to have something that makes them stand out from the crowd.

In digital, RTL Group channels have quickly succeeded in establishing their own on-demand platforms with catch-up TV services, making their programmes available on all devices – PCs, smartphones, tablets and internet-connected TV sets (see below under ‘Digital’ for more details).

## Content

The business model of FremantleMedia – RTL Group’s global production arm – is fundamentally different to that of RTL Group’s broadcasters. FremantleMedia produces, licenses and distributes a vast array of programmes that range from high end drama, through game shows and daily soaps to entertainment. All of this on a worldwide basis through its network of local production and distribution companies.

Given that the timing of the delivery of the finished programme is often at the behest of the local broadcaster, which ultimately drives revenue recognition at the level of RTL Group, phasing effects from one quarter to another are frequent and can lead to significant swings. These are often neutralised over the course of the year.

As FremantleMedia increases its exposure to high-end drama, where the development cycle, from concept to on-screen, can be anything from two to three years, FremantleMedia’s cash conversion is negatively impacted as it takes on more working capital and/or decides to finance part of the production itself – the so-called deficit financing model. This is more of an exception as local broadcasters still traditionally finance their commissioned programming, with FremantleMedia taking a margin, but no risk, on the finished production.

FremantleMedia’s distribution arm, FremantleMedia International, sells finished programmes and formats around the world, and acquires, develops, finances and co-produces new titles for the international market. Its catalogue contains a diverse and exciting range of programming spanning drama, comedy, factual, lifestyle and entertainment. Supported by a sales network that spans nine international offices and five continents, and a brand management team, FremantleMedia International’s content regularly reaches audiences in over 150 countries around the world.

<sup>16</sup> Unaudited figure for platform revenue in 2011

### **FremantleMedia's strategy has four pillars**

1) Maintaining the company's position as a leading producer of quality programming by **nurturing established brands** such as *Got Talent* and *The Farmer Wants A Wife*, and **investing to create new formats and brands**.

2) **Diversifying FremantleMedia's portfolio** by strengthening its local businesses and increasing prime-time drama. FremantleMedia made a series of investments in 2016, to strengthen capabilities in the scripted, entertainment and factual genres. Meanwhile, investments in high-end productions accelerate the company's growth in prime-time drama. In October, *The Young Pope* produced by FremantleMedia's Italian production arm Wildside, premiered on Sky in Germany, Italy and the UK, as well as Canal Plus in France – and generated exceptional ratings for a drama on pay TV. Elsewhere, FremantleMedia North America's adaptation of Neil Gaiman's acclaimed contemporary fantasy novel, *American Gods*, will be broadcast on the US pay-TV channel Starz, and be available on Amazon Prime Video in more than 200 territories.

3) **Maximising the global FremantleMedia network** by increasing scale in strategic markets. In recent years, the company has strengthened its Scandinavian and Southern European footprint with the opening of new offices in Sweden, Norway and Spain. In 2016, FremantleMedia made several investments, among them the Israeli production company Abot Hameiri.

4) Building a **scalable digital business**. FremantleMedia's goal is to become as successful a creator, producer and distributor in the digital space as it is in traditional television (see below under 'Digital' for more details).

### **Digital**

Developing profitable business models for rapidly growing trends in non-linear viewing is one of the most important tasks for RTL Group in the years ahead. RTL Group aims to have a strong presence in all segments of the total video market.

First, the Group is extending **its premium linear TV content into the non-linear world**. RTL Group's channels have quickly succeeded in establishing their own on-demand platforms with catch-up TV services, making their programmes available on all devices – PCs, smartphones, tablets and internet-connected TV sets. Examples include TV Now in Germany, 6play in France and RTL XL in the Netherlands. Audiences appreciate these services: whenever they miss an episode of their favourite show, they can watch it online for free. The Group is also branching out into new business models, including subscription-based on-demand services (SVOD), such as Videoland in the Netherlands.

A second goal in online video is to become as successful a creator, producer and distributor in the digital space as RTL Group is in traditional television with its content arm FremantleMedia. To achieve this goal, FremantleMedia is identifying and **generating more original content made specifically for digital platforms** ('web originals'). FremantleMedia operates original digital production studios in the US (Tiny Riot), UK (Shotglass Media), Germany (UFA Lab), the Netherlands (Tiny Riot) and Australia (Spring) and produces content for partners such as Vice Media, StyleHaul, BroadbandTV and for FremantleMedia's TV brands.

At the same time, RTL Group's broadcasters are increasing their production of web original content. For example, Groupe M6's successful platform, Golden Network, provides a medium for a new generation of talented young comedians.

Moreover, RTL Group aims for a **strong short-form video presence via its own platforms and multi-channel networks (MCNs)**. Over 80 per cent of RTL Group's 26 billion monthly video views are generated outside the Group's core broadcasting territories.

Through key digital investments, RTL Group has become a leader in the YouTube ecosystem. In June 2013, the Group acquired a 51 per cent majority stake (on a fully diluted basis) in BroadbandTV. BroadbandTV manages 85,000 partners and achieves around 22 billion video views per month.

According to Comscore, BroadbandTV is the world's largest MCN. In December 2014, RTL Group increased its shareholding in StyleHaul – the largest fashion, beauty and women's lifestyle network on YouTube – to 94 per cent (on a fully diluted basis). FremantleMedia holds a 75 per cent non-controlling interest in Divimove, Europe's number one multi-channel network (MCN) with 1.5 billion monthly video views.

Further substantial growth of RTL Group's digital revenue requires new skills in advertising technology. Online video advertising is currently the fastest growing digital advertising segment, and is expected to grow globally between 20 and 25 per cent each year between 2014 and 2020<sup>17</sup>, driven primarily by programmatic video advertising.

In September 2014, RTL Group acquired a 65.2 per cent majority stake (on a fully diluted basis) in the programmatic video advertising platform, SpotX. The company provides a comprehensive video advertising monetisation service to hundreds of publishers around the globe, who use the platform to navigate through the complexity of advertising technology and maximise revenue for their desktop, mobile and connected TV video advertising inventory while driving down operational costs.

In 2016, Mediengruppe RTL Deutschland acquired Smartclip, which currently bundles the online video advertising inventory of 750 publishers worldwide, and manages the integration and serving of video advertising to all internet-connected devices. As a strong sales house and technological innovator, Smartclip also creates solutions for Connected TV and multiscreen advertising. In February 2017, Mediengruppe RTL Deutschland invested into data expert Q division. A description of RTL Group's approach to advertising technology is outlined on pages 22 and 23 of the RTL Group Annual Report 2016.

In June 2015, RTL Group founded the RTL Digital Hub. A dedicated team develops and manages the Group's MCN and digital advertising investments, particularly BroadbandTV, StyleHaul, SpotX, Clypd and VideoAmp. The RTL Digital Hub maximises the value of this highly complementary portfolio of digital video businesses to further strengthen RTL Group's leadership position in a high growth market.

In March 2015, RTL Group's Co-CEOs announced that the Group aims to grow the revenue share of the digital business to at least 10 per cent within the next three to five years. RTL Group achieved this goal earlier than expected and digital revenue now accounts for 10.7 per cent of the Group's total revenue, based on the full-year figures for 2016. "Digital" refers to internet-related activities, excluding online sales of merchandise ("e-commerce"). Digital revenue encompasses different categories of revenue, for example other advertising sales, the production/distribution of films, programmes and other rights and the professional services.

To summarise: unlike some competitors, RTL Group only recognises pure digital businesses in this category/revenue stream and does not consider e-commerce, home shopping and platform revenue as part of its digital revenue.

<sup>17</sup> CAGR. Source: IHS Markit 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, EBITA and EBITDA, RTL Group Value Added, net debt and cash conversion. For definitions and more details of these KPIs, please see the note 3 to the Consolidated Financial Statements in the Annual Report 2016.

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 for making decisions. These KPIs also provide additional information for users of the financial statements regarding the management of the Group on a consistent basis over time and regularity of reporting.

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

## REVENUE

Advertising markets across Europe were largely positive over the course of 2016 despite the mixed macro-economic climate. RTL Group experienced significant variations across the months and quarters of the year, making it difficult to predict market trends with any certainty. Nonetheless, all European net TV advertising markets in RTL Group's

territories were up year on year, with the exception of the Netherlands and Hungary.

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

	Net TV advertising market growth rate 2016 (in per cent)	RTL Group audience share in main target group 2016 (in per cent)	RTL Group audience share in main target group 2015 (in per cent)
Germany	+2.5 to 3.5 <sup>18</sup>	28.4 <sup>19</sup>	28.4 <sup>19</sup>
France	+0.7 <sup>20</sup>	23.5 <sup>21</sup>	22.5 <sup>21</sup>
Netherlands	(2.1) <sup>18</sup>	32.3 <sup>22</sup>	32.7 <sup>22</sup>
Belgium	+2.2 <sup>18</sup>	36.2 <sup>23</sup>	36.6 <sup>23</sup>
Hungary	(4.5) <sup>18</sup>	34.3 <sup>24</sup>	36.9 <sup>24</sup>
Croatia	+2.1 <sup>18</sup>	28.6 <sup>25</sup>	27.5 <sup>25</sup>
Spain	+5.5 <sup>26</sup>	29.7 <sup>27</sup>	29.2 <sup>27</sup>

During the year to December 2016, RTL Group's total revenue was up 3.4 per cent to €6,237 million (2015: €6,029 million). This result was mainly driven by increasing revenue at Mediengruppe RTL Deutschland and dynamic growth in digital revenue. On a like-for-like basis (adjusting for portfolio changes and at constant exchange rates) revenue was up 3.0 per cent to €6,202 million (2015: €6,020 million).

RTL Group's revenue is highly diversified, with 52.1 per cent from advertising from the broadcast business (TV and radio), 21.2 per cent from content production, 10.7 per cent from digital activities, 4.5 per cent from platform revenue, and 11.5 per cent other revenue.

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

<sup>18</sup> Industry and RTL Group estimates

<sup>19</sup> Source: GfK. Target group: 14–59

<sup>20</sup> Source: Groupe M6 estimate

<sup>21</sup> Source: Médiamétrie.

Target group: housewives under 50 (including digital channels)

<sup>22</sup> Source: SKO.

Target group: 20–49, 18–24h

<sup>23</sup> Source: Audimétrie.

Target group: shoppers 18–54, 17–23h

<sup>24</sup> Source: AGB Hungary.

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

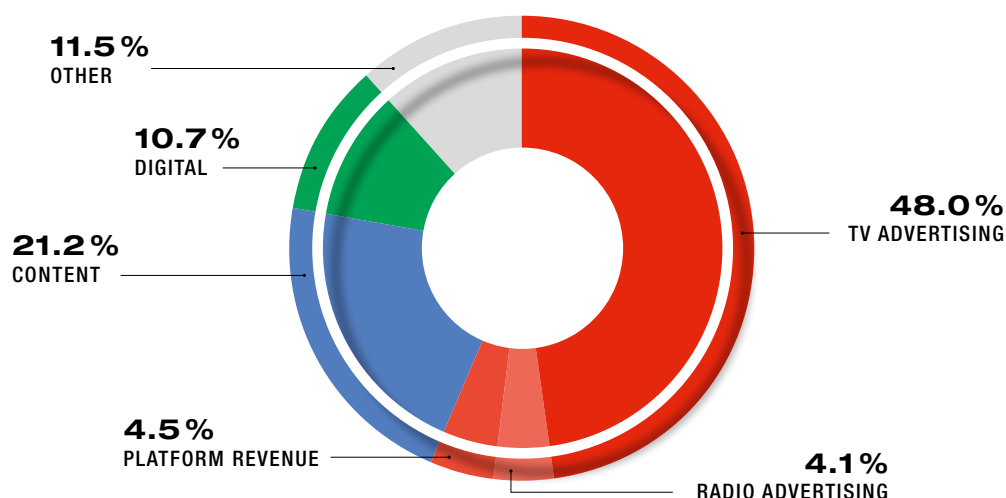
<sup>25</sup> Source: AGB Nielsen Media Research.

Target group: 18–49, prime time

<sup>26</sup> Source: InfoAdex

<sup>27</sup> Source: TNS Sofres. Target group: 16–54

## RTL GROUP REVENUE SPLIT



## GEOGRAPHICAL REVENUE OVERVIEW

	2016 € m	2015 € m
Germany	2,204	2,151
France	1,419	1,394
USA	802	768
Netherlands	514	509
UK	227	246
Belgium	232	223
Others	839	738

For more details on geographical information, please see note 5.2 to the Consolidated Financial Statements in the Annual Report 2016.

## EBITA AND EBITDA

EBITA reached a new record level, up 3.3 per cent to €1,205 million (2015: €1,167 million). This increase was mainly due to higher profit contribution from Mediengruppe RTL Deutschland and a positive one-off effect at Groupe M6, amounting to €42 million, partly balanced by a one-off charge at RTL Radio (France), following accounting misstatements over a number of previous years and a decline at RTL Nederland. Reported EBITA margin was stable at 19.3 per cent (2015: 19.4 per cent).

Beginning with the fiscal year 2017, RTL Group will report EBITDA as its key performance indicator for operating profit, adapting to more common reporting standards of the media industry (previously: EBITA). In 2016, the Group's EBITDA was up 3.8 per cent to €1,411 million for the year (2015: €1,360 million), resulting in a stable EBITDA margin of 22.6 per cent (2015: 22.6 per cent).

## RTL GROUP VALUE ADDED

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

The RVA is the difference between net operating profit after tax (NOPAT), defined as EBITA adjusted for a uniform tax rate of 33 per cent, and cost of capital. The NOPAT corresponds to the sum of (i) EBITA of fully consolidated entities and share of result of investments accounted for using the equity method not already taxed adjusted for a uniform tax

rate of 33 per cent, and (ii) share of result of investments accounted for using the equity method already taxed. The cost of capital is the product of the weighted average cost of capital (a uniform 8 per cent after tax) and the average invested capital (operating assets less non-interest bearing operating liabilities as reported in note 5.1. to the Consolidated Financial Statements in the Annual Report 2016). 66 per cent of the present value of operating leases and of satellite transponder service agreements is also taken into account when calculating the average invested capital.

In 2016, RVA was €462 million (2015: €455 million). For more detailed information on RVA, please see note 3 to the Consolidated Financial Statements in the Annual Report 2016.

## NET DEBT AND CASH CONVERSION

The consolidated net debt at 31 December 2016 amounted to €576 million (31 December 2015: net debt of €671 million). The Group intends to maintain a conservative level of gearing of between 0.5 and 1.0 times net debt to full-year EBITDA in order to benefit from an efficient capital structure.

The Group continues to generate significant operating cash flow, with an EBITA to cash conversion ratio of 97 per cent in 2016 (2015: 87 per cent).

	As at 31 December 2016 € m	As at 31 December 2015 € m
<b>Net (debt)/cash position</b>		
Gross balance sheet debt	(1,010)	(1,129)
Add: cash and cash equivalents and other short-term investments	433	449
Add: cash deposit and others	1	9
<b>Net (debt)/cash position<sup>28</sup></b>	<b>(576)</b>	<b>(671)</b>

For more details on net (debt)/cash position, please see note 3 to the Consolidated Financial Statements in the Annual Report 2016.

## FINANCIAL DEVELOPMENT OVER TIME

	2016 € m	2015 € m	2014 <sup>29</sup> € m	2013 € m	2012 € m
Revenue	6,237	6,029	5,808	5,824	5,998
EBITA	1,205	1,167	1,144	1,148	1,078
EBITDA	1,411	1,360	1,347	1,328	1,257
RVA	462	455	457	464	408

<sup>28</sup> Of which €173 million held by Groupe M6 (as at 31 December 2015: €174 million)

<sup>29</sup> 2014 figures adjusted for changes in purchase price allocation



## OTHER PERFORMANCE INDICATORS

### Operating expenses

Group operating expenses were up 4.9 per cent to €5,209 million (2015: €4,964 million).

### Investments accounted for using the equity method

The total contribution of investments accounted for using the equity method amounted to €67 million (2015: €57 million).

### Gain from sale of subsidiaries, other investments and re-measurement to fair value of pre-existing interest in acquiree

In 2016, the Group recorded a gain of €6 million (2015: €4 million).

### Interest expense

Net interest expense amounted to €21 million (2015: expense of €25 million), primarily due to the interest charge on the Group's financial debt, pension costs and other interest expenses.

### Amortisation and impairment of fair value adjustments on acquisitions of subsidiaries and joint ventures

The Group has conducted an impairment testing on the different cash generating units (see note 8.2 to the Consolidated Financial Statements in the Annual Report 2016).

The loss totalling €15 million solely relates to the amortisation and impairment of fair value adjustments on acquisitions of subsidiaries (2015: loss of €6 million).

### Income tax expense

In 2016, the tax expense was €363 million (2015: expense of €300 million).

### Profit attributable to RTL Group shareholders

The profit for the period attributable to RTL Group shareholders was €720 million (2015: €789 million).

### Earnings per share

Reported earnings per share, based upon 153,555,377 shares, was €4.69 (2015: €5.14 per share based on 153,589,269 shares).

### Own shares

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

RTL Group directly and indirectly holds 0.8 per cent (2015: 0.8 per cent) of RTL Group's shares (without taking into account the liquidity programme).

### Profit appropriation (RTL Group SA)<sup>30</sup>

The statutory accounts of RTL Group show a profit for the financial year 2016 of €964,392,448 (2015: €565,205,027). Taking into account the share premium account of €4,691,802,190 (2015: €4,691,802,190) and the profit brought forward of €70,590,918 (2015: €125,525,131), the amount available for distribution is €5,572,238,665 (2015: €5,227,966,107), net of an interim dividend of €154,546,891 (€1.00 per share) as decided by the Board of Directors of RTL Group on 26 August 2016 and paid on 8 September 2016 (2015: €154,556,241 i.e. €1.00 per share).

### Main portfolio changes

#### Abot Hameiri

On 11 January 2016, FremantleMedia Netherlands BV ("FremantleMedia") acquired 51 per cent of Abot Hameiri Communications Ltd ("AH"), an Israeli content development and TV production company, which primarily focuses on the development and production of both established and original entertainment, scripted drama and factual programmes.

#### Smartclip

On 11 March 2016, RTL Group Vermögensverwaltungs GmbH entered into an agreement to acquire 93.75 per cent of smartclip Holding AG and five of its subsidiaries operating in Germany, Italy, the Netherlands and Sweden ("Smartclip"). Smartclip currently bundles the online video advertising inventory of 750 publishers worldwide, and manages the integration and serving of video advertising to all internet-connected screens.

#### Mandarin Cinéma

On 22 July 2016, Groupe M6 acquired 100 per cent of Mandarin Cinéma SAS ("Mandarin Cinéma"). Mandarin Cinéma, which is based in France, holds a catalogue of 32 feature films. With this targeted acquisition, Groupe M6 continues the consolidation of its activities of distribution of audiovisual rights by extending its catalogue, which now contains almost 1,300 full-length feature films.

<sup>30</sup> Amounts in Euro except where stated

## **iGraal**

On 30 November 2016, Groupe M6, through its subsidiary M6 Web SAS, acquired 51 per cent of iGraal SAS (“iGraal”). iGraal is based in France and the leader for cashback on online purchases. With this acquisition, Groupe M6 is strengthening its capacity for innovation in support of online retailers, expanding its range of ‘good deals’ for consumers and enriching its data strategy by accessing highly qualified purchasing behaviour data.

## **Major related party transactions**

At 31 December 2016, the principal shareholder of the Group is Bertelsmann Capital Holding GmbH (“BCH”) (75.1 per cent). The remainder of the Group’s shares are publicly listed on the Brussels, Frankfurt and Luxembourg stock exchanges. The Group also has a related party relationship with its associates, joint ventures and with its directors and executive officers.

## **Sales and purchases of goods and services**

During the year the Group made sales of goods and services, purchases of goods and services to Bertelsmann Group amounting to €9 million (2015: €10 million) and €23 million (2015: €24 million), respectively. At the year-end, the Group had trade accounts receivable and payable due from/to Bertelsmann Group amounting to €3 million (2015: €2 million) and €8 million (2015: €4 million), respectively.

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

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

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

At 31 December 2016, RTL Group SA did not hold any deposit with Bertelsmann SE & Co. KGaA (2015: € nil million on a one to three months basis and € nil million on an overnight basis). The interest income for the period is € nil million (2015: € nil million).

The interests in Gruner + Jahr GmbH & Co. KG 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 aggregate current partnership interest in Gruner + Jahr GmbH & Co. KG.

At 31 December 2016, RTL Group Deutschland GmbH did not hold any deposit with Bertelsmann SE & Co. KGaA (2015: € nil million). The interest income for the period is insignificant (2015: insignificant).

RTL Group SA has additionally entered into a Treasury Agreement in North America with Bertelsmann Inc. Interest rates are based on US Libor plus 10 basis points. At 31 December 2016, the balance of the cash pooling accounts receivable and payable amounts to € nil million (2015: € nil million). The interest income/expense for the year is € nil million (2015: € nil million).

## **Loans from Bertelsmann SE & Co. KGaA and 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. 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 BeProcurement Sàrl controlled by Bertelsmann Luxembourg Sàrl. At 31 December 2016, the term loan balance amounts to €500 million (2015: €500 million);
- Revolving loans bear interest at the applicable EURIBOR plus a margin of 0.60 per cent per annum, and swingline loans bear interest at EONIA plus a margin of 0.60 per cent per annum. A commitment fee of 35 per cent of the applicable margin is payable, where for purposes of

calculation of the payable commitment fee, the available commitment under the revolving and swingline facilities will be reduced by €200 million. At 31 December 2016, the total of revolving and swingline loan amounts to €389 million (2015: €542 million).

The interest expense for the period amounts to €15 million (2015: €17 million). The commitment fee charge for the period amounts to €0.6 million (2015: €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, a direct subsidiary of RTL Group, providing for the payment to CLT-UFA of an amount compensating the above profit transfer and an additional commission ("Commission") amounting to 50 per cent of the tax saving based upon the taxable profit of RGD.

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

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

On 15 May 2013, the Board of Directors of RTL Group agreed to the amendment of the Compensation Agreement in light of the consumption of the trade tax and corporate tax losses at the level of Bertelsmann SE and Co. KGaA and of the expected level of indebtedness of RTL Group in the future.

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

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

At 31 December 2016, the balance payable to BCH amounts to €578 million (2015: €583 million) and the balance receivable from Bertelsmann SE & Co. KGaA amounts to €423 million (2015: €472 million).

For the year ended 31 December 2016, the German income tax in relation to the tax pooling with Bertelsmann SE & Co. KGaA amounts to €171 million (2015: €176 million). The Commission amounts to €16 million (2015: €65 million). The brought forward income tax losses available for offset were fully consumed at 31 December 2015.

The UK Group relief of FremantleMedia Group to Bertelsmann Group resulted in a tax income of €2 million (2015: €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. Blu A/S, a 100 per cent held subsidiary of RTL Group, was elected as the management company of the Bertelsmann Denmark Group.

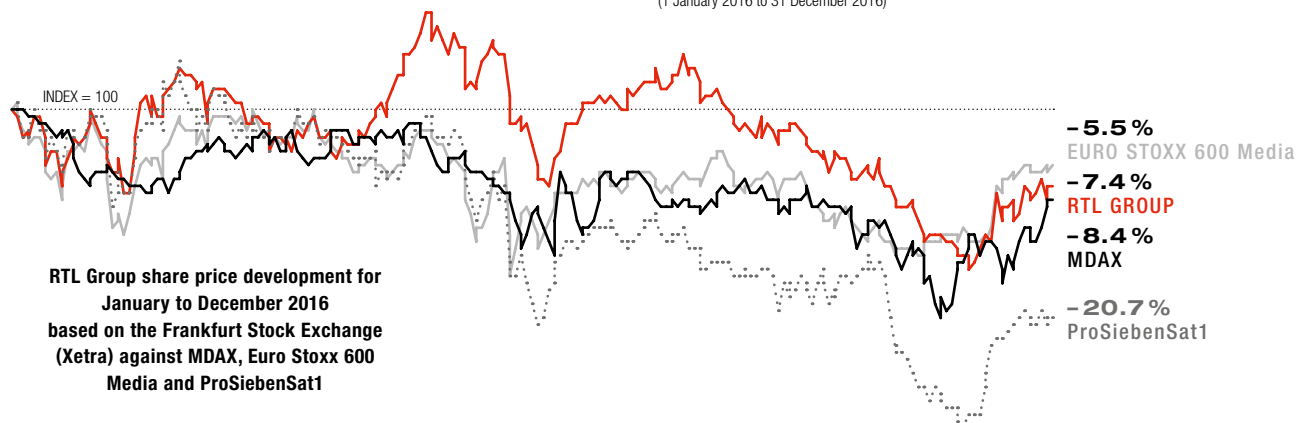
## CAPITAL MARKETS AND SHARE

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

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

### SHARE PRICE PERFORMANCE

(1 January 2016 to 31 December 2016)



RTL Group's share price started the year at just over €75 and finished the year down 7.4 per cent, at just under €70 per share. The share was reasonably range bound throughout 2016 with a peak share price of €83.36 (31 May) and a low of €63.47 (30 November).

For the first four to five months of the year, RTL Group's share price remained in a narrow range of between €69 and €75 per share, before rising to its full year high at the end of May. This performance reflected conflicting reports and signals about the Chinese economy, oil prices, the banking system, jobs data and interest rate decisions.

The share price also reflected good advertising market conditions ahead of the major sporting events in the summer. At the end of June, markets reacted negatively to the Brexit vote. The resulting 31-year low of the British pound against the

American dollar affected the stock market including RTL Group's shares and led to a drop in share price.

Continuing concerns around China and the price of oil affected stock markets towards the back end of the year. This was compounded by weaker advertising markets, following the European football championships and the summer Olympics. Markets bounced back in December, due to a rebound in oil, greater confidence from the ECB and, to a certain extent, transactions being made in the media space (Fox/Sky and Vivendi).

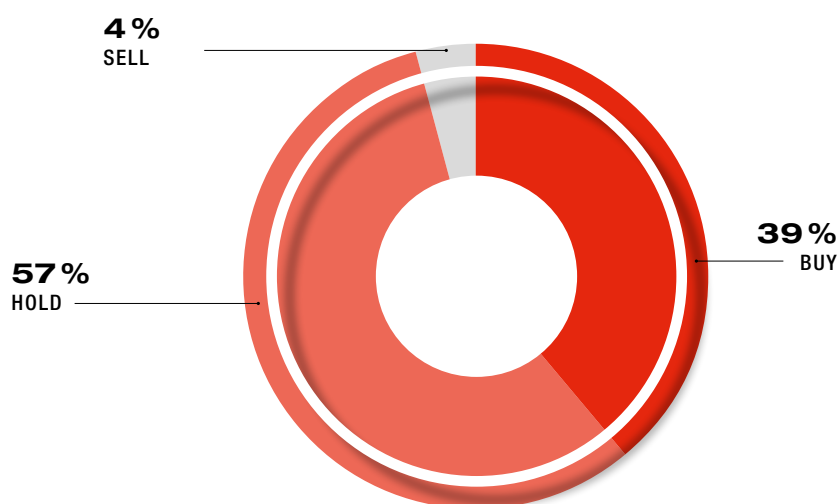
The Group declared and paid dividends in both April and September 2016. The April payment of €3.00 (gross) per share related to the 2015 full-year ordinary dividend. In September the Board decided to make an interim dividend payment of €1.00 per share. The total cash paid out in 2016 with respect to RTL Group's dividends amounted to €614 million.

## ANALYSTS' VIEW

39 per cent of the analysts that have published notes known of by the Group since the publication of the 2016 half-year results recommended RTL Group shares as a buy at the end of 2016 (2015: 28 per cent). 57 per cent recommended holding the share (2015: 56 per cent), and the remaining 4 per cent recommended selling (2015: 16 per cent). Their average price target at the end of the year was €80.41, compared to €87.28 at the end of 2015.

There was one initiation of the Group during this period.

Recommendations by financial analysts play an important role in helping investors make decisions. With a total of 23 brokerage firms and financial institutions covering RTL Group (2015: 23), the share is broadly covered.



In order to discuss RTL Group's strategy with its current investors and present the company to existing and potential new investors, the RTL Group Executive Committee and the Investor Relations team participated in various conferences (London,

Barcelona and New York) and held numerous roadshows (London, New York, Boston and Paris as well as Denver, Los Angeles and San Francisco) with more than 100 one-on-one meetings.

## DIVIDEND POLICY

RTL Group's dividend policy states that the Group will pay out between 50 and 75 per cent of the adjusted net profit.

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

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

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

## RTL GROUP'S SHAREHOLDER RETURN

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

Over the past five years (since 2012), three years (since 2014) and last year (2016) the TSR of RTL Group shares is as follows:

	2012	2014	2016
Share price as of 1 January in €	76.99	92.95	77.05
Closing share price as of 31 December 2016 in €	-	-	69.73
Cumulative dividends paid (including intervening years and extraordinary dividends) in €	33.10	15.00	4.00
Total shareholder return in per cent	33.6	(8.8)	(4.3)

The TSR has been calculated as follows (using 1 January 2012 as an example):

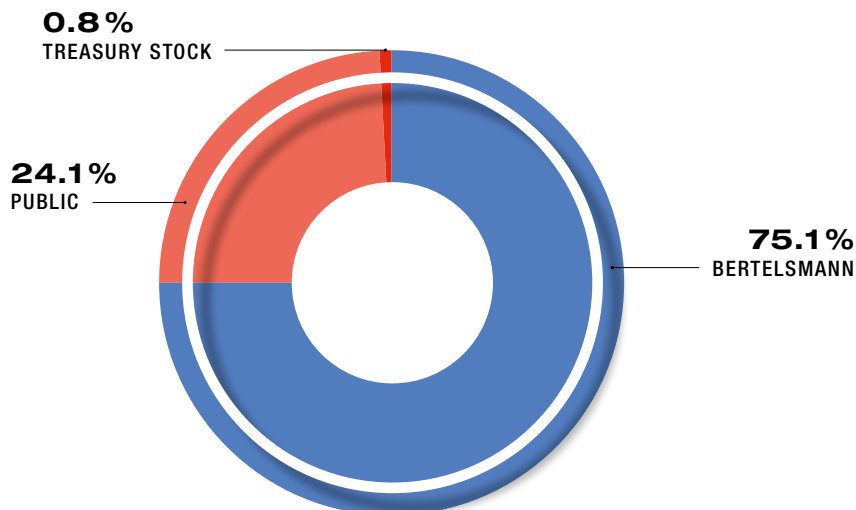
$$\text{TSR} = \frac{[\text{Closing share price at 31 December 2016}] + [\text{cumulative dividends paid from 1 January 2012 until 31 December 2016}] - 1}{[\text{Share price as of 2012}]}$$

$$\text{TSR} = \frac{€69.73 + €33.10}{€76.99} - 1 = 33.6\%$$

## SHAREHOLDING STRUCTURE<sup>31</sup>

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

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



Bertelsmann has been the majority shareholder of RTL Group since July 2001. As at December 2016, Bertelsmann held 75.1 per cent of RTL Group shares,

and 24.1 per cent were free float. The remaining 0.8 per cent were held collectively as treasury stock by RTL Group and one of its subsidiaries.

<sup>31</sup> There is no obligation for a shareholder to inform the company of any transfer of bearer shares save for the obligations provided by the Luxembourg law of 15 January 2008 on transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market. Accordingly the company shall not be liable for the accuracy or completeness of the information shown.



## RTL GROUP SHARE MASTER DATA

ISIN	LU0061462528
Exchange symbol	RRTL
WKN	861149
Share type	Ordinary
Bloomberg code	RRTL:GR
Reuters code	RRTL
Ticker	RRTL
Transparency level on first quotation	Prime standard
Market segment	Regulated market
Trading model	Continuous trading
Sector	Media
Stock exchanges	Frankfurt, Luxembourg, Brussels
Last total dividend	€4.00
Number of shares	154,742,806
Market capitalisation <sup>32</sup>	€11,404,544,802
52 week high	€83.36 (31 May 2016)
52 week low	€63.47 (30 November 2016)

## INDICES

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

Index	Weight in per cent
MDAX	1.48
DAXglobal Sarasin Sustainability Germany	1.41
Prime All Share	0.20
STOXX Europe 600	0.03
STOXX Europe 600 Media	1.31
HDAX	0.22

<sup>32</sup> As of 31 December 2016

## EQUITY STORY

- RTL Group is a global leader across broadcast, content and digital, with interests in 60 television channels and 31 radio stations, content production throughout the world and rapidly growing digital video businesses
- RTL Group has re-defined TV as 'total video' and has market-leading positions across the value chain of video production, aggregation, distribution and monetisation. With their families of channels, RTL Group's broadcasters are either number one or number two in the European markets in which they operate. FremantleMedia, RTL Group's production arm, is a global leader in content production. And with its recent digital investments, RTL Group is one of the front runners in the high-growth market of online video
- RTL Group acts from a position of strength in all three strategic areas: Broadcast, Content and Digital
- RTL Group stands for resilient top-line growth, a well-diversified revenue mix and an excellent earnings profile
- RTL Group's revenues are generated on the basis of an efficient cost structure and strict cost control providing financial flexibility to management
- RTL Group's business model is based on strong and robust cash flows, enabling attractive shareholder returns
- RTL Group is in the excellent position to invest sustainably in existing businesses and explore new growth drivers through acquisitions, while simultaneously ensuring attractive shareholder remuneration
- RTL Group offers an attractive ordinary dividend policy with a pay-out ratio of between 50 and 75 per cent of the Group's adjusted net result
- RTL Group intends to maintain or, where possible, to have a progressive ordinary dividend over time
- RTL Group's largest shareholder is Bertelsmann, a leading media, services and education company that operates in about 50 countries around the world
- RTL Group is a responsible corporate citizen creating value for viewers, listeners and digital users, partners, shareholders, employees and the greater society

## GENERAL MANAGEMENT STATEMENT ON THE FISCAL YEAR 2016 PERFORMANCE

Advertising markets across Europe were largely positive over the course of 2016 despite the mixed macro-economic climate. All European net TV advertising markets in RTL Group's territories were up year on year, with the exception of the Netherlands and Hungary. RTL Group experienced significant variations in viewing figures due to popular sporting events, making it difficult to predict market trends with certainty.

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

This stimulated revenue growth in the broadcasting business – particularly at Mediengruppe RTL Deutschland which reported yet another record result. Across Europe, RTL Group's flagship channels remained number one or number two in their respective markets and target groups.

Throughout the year, FremantleMedia increased creative diversity within the company – organically and through acquisitions. It invested into several production companies, securing talent and intellectual property in the process. Following investments in the creative pipeline, FremantleMedia's Italian production arm, Wildside, premiered its highly anticipated production *The Young Pope* at the Venice Film Festival and on pay-TV channels around the world. Meanwhile, April 2017 will see the premiere of *American Gods* – produced by FremantleMedia North America – on the US pay-TV channel Starz and on Amazon Prime Video internationally. As one of the biggest independent production companies, FremantleMedia continues to focus on creative talent and on developing projects that will feed into their network.

RTL Group's digital businesses developed into a dynamic third pillar of RTL Group's business, with digital revenue increasing by 31.9 per cent to €670 million during 2016 – representing more than 10 per cent of the Group's total revenue – as a result of both acquisitions and organic growth. Online video advertising is the fastest growing advertising segment and RTL Group invested in this sector early. The Group expects this level of growth to continue for the foreseeable future.

For the full year 2016, RTL Group fulfilled its financial guidance on revenue (moderately up: 2.5 per cent to 5.0 per cent) with revenue up 3.4 per cent to €6,237 million, and exceeded the guidance on EBITA (slightly up: +1.0 per cent to +2.5) with EBITA increasing by 3.3 per cent to €1,205 million. The Group maintained an EBITA margin of around 20 per cent. Overall, 2016 was a very positive financial year for RTL Group, with new record revenue, EBITA and EBITDA. RVA increased accordingly to €462 million.

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

RTL Group has leading market positions across the value chain of the rapidly evolving total video market. With this financial strength, it is the Group's ambition to further grow over the coming years – to transform the leading European entertainment network into a truly global powerhouse in video production, aggregation and monetisation.

## REVIEW BY SEGMENTS: FULL-YEAR 2016

Revenue	Year to December 2016 € m	Year to December 2015 € m	Per cent change
Mediengruppe RTL Deutschland	2,214	2,140	+3.5
Groupe M6	1,283	1,254	+2.3
FremantleMedia	1,500	1,524	(1.6)
RTL Nederland	495	490	+1.0
RTL Belgium	202	200	+1.0
RTL Radio (France)	164	168	(2.4)
Other segments	580	478	+21.3
Eliminations	(201)	(225)	–
<b>Total revenue</b>	<b>6,237</b>	<b>6,029</b>	<b>+3.4</b>

EBITA	Year to December 2016 € m	Year to December 2015 € m	Per cent change
Mediengruppe RTL Deutschland	705	684	+3.1
Groupe M6	252	205	+22.9
FremantleMedia	110	103	+6.8
RTL Nederland	85	101	(15.8)
RTL Belgium	43	45	(4.4)
RTL Radio (France)	5	24	(79.2)
Other segments	5	6	(16.7)
Eliminations	–	(1)	–
<b>Reported EBITA</b>	<b>1,205</b>	<b>1,167</b>	<b>+3.3</b>

EBITA margins	Year to December 2016 per cent	Year to December 2015 per cent	Percentage point change
Mediengruppe RTL Deutschland	31.8	32.0	(0.2)
Groupe M6	19.6	16.3	+3.3
FremantleMedia	7.3	6.8	+0.5
RTL Nederland	17.2	20.6	(3.4)
RTL Belgium	21.3	22.5	(1.2)
RTL Radio (France)	3.0	14.3	(11.3)
<b>RTL Group</b>	<b>19.3</b>	<b>19.4</b>	<b>(0.1)</b>

## REVIEW BY SEGMENTS: THREE MONTHS ENDED 31 DECEMBER 2016 (Q4/2016)

Revenue	Q4 2016 € m	Q4 2015 € m	Per cent change
Mediengruppe RTL Deutschland	713	674	+5.8
Groupe M6	373	356	+4.8
FremantleMedia	538	510	+5.5
RTL Nederland	148	159	(6.9)
RTL Belgium	61	53	+15.1
RTL Radio (France)	44	55	(20.0)
Other segments	193	149	+29.5
Eliminations	(63)	(68)	–
<b>Total revenue</b>	<b>2,007</b>	<b>1,888</b>	<b>+6.3</b>

EBITA	Q4 2016 € m	Q4 2015 € m	Per cent change
Mediengruppe RTL Deutschland	237	227	+4.4
Groupe M6	79	69	+14.5
FremantleMedia	63	52	+21.2
RTL Nederland	33	49	(32.7)
RTL Belgium	17	13	+30.8
RTL Radio (France)	(3)	18	(>100)
Other segments	23	23	–
<b>Reported EBITA</b>	<b>449</b>	<b>451</b>	<b>(0.4)</b>

EBITA margins	Q4 2016 per cent	Q4 2015 per cent	Percentage point change
Mediengruppe RTL Deutschland	33.2	33.7	(0.5)
Groupe M6	21.2	19.4	+1.8
FremantleMedia	11.7	10.2	+1.5
RTL Nederland	22.3	30.8	(8.5)
RTL Belgium	27.9	24.5	+3.4
RTL Radio (France)	–	32.7	–
<b>RTL Group</b>	<b>22.4</b>	<b>23.9</b>	<b>(1.5)</b>

# MEDIENGRUPPE RTL DEUTSCHLAND

## Financial results

In 2016, the German net TV advertising market was estimated to be up between 2.5 and 3.5 per cent. Once again, Mediengruppe RTL Deutschland closed the year with a financial record: revenue increased by 3.5 per cent to €2,214 million (2015: €2,140 million), mainly driven by higher TV and digital advertising as well as platform revenue. Accordingly, EBITA was up from €684 million in 2015 to €705 million – an increase of 3.1 per cent.

	Year to December 2016 € m	Year to December 2015 € m	Per cent change
Revenue	2,214	2,140	+3.5
EBITDA	718	701	+2.4
EBITA	705	684	+3.1

## Audience ratings

Despite strong competition from the public channels broadcasting the Uefa Euro 2016 and the Olympic Games, Mediengruppe RTL Deutschland's channels recorded a stable combined audience share of 28.4 per cent (2015: 28.4 per cent) in the target group of viewers aged 14 to 59. The German RTL family of channels significantly widened its lead over its main commercial competitor, ProSiebenSat1, to 3.1 percentage points (2015: 1.7 percentage points).

With an audience share of 11.9 per cent in the target group of viewers aged 14 to 59 in 2016 (2015: 12.2 per cent), **RTL Television** was the leading channel in the target group for the 24th consecutive year, well ahead of Sat1 (8.7 per cent), ZDF (8.6 per cent), ARD (8.4 per cent) and ProSieben (7.9 per cent). Once again, RTL Television was the only channel to score a two-digit audience share in this demographic.

RTL Television's most-watched programme of the year was the World Cup qualifier between Germany and Northern Ireland on 11 October 2016, which attracted an audience share of 30.6 per cent among viewers aged 14 to 59 and a total of 10.4 million viewers. The channel's flagship shows also did well in 2016. Early in the year, the tenth season of *Ich bin ein Star - Holt mich hier raus!* (I'm A Celebrity...Get Me Out Of Here!) was watched by an average 37.3 per cent of 14 to 59 year olds (2015: 35.9 per cent). The most successful new show of the year was *Ninja Warrior Germany*, which attracted an average audience share of 15.9 per cent in the target group of viewers aged 14 to 59. On average 16.1 per cent of viewers aged 14 to 59 watched *Winnetou* – a three-part remake of the German classic films – around Christmas. Also popular was *Duell der Brüder – Die Geschichte von Adidas und Puma*, a film about the Dassler brothers who founded the global corporations Adidas and Puma. Broadcast on 25 March 2016, the movie was watched by 4.96 million viewers – an audience share of 21.2 per cent of the 14 to 59 target audience.

2016 was one of the most successful years ever for **Vox**, which was prime-time market leader 15 times in the target group of viewers aged 14 to 59. In the almost 25-year-old history of Vox, the channel was prime-time market leader only once before, in 2014. The channel increased its average audience share in the target group by 0.2 percentage points to 6.8 per

RTL VOX RTL NITRO

RTL SUPER RTL n-tv

RTL PLUS RTL INTERACTIVE TV NOW

RTL CRIME RTL living RTL PASSION

GEO universum film CBC

smartclip



cent in 2016 (2015: 6.6 per cent). In terms of total audience, Vox recorded an average audience share of 5.2 per cent and surpassed competitor ProSieben (5.0 per cent) for the first time. The channel also achieved new records with its established hit formats, including *Die Höhle der Löwen* (Dragons' Den) and *Club der roten Bänder* (Red Bracelets), which attracted 15.0 per cent and 14.0 per cent of the target audience respectively. Among women aged 14 to 29, *Club der roten Bänder* scored an average audience share of 37.7 per cent. The music show *Sing meinen Song – Das Tauschkonzert* and the cooking show *Grill den Henssler* also remained popular with average audience shares of 9.8 per cent and 9.3 per cent respectively, while the newly launched *Kitchen Impossible* was watched by 8.8 per cent of viewers aged 14 to 59.

**RTL Nitro** attracted an average 1.7 per cent of the target group of viewers aged 14 to 59 (2015: 1.8 per cent) and 1.9 per cent of male viewers of the same age (2015: 2.1 per cent). The male-focused channel remained one of the most successful digital free-to-air channels of the third and fourth generation in the target group. On 11 April 2016, RTL Nitro achieved a new record, attracting 3.2 per cent of the target group of 14 to 59-year-old viewers – the highest daily audience share in the channel's history.

**RTL II** recorded an average audience share of 4.9 per cent among viewers aged 14 to 59 (2015: 5.2 per cent). With an audience share of 13.7 per cent in the target group, the channel's most watched programme of the year was *Daniela und Lucas – Die Hochzeit*. Long-running hits *Die Reimanns – Ein außergewöhnliches Leben* and *Extrem schwer – Mein Weg in ein neues Leben* remained popular, with an audience share of 5.9 per cent each, while *Zuhause im Glück* reached 5.6 per cent of the target audience, and documentary *The Battle for Chernobyl* attracted 7.3 per cent.

The news channel **N-TV** attracted 1.1 per cent of viewers aged 14 to 59 (2015: 1.0 per cent). The channel gave continuous and thorough status reports about the Brexit referendum, the US elections, the attacks in Berlin, Brussels and Nice, and the attempted coup in Turkey. The channel's morning reports proved popular once again, recording an average audience share of 1.6 per cent



**“The fact that we have expanded our lead over our competitors encourages us to further focus on the production of our own exclusive content. RTL Plus has been the most successful channel launch in the past few years. Online, the successful launch of TV Now and the acquisition of Smartclip have enabled us to strengthen our position in advertising technology.”**

**ANKE SCHÄFERKORDT**  
CO-CEO, RTL Group;  
CEO, Mediengruppe RTL Deutschland

of the target group on weekdays between 6:00 and 12:00.

**Super RTL** reclaimed the title of the most popular children's channel in Germany, with an audience share of 20.6 per cent in the target group of 3 to 13 year olds during the 6:00 to 20:15 time slot (2015: 19.3 per cent), ahead of competitors Kika (19.7 per cent), the Disney Channel (9.5 per cent) and Nickelodeon (7.9 per cent). The new adaptation of *Bob The Builder* and the new series *Paw Patrol* attracted average audience shares of 36.7 and 34.1 per cent of the target group respectively. Prime-time movies *Christmas Vacation* and *Ice Age* reached 4.9 and 4.5 per cent of viewers aged 14 to 59.

Launched on 4 June 2016, **RTL Plus** – the latest addition to Mediengruppe RTL Deutschland's family of channels – became the most successful channel launch in recent years. In 2016, the channel attracted an average 0.4 per cent of the 14 to 59 target audience. In December 2016, the channel already attracted 0.9 per cent of viewers in this target group.

In June 2016, Mediengruppe RTL Deutschland and Gruner + Jahr announced collaboration in the area of advertising sales, **Ad Alliance**. As of 1 January 2017, under Ad Alliance's umbrella the respective sales houses offer high-reach platforms to advertisers and agencies and develop cross-media solutions and innovative advertising products.

#### National audience breakdown

Source: GfK. Target: 14–59

2016 (%)



<b>RTL Television</b> .....	<b>11.9</b>
<b>Vox</b> .....	<b>6.8</b>
<b>RTL II</b> .....	<b>4.9</b>
<b>Super RTL</b> .....	<b>1.7</b>
<b>RTL Nitro</b> .....	<b>1.7</b>
<b>N-TV</b> .....	<b>1.1</b>
Sat 1 .....	8.7
ZDF .....	8.6
ARD .....	8.4
Pro 7 .....	7.9
Kabel 1 .....	5.0
Others .....	33.3

#### Digital and diversification activities

**RTL Interactive** is Mediengruppe RTL Deutschland's subsidiary for digital and other diversification products, including online video. In 2016, Mediengruppe RTL Deutschland – combining the unit's catch-up TV services, TV sites, thematic websites, YouTube channels, Facebook pages and the video streaming service, Clipfish – generated a total of 1,200 million video views of professionally produced content – a new record (2015: 1,142 million, excluding YouTube and Facebook).

In March 2016, Mediengruppe RTL Deutschland announced the acquisition of a 93.75 per cent majority stake in **Smartclip**, with a call option to acquire the remaining shares. The purchase price was €48 million. Smartclip currently bundles the online video advertising inventory of 750 publishers worldwide, and manages the integration and serving of video advertising to all internet-connected devices. Smartclip complements RTL Group's investments in digital advertising sales, including SpotX in particular. Approval from Germany's Federal Cartel Office was received on 22 April 2016.

In March 2016, Mediengruppe RTL Deutschland launched **TV Now**. This new video service bundles video content of the Group's eight free-to-air channels in a single umbrella brand, replacing the previously separate services associated with individual channels – RTL Now, Vox Now, N-TV Now, RTL Nitro Now, Super RTL Now and RTL II Now.

In May 2016, RTL II launched its digital video offering **RTL II You**, which is available 24/7 for linear and on-demand viewing on PC, smart TV and mobile devices. RTL II You combines original and licensed content with exclusive premieres of popular YouTube stars for its target group of 14 to 25 year olds. The app has already registered more than 500,000 downloads.

With a digital total reach of 11.99 million unique users and 145.9 million visits, N-TV reached new record figures in 2016.

# GROUPE M6

## Financial results

The French TV advertising market was estimated to be up 0.7 per cent compared to the previous year, with Groupe M6's channels outperforming the market. In 2016, Groupe M6's revenue was slightly up to €1,283 million (2015: €1,254 million), mainly due to higher TV advertising revenue. Groupe M6's EBITA was up strongly to €252 million (2015: €205 million), mainly driven by the positive one-off effect from the settlement of the M6 Mobile contract amounting to €42 million which more than compensated for the impact of the higher programming costs for the Uefa Euro 2016 live broadcasts.

	Year to December 2016 € m	Year to December 2015 € m	Per cent change
Revenue	1,283	1,254	+2.3
EBITDA <sup>33</sup>	389	325	+19.7
EBITA	252	205	+22.9

## Corporate

In December, RTL Group announced that it plans to regroup its French radio operations into Groupe M6. As part of the internal re-organisation, Groupe M6 plans to acquire 100 per cent ownership of RTL Group's market-leading French radio family (RTL, RTL 2, Fun Radio, advertising sales house IP France) for €216 million on a debt and cash-free basis. Following the transaction, Groupe M6 will combine a unique portfolio of TV channels, radio stations, digital services, content production/rights trading and diversification. The transaction is, among others, subject to approval by the French media authority CSA (Conseil supérieur de l'Audiovisuel).

## Audience ratings

Groupe M6's combined audience share was significantly up to 23.5 per cent in the key commercial target group of women under 50 responsible for purchases (2015: 22.5 per cent), thanks to higher audience shares from M6 and 6ter.

Flagship channel M6 performed remarkably well, retaining its status as the second most-watched channel in France among women under 50 responsible for purchases, with an average audience share of 16.0 per cent (2015: 15.4 per cent) and the highest growth of all TV channels in the target group (up 0.6 percentage points).

M6 clearly benefited from the record audiences achieved by broadcasting 11 matches, including the final, of the biggest European football competition – Uefa Euro 2016. The live matches were watched by 9.7 million viewers on average, representing a total audience share of 39.4 per cent. The final between Portugal and France on 10 July 2016 attracted a massive 20.8 million viewers (a total audience share of 71.8 per cent) – the same audience as the final of the 1998 World Cup between Brazil and France, and the best audience figure of the tournament. This was a new all-time audience record for M6, the most-watched programme on French television in 2016 and the fifth largest TV audience ever recorded in France. Apart from sports, M6 progressed with its major programming brands such as *L'Amour est dans le Pré* (The Farmer Wants A Wife), *Le Meilleur Pâtissier* (The Best Baker) or *La France a un Incroyable Talent* (Got Talent). M6's audience share performance was also supported by its access prime time schedule, including shows such as *La meilleure boulangerie de France* and *Chasseurs d'appart*. *Le 19h45* remained the second most popular news show among women under 50 responsible for purchases.



<sup>33</sup> The large difference between EBITDA and EBITA is due to the significant impact of long-running rights held by SND which are classified as depreciation



**“2016 was an excellent year for Groupe M6. In a highly fragmented audience market, we break the traditional TV rules and set the pace of innovation in all types of programmes and in all our activities.”**

**NICOLAS DE TAVERNOST**  
Chairman of the Management Board  
of Groupe M6

**W9's** audience share remained stable with an average 3.8 per cent among women under 50 responsible for purchases (2015: 3.8 per cent). Among its target group of viewers under 25, W9 was the leading DTT channel with an average audience share of 5.8 per cent. W9 scored high ratings in various genres including sports (live broadcasts of Uefa Europa League football matches), magazines (*Enquête d'action* and *Enquêtes Criminelles*), movies, reality TV shows (*Les Marseillais South Africa*, *Les Ch'tis vs Les Marseillais*) and musical documentaries.

**6ter** remained the leading HD DTT channel among the commercial target group for the fourth consecutive year, attracting an average audience share of 2.4 per cent (2015: 2.1 per cent). The channel continued to increase its total audience share to 1.4 per cent (2015: 1.1 per cent). The most popular broadcasts of 2016 included the fifth season of the series *Once Upon a Time* and the movie *X-Men Origins: Wolverine*.

**Paris Première** remained the most-watched pay channel among the total audience, with 11 million viewers each month, and the most popular general-interest pay channel in prime time. **Téva** has remained the leading pay-TV channel in the target group of women under 50 responsible for purchases for 6 years.

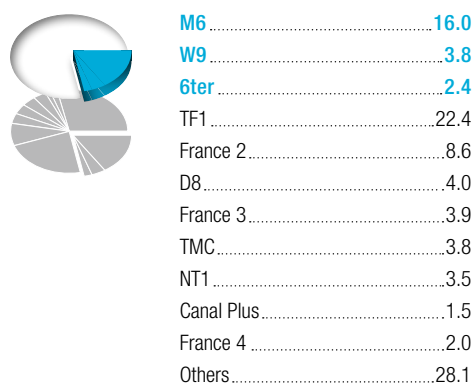
#### Digital and diversification activities

In 2016, with 20.6 million unique users a month on average across its network and all devices (PC, tablet and mobile), Groupe M6 remained the leading French TV group online. **M6 Web** almost doubled its video views, reaching 2.2 billion online video views (1.2 billion in 2015). The new version of 6play, launched during the reporting period, registered 1.5 billion online videos views (2015: 0.9 billion) and more than 14 million registered users, while Groupe M6's digital entertainment platform launched Refresh, featuring short-form video aimed at millennials.

With the acquisition of iGraal – the leading French cashback site – and the equity investment in Elephorm – the leading French producer of e-learning video content – M6 Web has positioned itself in strong growth markets and continued its expansion into the digital sector. In May, Groupe M6 announced the gradual phase-out of the M6 Mobile by Orange agreement, resulting in a contractual compensation.

#### National audience breakdown

Source: Médiamétrie. Target: women < 50 responsible for purchases 2016 (%)



# FREMANTLEMEDIA

## Financial results

**Revenue of FremantleMedia – RTL Group’s content production arm – decreased slightly to €1,500 million in 2016 (2015: €1,524 million), mainly due to unfavourable exchange rate effects of €45 million. In contrast, EBITA increased to €110 million (2015: €103 million), reflecting higher profit contributions from content coming through the pipeline as a result of acquisitions and investments.**

	Year to December 2016 € m	Year to December 2015 € m	Per cent change
Revenue	1,500	1,524	(1.6)
EBITDA	129	125	+3.2
EBITA	110	103	+6.8

## Production business

In 2016, FremantleMedia’s global network of production companies saw hours broadcast increase by 16 per cent to 11,981 hours (2015: 10,313 hours); the total number of FremantleMedia programmes broadcast worldwide increase by 13 per cent to 423 (2015: 375) and the number of formats aired by 7 per cent to 61 (2015: 57). Combined with FremantleMedia International’s sales catalogue of more than 20,000 hours which are sold to over 200 territories, FremantleMedia remains one of the largest creators and distributors of award-winning international programme brands in the world.

## Non-scripted

In January 2016, the farewell season of FremantleMedia’s *American Idol* performed strongly on Fox in the US, remaining the channel’s number one entertainment show for eight consecutive years. The iconic show, which shaped a genre of entertainment formats, attracted an average 11.2 million viewers and an audience share of 9.7 per cent among viewers aged 18 to 49 and ranked number one or two for total audience across every single episode.

Also in the US, *Family Feud* hit a new high in January 2016, with a 7.5 household rating<sup>34</sup> – the highest since the advent of ‘People Meters’ audience measurement in 1987. On 26 June 2016, the revived *Match Game* premiered on ABC in the US, with an audience share of 4.8 per cent among viewers aged 18 to 49 – the highest summer audience for ABC in this time slot in nearly ten years.

In the UK, the tenth season of *Britain’s Got Talent* reached an average audience share of 49.7 per cent among adults aged 16 to 34, watched by an average audience of 9.9 million viewers. In September 2016, ITV signed a new three-year deal for *Britain’s Got Talent* and *The X Factor*, which will see the two shows continuing on ITV until at least 2019. In October 2016, Simon Cowell signed a three-year deal that secures his position as a judge on *America’s Got Talent* until at least 2019.



<sup>34</sup> Number of households watching the show expressed as a percentage of the total TV household population

FremantleMedia China announced the commission of the gameshow *The Eureka Moment* with CCTV. The FremantleMedia format, originally created in the Netherlands, was co-developed for local audiences with CCTV Creation and premiered on the coveted CCTV-1 Sunday evening slot in July 2016, ranking number one.

### Scripted

In January 2016, *Deutschland 83* became the UK's highest ever rated foreign-language drama launch, attracting an average audience share of 6.6 per cent of viewers aged 16 to 34. The show also went on to win a prestigious Peabody Award in the US in April and an International Emmy in November. A sequel to the series was announced in October. *Deutschland 86* will be produced by UFA Fiction in partnership with Amazon Prime Video and RTL Television. FremantleMedia International will roll out the series internationally.

In March 2016, the German public broadcaster ZDF showed the three-part mini-series *Ku'damm 56* which was watched by an average audience of 6.0 million viewers, representing an average total audience share of 17.5 per cent. ZDF commissioned a second season called *Ku'damm 59* in June 2016.

In February, Kwai's *Baron Noir* successfully launched on Canal Plus, achieving a 2.1 per cent audience share. A second season has already been commissioned.

In May, the fourth season of *Wentworth* premiered on pay-TV channel SoHo in Australia. The latest season achieved an average total audience share of 5.4 per cent. In July, Foxtel in Australia commissioned a fifth season of the show, while a Flemish-language adaptation was commissioned by commercial Belgian broadcaster, Vier.



**“The evolution of FremantleMedia continued in 2016, with our organic growth complemented by the exciting partnerships we made with some of the best creative talent in the business. We delivered bold and ambitious new programmes, both scripted and non-scripted, which achieved both critical and popular acclaim and helped us deliver strong margins to RTL Group.”**

CÉCILE FROT-COUTAZ  
CEO, FremantleMedia

*The Young Pope* became the most popular premiere for a new series on Sky in Italy, launched as Canal Plus' number one new international drama of 2016 in France, and was Sky Atlantic's third most popular new drama of 2016 in the UK.

In October, the second season of Miso Film's *Acquitted* became the number one show on TV2 Norway in 2016 winning a 36 per cent audience share and performing 70 per cent higher than TV2's prime time average (total individuals 2+).

In November, Wildside's *Mafia Only Kills in Summer* launched on Rai in Italy. The series attracted an average total audience share of 19.5 per cent and a 16.6 per cent share for the target group of adults aged 15 to 64. The series – which has been sold to Australia, Turkey and Korea – regularly ranked as the number one show in its time slot.

### Number of hours broadcast

Programmes	2016	2015
New	2,093	2,125
Returning	9,888	8,188
Total	11,981	10,313



### **FremantleMedia International**

On 24 August 2016, FremantleMedia International (FMI) announced a deal with Amazon to showcase its ambitious fantasy drama, *American Gods*, on Amazon Prime Video in 2017. The show will be available on Amazon's SVOD platform in over 200 territories following its US premiere on the pay-TV channel, Starz.

Together with co-producer territories and FMI sales, Wildside's *The Young Pope* has been rolled out in almost 200 territories around the world.

In October, FremantleMedia International announced that it had extended its multi-year digital deal with the China-based portal, Youku by three years. The deal ensures FMI's premium entertainment and drama content continues to be available to Chinese online audiences, averaging 130 million unique users a day.

### **Digital & Branded Entertainment**

In 2016, FremantleMedia strongly increased its online video views and subscribers. The company reported 19 billion views on YouTube (up from 13.5 billion in 2015) and 40.3 million subscribers across more than 260 channels (2015: 27.4 million). Elsewhere, FremantleMedia content registered 228 million fans across YouTube, Facebook, Twitter and Instagram.

Europe's leading multi-channel network, Divimove, attracted a total of 19 billion online video views in 2016 and increased its subscriber base to 170 million (2015: 135 million subscribers). The network's social influencers in Germany, Spain, the Netherlands, Italy, Poland and France generated 350 million social media fans (2015: 250 million fans). The increase in these KPIs was partly due to the company decreasing the number of influencers it represents (from 1,300 in 2015 to 1,200 in 2016) to focus more on the growth of key talent.

In 2016, Ludia launched five new mobile games, including *Teenage Mutant Ninja Turtles: Legends* and *Kung Fu Panda: Battle of Destiny*. The former was Best iPad Game Overall in 68 countries and the latter leading in 16 countries in the same category. During the reporting period, Ludia's games were downloaded 60 million times and reached an average 2 million daily active users.

On 4 April 2016, FremantleMedia India launched its first web series exclusively on Facebook. Entitled *Confessions – It's Complicated*, the series uses Facebook Live to enable people to share their experiences and perspectives in real time. The series reached 11 million views.

# RTL NEDERLAND

## Financial results

The Dutch TV advertising market was estimated to be down 2.1 per cent year on year. Despite lower advertising revenue, RTL Nederland's revenue increased slightly to the record level of €495 million (2015: €490 million). This increase was driven by growing platform and sponsoring revenue and higher revenue from the company's live entertainment operations which typically generate lower margins than TV broadcasting. This, along with higher programme costs and investment in the SVOD platform Videoland, resulted in an EBITA down 15.8 per cent to €85 million (2015: €101 million).

	Year to December 2016 € m	Year to December 2015 € m	Per cent change
Revenue	495	490	+1.0
EBITDA	96	111	(13.5)
EBITA	85	101	(15.8)

## Audience ratings

Despite the big sporting events being broadcast on the public channels, RTL Nederland's channels reached a combined prime-time audience share of 32.3 per cent in the target group of viewers aged 20 to 49 – only slightly down from 32.7 per cent in 2015. RTL Nederland's channels remained clearly ahead of the public broadcasters (25.4 per cent) and the SBS group (20.0 per cent).

RTL Nederland's flagship channel, RTL 4, scored an average prime-time audience share of 18.7 per cent in the target group of shoppers aged 20 to 49 (2015: 19.4 per cent). Throughout the year, RTL 4 retained its strong position in the talent genre, with shows such as *The Voice Of Holland* (average audience share: 34.2 per cent in January, and 46.3 per cent for the autumn season), *Dance Dance Dance* (35.4 per cent) and *Holland's Got Talent* (33.4 per cent).

On Sundays, RTL 4 scored with drama series such as *Divorce* (32.8 per cent) and *Moordvrouw* (24.6 per cent). The channel's access prime-time line-up – which includes *RTL Boulevard*, *Goede Tijden*, *Slechte Tijden* and *RTL Nieuws* – delivered strong ratings once again. The Christmas special of *All You Need Is Love* scored record ratings on 24 December, with an audience share of 42.4 per cent among shoppers aged 20 to 49.

RTL 5's prime-time audience share remained stable at 6.2 per cent in the key target group of viewers aged 20 to 34 (2015: 6.4 per cent). After eight years, *Idols* returned to the Netherlands in 2016. The launch episode was RTL 5's highest-rated programme since 2006 and the series registered an average audience share of 29.9 per cent among viewers aged 20 to 34. On Thursdays, *Expeditie Robinson* performed well, with an average share of 35.0 per cent – the show's best audience ever share. In access prime time, new launches of *Galileo* (6.1 per cent) and *Get The F\*ck Out Of My House* (7.2 per cent) proved popular.

Men's channel RTL 7 scored an average prime-time audience share of 6.4 per cent among male viewers aged 20 to 49 (2015: 6.5 per cent). Sports remained the most popular programmes on RTL 7, including the Darts World Cup 2016 in January (average audience share: 25.5 per cent), and Uefa Europa League football matches. 37.0 per cent of target viewers tuned in to the match between Feyenoord Rotterdam and Manchester United on 15 September.

The average prime-time audience share of the women's channel RTL 8 remained stable at 3.5 per cent among women aged 20 to 49 (2015: 3.5 per cent), with female movies and thrillers among the most popular broadcasts. *It Takes 2* was the most-watched movie, with an audience share of 14.7 per cent, followed by *Grease* with an audience share of 9.0 per cent.

In its first full year of existence, RTL Z recorded an audience share of 0.7 per cent in the demographic of the upper social status aged 25 to 59 (September to December 2015: 0.4 per cent). *Undercover Boss Canada* was the most-watched programme, with an average audience share of 1.1 per cent.





**“These exceptional times present us with new challenges every day. We are a healthy company and that makes it possible to invest in several strategic routes. On one hand we build on the development of local content, our channels and numerous digital initiatives that contribute directly to the operating result. On the other hand we invest in promising activities which include VOD and the MCN.”**

BERT HABETS  
CEO, RTL Nederland

**Digital and diversification activities**

RTL Nederland’s platforms and partners generated a total 1,517 million video views<sup>35</sup> in 2016 – up 77 per cent from 857 million in 2015. The most popular formats were *Goede Tijden, Slechte Tijden, The Bold And The Beautiful, RTL Nieuws* and *RTL Late Night*.

With an average reach of nearly 46 million video views per month, RTL MCN was the fastest growing multi-channel network in 2016 in the field of premium content creators and multi-screen formats in the Netherlands.

In February 2016, RTL Nederland entered an agreement with StukTV, the largest online entertainment channel in the Netherlands, with nearly 1 million subscribers and 12 million views per month on YouTube. Through this agreement RTL MCN became the largest Dutch premium multi-channel network in the field of entertainment, with over 70 million views per month.

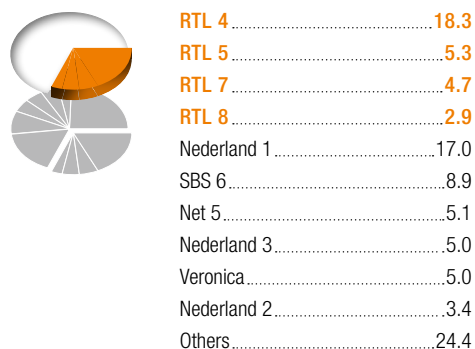
During the year, RTL Ventures sold its interests in Miinto to *Bestseller.com*; the dating platform Pepper to MatchMedia and Couverts to IENS, a TripAdvisor company.

2016 was a year of small growth for RTL Nieuws digital. Websites and apps generated a combined 419 million visits and 1,890 million page views (up 3 per cent on 2015 figures). In April 2016, RTL Nieuws began using Facebook Instant Articles, where articles can be accessed more quickly, while the user is not redirected to the website. According to Google Analytics, Facebook Instant Articles generated an additional 13 million page views in 2016.

**National audience breakdown**

Source: SKO, Target: 20–49 (18–24h)

2016 (%)



<sup>35</sup> Playlist starts

# RTL BELGIUM

## Financial results

Against the background of a TV advertising market that was estimated to be up 2.2 per cent year on year, RTL Belgium's revenue increased by 1.0 per cent to €202 million (2015: €200 million) due to diversification. EBITA was below the previous year at €43 million (2015: €45 million), reflecting higher costs in RTL Belgium's TV and radio business during the reporting period.

	Year to December 2016 € m	Year to December 2015 € m	Per cent change
Revenue	202	200	+1.0
EBITDA	48	50	(4.0)
EBITA	43	45	(4.4)

## Audience ratings

Despite the broadcast of the Uefa Euro 2016 matches on the public channels, RTL Belgium's family of TV channels achieved a combined prime-time audience share of 36.2 per cent among shoppers aged 18 to 54 (2015: 36.6 per cent), maintaining its position as the clear market leader in French-speaking Belgium. RTL Belgium maintained its comfortable lead over the public channels, with 15.8 percentage points (2015: 17.6 percentage points).

The flagship channel RTL-TVI grew its audience share to 26.4 per cent in prime time among shoppers aged 18 to 54 (2015: 26.2 per cent) – 10.4 percentage points ahead of the number two channel, French broadcaster TF1, and 12.4 percentage points ahead of the Belgian public broadcaster, La Une. The most watched programme of the year on RTL-TVI was the eighth season of *L'amour est dans le pré* (The Farmer Wants A Wife) which scored an average total audience share of 45.0 per cent. Second were the evening news show, *RTL Info*, which remained the most popular news programme in French-speaking Belgium with an average audience share of 39.6 per cent (2015: 41.5 per cent), and the Belgian humorist François Pirette's show, with an audience share of 46.0 per cent (2015: 35.0 per cent). Also popular was *Le Meilleur Pâtissier*, with an average audience share of 41.6 per cent in the target group of shoppers aged 18 to 54. Throughout the year, the channel launched several new productions across all time slots, including docusoaps *Brol en Or*, *Niveau 4*, *Police de la Route* and *Un Crime parfait*.



**Club RTL** recorded an audience share of 6.3 per cent among male viewers aged 18 to 54 (2015: 6.2 per cent). Football remains one of the most popular broadcasts on the channel through a wide choice of matches and competitions (Champions League, Europa League, the Belgian Cup and the new acquisition: Italian Serie A). The 2016 Champions League broadcasts attracted an average 15.7 per cent of men aged 18 to 54. **Plug RTL** reported a prime-time audience share of 6.2 per cent among 15 to 34-year-old viewers (2015: 7.3 per cent). The channel's most popular programmes were talk show *Touche pas à mon poste* (9.7 per cent) and *Secret Story* (19.1 per cent).

According to the CIM audience surveys for 2016, which combine all three waves of 2016, Bel RTL and Radio Contact achieved audience shares of 14.4 and 15.4 per cent respectively (2015: 14.4 and 15.0 per cent respectively), among listeners aged 12 years and over. In September 2016, Bel RTL launched a brand new programme schedule that involves listeners even more and gives them the chance to make up their own minds about all kinds of local issues.



**“We are proud that our strategy based on new local productions allowed us to maintain our strong leadership in 2016, despite the enormous enthusiasm for the Red Devils team during the Euro 2016 tournament, which was broadcast on the public channels.”**

**PHILIPPE DELUSINNE**  
CEO, RTL Belgium

#### Digital and diversification activities

In 2016, the number of video views across RTL Belgium's websites decreased to 95 million (2015: 130 million). This decline was notably the result of a technical change that stopped the automatic launch of videos and an increase of users using ad blocking technology. The number of daily visitors to *RTL.be* increased to 290,684 (2015: 287,965). RTL Info is the leading French-speaking news application, with a daily average of 92,861 unique users – twice as many as in 2015 (45,700). The SVOD service, RTL à l'infini, continued to grow strongly – its Series Pass recorded a 26 per cent growth in subscribers, while the whole SVOD service increased its revenue by 11 per cent.

#### French-speaking Belgium audience breakdown

Source: Audimétrie. Target: shoppers 18–54 (17–23h)

2016 (%)



RTL-TVI	26.4
Club RTL	5.2
Plug RTL	4.2
TF1	16.0
La Une	14.0
AB 3	7.1
France 2	4.2
La Deux	6.4
France 3	2.1
Others	14.4

# RTL RADIO (FRANCE)

## Financial results

Throughout 2016, the net radio advertising market in France was estimated to be down 1.9 per cent compared to the same period in 2015. Accordingly, total revenue of the French RTL Radio family decreased to €164 million (2015: €168 million). EBITA was also down at €5 million (2015: €24 million), mainly reflecting the correction of the accounting misstatements from previous years (minus €11 million one-off impact) and accelerated depreciation of assets ahead of the move to new buildings in 2017.

	Year to December 2016 € m	Year to December 2015 € m	Per cent change
Revenue	164	168	(2.4)
EBITDA	11	28	(60.7)
EBITA	5	24	(79.2)



**“In a very challenging market, RTL continues to increase its audience and remains by far the first French station, both in radio and on digital.”**

CHRISTOPHER BALDELLI  
CEO, RTL Radio (France)

## Audience ratings

RTL Radio was the leading station in France for the 13th consecutive year. With the average audience share growing to 12.5 per cent (2015: 11.8 per cent), RTL Radio remained ahead of the next commercial competitors NRJ and Europe 1 by 5.7 percentage points each. At the end of the year (survey covering November/December 2016), with over 6.8 million daily listeners, RTL had reached its second best historical score ever, up 391,000 new listeners compared to the same period in 2015.

The pop-rock station RTL 2 achieved an average audience share of 2.7 per cent in 2016 (2015: 2.6 per cent) and a cumulated audience of 2.5 million daily listeners (2014: 2.4 million).

Following a disputed allegation that Fun Radio had influenced audience results unfairly, Médiamétrie, RTL Radio (France) is not in a position to publish audience shares for Fun Radio for the first part of 2016. Fun Radio was reinstated in the ratings survey from September 2016 and achieved an average audience share of 4.1 per cent for the four last months of 2016 (2015 unavailable) and a cumulated daily audience of 3.5 million listeners, ranking second most popular music station in France on both cumulated audience and audience share.

## Digital and diversification activities

According to the Médiamétrie / NetRatings global study, RTL.fr reached an average of more than 6 million unique visitors per month, maintaining its ranking among the 15 most visited French websites. In 2016, the RTL family of digital brands (RTL, Fun Radio, RTL2, and Girls) grew by 47 per cent on podcast consumption, and by 38 per cent on video streaming, while its social media reach nearly doubled, with an increase of 90 per cent.



# OTHER SEGMENTS

This segment comprises the fully consolidated businesses RTL Klub (Hungary), RTL Croatia (Croatia), RTL Group's Luxembourgish activities, 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 and StyleHaul – bundled in the RTL Digital Hub.

The Hungarian net TV advertising market was estimated to be down 4.5 per cent in 2016. Total consolidated revenue of **RTL Hungary** was up to €104 million (2015: €100 million) mainly due to platform revenue from the main channel, RTL Klub, which could be collected as of July 2016 for the first time. EBITA was down to €12 million (2015: €21 million), mainly because the 2015 EBITA was driven by one-off effects amounting to €10 million such as the partial reversal of a stock valuation allowance and the re-claim of over-paid advertising tax. On a purely operational basis, EBITA was up year-on-year, as lower ad revenue could be compensated by the newly started collection of platform revenue from RTL Klub.

The combined prime-time audience share of the RTL family of channels in the key demographic of 18 to 49-year-old viewers was 34.3 per cent (2015: 36.9 per cent). The prime-time audience share of **RTL Klub** decreased to 18.6 per cent (2015: 20.2 per cent) though the Group's Hungarian flagship channel remained the clear market leader, 8.8 percentage points ahead of its main commercial competitor TV2 (2015: 8.8 percentage points).

During the year, RTL Klub won 304 prime time evenings in the target group (2015: 337 evenings). The most popular programmes were *The X-Faktor* with an average audience share of 28.8 per cent in the target group, the gastro reality show *A Konyhafőnök* (Chef Of The Kitchen) with an average of 24.5 per cent and *Gyertek át!* (Hollywood Game Night) with an average 18.0 per cent. The second season of *Válótársak* (Divorce) was the most-watched weekly series in Hungary in 2016, with an audience share of 20.6 per cent. The main news programme *Híradó* recorded an average audience share of 19.0 per cent (2015: 20.4 per cent).







**“The Hungarian market has gone through numerous changes in 2016 but I think that we have properly responded to the challenges all the time. We are proud that RTL Klub was by far the most watched channel also in 2016, well ahead of TV2.**

**But our biggest milestone last year: introducing a second revenue stream for RTL Klub.”**

GABRIELLA VIDUS  
CEO, RTL Hungary

RTL Hungary’s cable channels achieved a combined prime-time audience share of 15.7 per cent among viewers aged 18 to 49 (2015: 16.7 per cent), even though the competition launched ten new channels in 2016. With a prime-time audience share of 5.3 per cent in the target group (2015: 6.5 per cent), Cool was once again the leading cable channel in Hungary. The channel’s most watched series was *X-Files* with an average audience share of 15.6 per cent. **RTL II** registered stable audience shares in 2016, with the channel’s most popular shows including *ValóVilág powered by Big Brother* (6.4 per cent) and *BeleValó* (5.4 per cent). The most watched programme on **Film Plusz** – which scored an average audience share of 5.1 per cent in the target group (2015: 5.8 per cent) – was *The Expendables 3*, with an audience share of 13.2 per cent.

RTL Hungary’s online portfolio generated a total of 93 million video views of long and short-form content in 2016 (2015: 76 million) – 39 million of which were recorded on the catch-up platform **RTL Most**. With a monthly average of more than 750,000 unique users (2015: 520,000 unique users), RTL Hungary’s online portfolio is the biggest local TV online video portfolio with owned and licensed content.

#### National audience breakdown

Source: AGB Hungary. Target: 18–49 (prime time)

2016 (%)



RTL Klub	18.6
Cool	5.3
Film Plusz	5.1
RTL II	2.7
TV 2	9.8
Viasat 3	3.3
Others	55.2



**“We outperformed the market in terms of audiences, revenues and online activities in 2016 and improved our financial performance as a result. Our aim for 2017 is to continue this growth.”**

**HENNING TEWES**  
CEO, RTL Hrvatska

In Croatia, the TV advertising market was estimated to be up 2.1 per cent, with **RTL Croatia** clearly outperforming the market as increasing audience shares led to increasing prices for advertising on RTL Croatia’s quality content. Accordingly, total revenue of RTL Croatia increased to €38 million (2015: €35 million), while EBITA was up to €2 million (2015: €1 million), reflecting higher advertising revenue.

RTL Croatia’s channels achieved a combined prime-time audience share of 28.6 per cent in the target group of viewers aged 18 to 49 (2015: 27.5 per cent) – an increase of 1.1 percentage points, and the highest level since 2007. The main channel, **RTL Televizija**, recorded a slight decrease in average prime-time audience share to 18.2 per cent (2015: 19.8 per cent), mainly due to popular sporting events such as the Uefa Euro 2016 and the Olympics on competing channels. The year on RTL Televizija started with the broadcast of the Men’s World Handball Championship. On average, the 21 matches broadcast reached an average audience of 28.0 per cent in the target group, while the match between Croatia and Spain drew an audience share of 55.0 per cent. *Ljubav je na selu*, the local version of *The Farmer Wants A Wife*, was a hit in both spring

(average audience share: 30.1 per cent) and autumn (average audience share: 25.5 per cent), while the main news programme, *RTL Danas*, reached an average 19.9 per cent (2015: 22.6 per cent).

**RTL 2** increased its prime-time audience share to 7.4 per cent (2015: 6.5 per cent), thanks to its strong US programming. US sitcoms such as *Big Bang Theory*, and *Two And A Half Men* continued to be a vital part of the channel’s offering, while the channel also introduced docu series such as *Storage Wars*, *Pawn Stars* and *American Pickers* in prime-time. The children’s channel **RTL Kockica** increased its average audience share among children aged 4 to 14 between 7:00 and 20:00 to 19.4 per cent (2015: 16.0 per cent). The channel’s new prime-time line-up – which includes classic sitcoms such as *Alf*, *Allo, Allo* and *You Rang M’Lord?* – resulted in a significant increase in prime-time audience share, reaching 3.0 per cent of the target group of viewers aged 18 to 49 (2015: 1.2 per cent).

July 2016 saw the launch of a seventh channel from RTL Croatia. **RTL Croatia World** is the first channel aimed at Croats living outside Croatia and broadcasts a mix of locally produced news and entertainment shows.

In 2016, RTL Croatia accelerated its digital growth strategy and significantly strengthened its portfolio of websites. By the end of 2016, RTL Croatia’s digital network gathered more than 20 different websites, ranging from its three core brands to female verticals, casual gaming and regional portals. At the same time it increased its total number of page views by 53 per cent and video views by 4 per cent compared to 2015.

**National audience breakdown**

Source: AGB Nielsen Media Research. Target: 18–49 (prime time) 2016 (%)



<b>RTL Televizija</b> .....	<b>18.2</b>
<b>RTL 2</b> .....	<b>7.4</b>
<b>RTL Kockica</b> .....	<b>3.0</b>
Nova .....	26.6
HTV 2 .....	9.2
HTV 1 .....	7.8
Doma .....	7.5
Others .....	20.3

In 2016, RTL was once again the leading media brand in the Grand Duchy of Luxembourg. Combining its TV, radio and internet activities, the **RTL Luxembourg** media family achieved a daily reach of 83.8 per cent (2015: 85.0 per cent) of all Luxembourgers aged 12 and over.

**RTL Radio Lëtzebuerg** is the station listeners turn to for news and entertainment, with 194,100 tuning in each weekday (2015: 195,200).

The TV channel **RTL Télé Lëtzebuerg** attracts 146,100 viewers each day (2015: 144,200), representing a prime-time audience share of 49.8 per cent of Luxembourgish viewers aged 12 and over, Monday to Friday, 19:00 to 20:00 (2015: 47.6 per cent).

**RTL.lu** continues to be the country's most visited website, with a daily reach of 37.5 per cent among Luxembourgers aged 12 and over (2015: 36.8 per cent). With the re-launch of the *5minutes.lu* website and applications in 2015, RTL Luxembourg strengthened its position in the French-speaking market in Luxembourg and beyond.

In 2016, RTL Télé Lëtzebuerg maintained its high audience figures by strengthening its focus on local news, sports, culture and current affairs. The total airtime for live coverage of international sporting events has again been extended, in particular for world leading cycling races and major football competitions such as Champions' League matches or the European Qualifiers.

RTL Luxembourg	DAILY REACH
Source: TNS-ILRes Plurimedia 2016-II, Target: 12+	2016 (%)
RTL Radio Lëtz.	52.7
RTL Télé Lëtz.*	38.6
RTL.lu	37.5
<b>RTL Luxembourg</b>	<b>83.8</b>

\*Including Den 2.ten RTL & RTL TV via Internet

In 2016, **Broadcasting Center Europe** (BCE) prepared to move the technical infrastructure to RTL Group's new Corporate Centre, RTL City. With the goal of maintaining its technological edge, BCE seized the opportunity to migrate to a full IP-based architecture, and to install a state-of-the-art playout



**“In 2016, RTL was once again the leading media brand in the Grand Duchy of Luxembourg, reaching 83.8 per cent of the Luxembourgish population every day.”**

**ALAIN BERWICK**  
CEO, RTL Luxembourg until 31 December 2016

and IT infrastructure. BCE also finalised its new teleport in Junglinster (Luxembourg), which provides broadcasters with direct access to numerous satellites for worldwide coverage. The site is connected to both RTL City and BCE's telecom network.

In Croatia, BCE installed a file-based production system for HRT, the national public service broadcaster. Without changing the customer's complete workflow, the new production asset management system offers new possibilities for HRT in the future.

The newly founded BCE France, located in Paris, worked on the mass digitisation of HBS Professional Football League archives. HBS selected BCE's Digital Media Operations to digitise, screen and transcode its content.

Outside Europe, BCE connected ENEX into the Middle East with Al Arabiya thanks to its newsroom and news distribution system: Newslink. Al Arabiya is part of the MBC Media Group based in Dubai. MBC is the region's leading privately owned television company, with 23 different channels serving its audience on free-to-air and subscription-based channels.



**“In 2016, we continued to shape the transformation process that will enrich linear programmes by interactive, mobile and user-centred offers. With this strategy we are creating a new approach to radio in the digital world that will make our content even more special: anything, anywhere, anytime.”**

**GERT ZIMMER**  
CEO, RTL Radio Deutschland

**RTL Radio Deutschland** reported increased revenue of €53 million in 2016 (2015: €51 million), while EBITA was up to €9 million (2015: €8 million). Revenue increased due to an outstanding national and regional sales performance, despite a loss in reach in 2016.

Radio usage in Germany was slightly up, reaching 78.7 per cent of the adult population (up 1.3 percentage points) and 77.0 per cent of listeners aged 14 to 49 (up 0.4 percentage points) each day, while average net reach per hour among listeners aged 10 and above decreased by 2.4 per cent. RTL Group’s German radio portfolio performed slightly below the market (down 3.0 per cent), mainly resulting from a disproportionate loss of reach in the federal states of Lower Saxony and Saxony-Anhalt, which affected the local stations.

Berlin-based radio station, **104.6 RTL**, celebrated its 25th anniversary in 2016. In Germany’s most competitive radio market, Berlin, which has a total market of around 30 FM stations, 104.6 RTL remained the clear market leader. The youth station of RTL Radio Center Berlin – **93.6 Jam FM** – increased strongly (up 10.6 per cent, net reach per hour among listeners aged 10 and over).

Germany’s most popular radio station, **Antenne Bayern**, maintained its high reach with 1.2 million listeners per day. Audience figures for **Radio Hamburg** also remained stable and the station retained its market leadership.

**Radio NRW**, the broadcaster providing programme components for the local radio stations in North Rhine-Westphalia, recorded slight growth, reaching 1.6 million listeners per day (up 1.1 per cent).

With the foundation of the Digital Media Hub (DMH) at the beginning of 2016, RTL Radio Deutschland is taking a significant step into the digital future. The digital unit is a strategic and technical partner for radio stations. DMH bundles the online development activities of various stations from the radio portfolio and creates a central technological platform.

At the end of 2016, RTL Group’s German radio portfolio comprised investments in 17 stations, most of which are minority holdings because of constraints in media ownership in Germany. In total, these stations reach more than 23 million listeners each day (2015: 23 million), and have a combined average audience of approximately 4.8 million listeners per hour (2015: 4.9 million).

**Atresmedia** in Spain: The Spanish TV advertising market increased by an estimated 5.5 per cent in 2016. The Atresmedia family of channels achieved a combined audience share of 29.7 per cent in the new commercial target group of viewers aged 25 to 59 (2015: 29.2 per cent). The main channel, **Antena 3**, recorded an audience share of 12.8 per cent (2015: 13.5 per cent) in the commercial target group.

On a 100 per cent basis, consolidated revenue of Atresmedia was up 5.2 per cent to €1,021 million (2015: €970 million), while operating profit (EBITDA) increased to €202 million (2015: €166 million) and net profit was €129 million (2015: €99 million). The profit share of RTL Group was €25 million (2015: €19 million).

#### National audience breakdown

Source: TNS Sofres. Target: 16–54

2016 (%)



<b>Antena 3</b> .....	<b>12.8</b>
<b>Atresmedia digital channels</b> .....	<b>8.8</b>
<b>La Sexta</b> .....	<b>8.1</b>
Telecinco .....	13.5
TVE 1 .....	8.8
Cuatro .....	7.6
Forta .....	5.3
Others .....	35.1

#### RTL Digital Hub

In June 2015, RTL Group announced the creation of the RTL Digital Hub, a new unit bundling the company's investments in the online video segment, in particular BroadbandTV, StyleHaul and SpotX. RTL Digital Hub also includes the BroadbandTV subsidiary YoBoHo and the shareholdings in Clypd – a company specialising in the automated sale of TV advertising – and VideoAmp – a platform for cross-screen data optimisation.



**“We’re seeing a continuing expansion and sophistication of automated monetisation in the video space as publishers look for ways to maximise their video yield.”**

**MIKE SHEHAN**  
CEO, SpotX

**SpotX**, an inventory platform for premium publishers and broadcasters, is building solutions to help monetise inventory across all screens and all streams. SpotX continued to grow strongly in 2016, with global headcount up 26 per cent and a 18 per cent increase in net revenue year on year. The company continues to work closely with RTL Group to leverage synergies and shared knowledge as the business expands into Europe and Asia-Pacific. More than 12 billion video ad calls are processed daily via SpotX as of December 2016 (2015: 7.5 billion). Throughout the year, SpotX registered 180 million ad impressions served on a daily basis (2015: 175 million).

Thanks to an agreement with Newsy, SpotX became one of the first companies to monetise via Apple's TVOS in 2016. Newsy helps advertisers target millennials who watch its video news reports on Connected TV, desktop and mobile devices. The Apple TV app by Newsy was named a “Best of 2015” app by Apple. SpotX also signed agreements with companies including LiveRamp, Mediacorp, Gameloft Advertising Solutions and Anypoint Media. The partnership with Anypoint Media will bring addressable programmatic TV to the JAPAC region at the household level for the first time.





**“We’re now the number one distributor of short form video content. Our vision is to build one of the world’s strongest ecosystems in online video, which is a combination of operating strong brands, producing captivating content, innovating leading technologies, and smart distribution and monetisation across the board.”**

**SHAHRZAD RAFATI**  
Founder & CEO, BroadbandTV

In 2016, **BroadbandTV** became the largest global multi-channel network (MCN) on YouTube worldwide. BroadbandTV now leads the MCN market in unique views, total impressions, and total minutes watched. Throughout the year, BroadbandTV registered a total of 206 billion video views – up 246 per cent from 2015, while revenue increased 131 per cent year on year.

In 2016, BroadbandTV and The National Basketball Association (NBA) announced the launch of NBA Playmakers, a groundbreaking community for video creators focused on basketball and basketball culture. The first-of-its-kind millennial video network gives the creator community and NBA fans the chance to produce basketball-related content and share it across the NBA Playmakers network, which spans YouTube, the NBA’s digital assets, and other platforms.

The company also continued its content licensing success with major SVOD platforms, and announced a partnership with Netflix, the world’s largest streaming-subscription service. The partnership includes Netflix licensing content from BroadbandTV’s kids and family brand, HooplaKidz, following an original content partnership with Amazon.



**“We’ve seen great growth and success in 2016 through the diversification of StyleHaul’s verticals, tremendous developments in product and data, and continued advancements in large brand partnerships and original programming.”**

**STEPHANIE HORBACZEWSKI**  
Founder & CEO, StyleHaul

**StyleHaul** continues to be the leading global network for fashion, beauty and women’s lifestyle content with 5,000 creators and a community of over 500 million fans across four social platforms. In 2016, StyleHaul registered a total of 25.2 billion views – up 60.1 per cent compared to 2015 (15.7 billion video views). Revenue increased by 54 per cent year on year.

StyleHaul launched two new verticals in 2016 to answer the growing demand for millennial mums and men’s style content from both the creator and advertiser communities. The millennial mums’ vertical consists of roughly 900 StyleHaul creators that produce motherhood and family content, driving 40 million monthly views, while Hauk, the men’s style vertical, generates over 1 billion views each month with content from 70 leading male creators.

In May 2016, StyleHaul held its second NewFronts presentation, announcing its second scripted series, *Relationship Status*, distributed on Verizon’s new platform, go90. An official selection at the 2016 Tribeca Film Festival, *Relationship Status* is an ensemble dramedy that follows millennials as they experience the highs and lows of dating in the digital and social media age.

# NON-FINANCIAL INFORMATION

## CORPORATE RESPONSIBILITY (CR)

RTL Group believes that CR adds value not only to the societies and communities it serves, but also to the Group and its businesses. Acting responsibly and sustainably enhances the Group's ability to remain successful in the future. In 2016, RTL Group adopted a new Mission Statement, which defines what the Group does, what it stands for and how RTL Group employees communicate, both with the outside world and with each other. It also includes a commitment to embrace independence and diversity in the Group's people, content and businesses, demonstrating that CR is integral to the Group's mission. RTL Group believes it is important to have a set of guiding principles and values.

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

RTL Group's CR activities focus primarily on the following issues: editorial and journalistic independence, protection of media users and customers, donations and aid projects, education and training for employees, workplace diversity and fair working conditions. These issues were identified in a materiality analysis conducted in 2014 in close consultation with Bertelsmann, the Group's majority shareholder. Although the analysis did not deem environmental and climate protection to be among the most material issues for RTL Group, the Group is nevertheless strongly committed to this issue and therefore includes it in this chapter.

RTL Group's Corporate Responsibility Report 2016 provides more details about the materiality analysis and its findings. The analysis will be updated in 2017. The above-mentioned material issues provide

the structure for the CR Report 2016, part of the RTL Group Annual Report 2016. The CR Report provides a comprehensive overview of the Group's CR strategy and initiatives as well as the results achieved. The following paragraphs of the Directors' report supplement the CR Report with all of the disclosures of non-financial and diversity information required by the European Directive 2014/95/EU and by the provisions of the law of 23 July 2016 regarding the publication of non-financial and diversity information in Luxembourg. Charitable donations, aid projects and product diversity are not directly relevant to this directive and are therefore disclosed in RTL Group's CR Report 2016 only.

RTL Group's Annual Report 2017, which will be published in 2018, will include a reference to a separate non-financial statement. The statement, which will be published on RTL Group's website (*RTLGroup.com*) by 30 June 2018, will consist of all legally mandated non-financial disclosures.

### Compliance

Violating laws and regulations is not only inconsistent with RTL Group's values; it is also damaging for the Group's business. Non-compliance may pose risks to RTL Group's reputation, impede its ability to achieve strategic objectives, endanger its business success, and can expose its people to criminal or civil actions. Responsible and ethical behaviour towards RTL Group's audiences, employees, advertisers, business partners, the creative community as well as government agencies and regulators, is therefore integral to the Group's value system. The RTL Group Code of Conduct sets binding minimum standards for responsible behaviour for everyone at RTL Group. It includes a decision-making guide that clarifies how to comply with RTL Group standards in cases of doubt.

The Audit & Compliance department designs and implements RTL Group's Compliance Management System and provides support and assistance on compliance matters. It also reports regularly to RTL Group's Audit Committee (see p. 61) and the Corporate Compliance Committee on any compliance matters that have arisen. Profit centres are required to report significant compliance incidents to RTL Group's Audit & Compliance team.

RTL Group's Compliance Management System can only be effective if employees are familiar with the



principles of the Code of Conduct and put them into practice. The Group therefore provides regular compliance training and takes steps to make employees aware of emerging fraud and corruption issues. In 2016, 4,400 people – 47.5 per cent of the Group's permanent workforce – completed compliance training (900 received classroom training, 3,500 received online training). In the 2016 employee survey, 78 per cent of respondents stated that they feel well informed about the Code of Conduct (the Group conducts an employee survey every three years; the participation rate in 2016 was 85 per cent).

If employees have questions about compliance issues or need to report a suspected violation, they can talk to their supervisor, a senior manager, or any of the following RTL Group departments: HR, Legal, Finance, or Audit & Compliance. Employees and external stakeholders wishing to remain anonymous can contact the RTL Group compliance team by means of a secure, anonymous web-based system. They can also contact an independent ombudsperson, who is bound by an obligation of confidentiality. English-speaking ombudspersons can be contacted from anywhere in the world, or written to in any language.

RTL Group strives to resolve compliance issues as quickly and equitably as possible, as well as in accordance with applicable laws and regulations. The persons handling the case listen carefully to the individual reporting the issue – first to ensure a thorough understanding and second to determine the best approach to take. They will find out all the relevant measures that would appear to be appropriate, including safeguarding the rights of the accused.

#### **Business partner principles**

RTL Group's commitment to responsible and ethical business conduct extends to its business partners. In 2016, the Group articulated this commitment in the RTL Group Business Partner Principles, which set minimum standards for responsible business relationships. RTL Group encourages its business partners and any entities or individuals they hire to work for, or on behalf of, to be familiar with these minimum standards and to comply with them. If business partners or their stakeholders have questions about the Group's standards or want to report a violation, they can contact the RTL Group compliance team directly or, if they wish to remain anonymous, by a secure, anonymous web-based system. They can also contact an independent ombudsperson.

#### **Anti-corruption**

RTL Group takes a zero-tolerance stance to any form of corruption. This stance is codified in RTL Group's Anti-Corruption Policy. RTL Group condemns all forms of corruption and bribery. Offering or accepting a bribe of any kind to or from any person in either the public or private sectors is strictly prohibited. These standards can only be attained and maintained through the actions and conduct of everyone at RTL Group. It is the obligation of all employees to conduct themselves in a manner that ensures these standards are maintained.

A violation of any anti-bribery law can have severe legal consequences. For RTL Group, consequences can include civil and criminal prosecution, penalties and fines, debarment from government contracts, loss of export or other business licenses, loss of revenue and reputational risks. Employees, too, may face severe consequences for violations, including disciplinary measures that could include termination (as provided by, and in accordance with, local labour laws), civil and criminal prosecution, fines and penalties, potentially including incarceration.

This policy is fully endorsed by RTL Group's Executive Committee and Board of Directors. RTL Group considers a breach of this policy as a serious offence. Any violation will result in disciplinary action, which could include dismissal of an individual in appropriate circumstances, as provided by and in accordance with local labour laws.

To ensure employees are aware of this policy and its principles, RTL Group conducts regular training sessions. In addition, the RTL Group compliance team regularly shares knowledge about the risks of corruption and fraud, as well as good practices to mitigate these risks, with the Group's profit centres.

In 2016, RTL Group received no reports of alleged violations involving anti-corruption and bribery matters.

#### **Information security and data protection**

Information and information systems are vitally important assets to RTL Group. RTL Group has an information security policy that describes the security and control expectations for RTL Group IT systems as well as the responsibility of users of RTL Group IT systems. All organisational units must ensure all users of RTL Group IT systems adhere to this policy. Any infringements are to be dealt with appropriately as determined by each organisational unit. To ensure employees are aware of the information security policy and its principles, RTL Group conducts regular training sessions.

RTL Group initiated a new IT security awareness training module in July 2016. 510 employees participated in this module by the end of 2016.

RTL Group's IT Governance Committee (ITGCo) is responsible for ensuring the Group adopts a thorough and structured approach to IT governance. Members of the ITGCo are RTL Group's CFO, Deputy CFO, Head of Group IT and IT representatives of the three largest business units as well as a representative from RTL Group's Audit & Compliance department. Its mission is to align IT and the business and to identify and mitigate IT-related risks. It convenes three times a year. As part of the overall risk management, Group IT runs a yearly assessment of the IT risks to identify mitigation measures and gain management approval on new IT security investments. Group IT organises information security workshops and IT Integration Days. The purpose was to communicate the corporate IT vision, strategy, policies and related compliance processes.

RTL Group collects, retains, uses and transmits personal data relating to employees, customers and third parties with great care and sensitivity and in compliance with applicable laws and regulations. RTL Group's commitment to data protection is stated explicitly in the Group's Code of Conduct and its information security policy. All organisational units are committed to protecting personal data pertaining to clients, suppliers and employees. RTL Group personnel involved in collecting, retaining, using or transmitting personal data receive guidance and support from the RTL Group legal team and data protection officers. In April 2016, the European Union adopted the General Data Protection Regulation (GDPR). The GDPR, which will take effect in all member states in May 2018, is intended to strengthen and unify data protection for individuals in the EU through a range of new or stricter requirements.

RTL Group will update its existing policies and will also introduce new policies to comply with the GDPR. RTL Group is a decentralised and diversified media company. Each of RTL Group's business units is therefore responsible for taking measures to ensure it complies with the GDPR's requirements. This process is steered and monitored by the RTL Group Corporate Legal team together with the Audit & Compliance team. In 2016, RTL Group established a Privacy Office in Luxembourg with a mission to implement the necessary steps to ensure compliance with the GDPR in Luxembourg and to preserve and enhance privacy protection for all individuals whose personal data are handled by RTL Group's Luxembourg-based businesses.

### **Respect for human rights**

Respect for human rights is an integral part of RTL Group's Code of Conduct. RTL Group respects the dignity and individual rights of its employees and of third parties it has business relations with. The Group also respects employees' right to freedom of association and collective bargaining. RTL Group condemns forced or child labour and any form of exploitation or discrimination, and complies fully with applicable laws.

Moreover, being a media company enables RTL Group to play a crucial role in supporting people's right to freedom of opinion, self-expression and information – across all media and frontiers. This role brings with it the responsibility to operate ethically and to maintain editorial and journalistic independence in news gathering and distribution. This independence is the foundation of RTL Group's publishing, broadcasting and news reporting, and is exemplified by the editor-in-chief principle. Under this principle, all editorial decisions are made solely by the editor-in-chief without any interference from senior management, thereby ensuring journalistic independence across RTL Group. This principle is stated explicitly in RTL Group's Code of Conduct, new Mission Statement and the RTL Group Newsroom Guidelines. In 2017, RTL Group plans to revise these guidelines, which were established in 2012.

More broadly, Bertelsmann has formed a working group on press freedom and journalistic and editorial independence. This group consists of members of RTL Group's management and editorial staff, as well as of other Bertelsmann divisions and is chaired by RTL Group's CR Chairman. It meets annually to share ideas and information about matters ranging from the editorial independence of advertising clients to the obligation to maintain free speech even in the face of harsh public criticism.

Editorial and journalistic independence is a crucial facet of RTL Group's ability to attract talented journalists, to maintain its reputation as a trusted and impartial news source, and to minimise complaints and legal issues. If viewers and listeners begin to question this independence, they may turn to competing news sources. Maintaining editorial and journalistic independence is therefore essential for the sustainability of the Group's news operations and for long-term business success.

## Employees

RTL Group's business is a people business, built on employees' creativity and dedication. Attracting and retaining the right talent at every level, from individual contributors to executives in creative and management roles, as well as popular entertainers for the Group's content across all platforms (linear TV channels, radio stations and digital non-linear services), is necessary for avoiding disruptions in the conduct of a thriving and successful business that aims at achieving its strategic targets. To remain an attractive employer and a successful media company, the Group needs to reflect the audiences it informs and entertains, ensure equal opportunity and provide an inclusive and enjoyable workplace. In 2016, RTL Group reinforced these commitments in a new Diversity Statement, which it expects all RTL Group companies to comply with. If employees have questions about diversity issues, or need to report a suspected violation, they can use the same reporting channels as for compliance issues. These efforts have met with success: in 2016, 83 per cent of employees who took the employee survey stated that they enjoy their work and 85 per cent that RTL Group provides a work environment in which people from different backgrounds and cultures feel included and valued.

RTL Group is committed to the International Labour Organisation's eight fundamental conventions as a matter of course. The Group's corporate culture is founded on fairness, partnership, mutual trust and commitment. The company, its employees and their representatives work together for mutual benefit. If, after careful consideration, management decides on staff reductions, these are implemented in a socially responsible manner, while engaging in a constructive dialogue with the respective employee representatives. RTL Group also respects employees' rights to freedom of association and collective bargaining. Employee representatives may not be hindered in the exercise of their duties or discriminated against in any way.

Another aspect of RTL Group's commitment to its employees is to foster their development, and for pay to be fair and not gender-discriminating. As the business shifts from national to global structures, professional growth is facilitated by internal and international mobility. This broadens employees' competencies, cultural horizons, and understanding of the Group's various business models, working cultures and leadership styles. In 2014, RTL Group compiled a 'mobility pool' of about 200 employees eager to work abroad. The Group reviews potential candidates from the pool before recruiting outside candidates. As of 30 June 2016, 77 employees had

taken assignments, ranging from short-term to permanent, at an RTL Group subsidiary in another department, business unit or country. Mobility Ambassadors at the Corporate Centre and at the Group's business units support this process and serve as the contact point for interested employees. To increase transparency across the broader organisation, RTL Group and Bertelsmann combine their vacancies and post them on their intranets *Backstage* and *Benet*. In the years ahead, the Group intends to create a unified Group-wide job board for the *Peoplenet* platform – a common HR platform for all business units.

Remuneration at RTL Group is based on objective criteria in line with market standards and statutory requirements. The same applies to the remuneration of freelancers and temporary staff, ensuring that such labour relationships do not compromise or circumvent employee rights. To promote employees' development, the Group conducts talent management and succession planning as well as training programmes, also in collaboration with Bertelsmann University.

As a responsible employer, RTL Group complies with applicable health and safety laws and regulations. The Group strives to preserve a safe, healthy and gratifying working environment and reports that x per cent of the respondents to the 2016 employee survey said that they are able to maintain a healthy work-life balance.

## Environmental protection

RTL Group is a media company with no industrial operations. It therefore does not consume significant amounts of raw materials or fossil fuel and is not a major polluter. Consequently, environmental and climate protection are not among the most material aspects of the Group's CR effort.

Nevertheless, RTL Group strives to conserve natural resources and to minimise its impact on the environment and the earth's climate. This applies in particular to the consumption of electricity, which is responsible for most of the Group's carbon emissions. RTL Group therefore continually looks for ways to reduce the amount of electricity used to air-condition the Group's office buildings, studios and data centres and to power broadcast equipment and data servers. Since 2008, RTL Group has measured and published its carbon footprint<sup>36</sup> every two years, and annually since 2015. In 2010, the Group set a target of reducing its annual carbon emissions by 20 per cent by 2020 relative to a 2008 baseline of 72,738 tonnes (including scope 1, 2, and 3 (only business travel)<sup>37</sup>).

<sup>36</sup> The carbon footprint describes the amount of greenhouse gas emissions arising from the production, procurement, and transformation of electrical energy, cooling and heating energy, and fuels. The assessment takes into account and weights the global warming potential of the most important greenhouse gases: carbon dioxide (CO<sub>2</sub>), methane (CH<sub>4</sub>), and nitrous oxide (N<sub>2</sub>O). The carbon footprint is thus expressed in CO<sub>2</sub> equivalents (CO<sub>2</sub>e).

<sup>37</sup> In accordance with the Greenhouse Gas Protocol, the emissions are categorised into three different scopes. Scope 1 includes the direct emissions from RTL Group, such as those resulting from its own power generation. In Scope 2, emissions arising indirectly from the generation of purchased electricity and heat are listed. In addition, an optional declaration is provided for the Scope 3 emissions, which are those that occur throughout the whole value chain and cannot be directly influenced by RTL Group.

The total amount of carbon emitted by RTL Group in 2015 was 54,800 tons<sup>38</sup>, a reduction of 25 per cent compared to 2008 levels due to local investment in energy-saving measures and the general improvement in business units' infrastructure. The decrease of 25 per cent is partly related to a change in reporting – from a 'location-based' approach to a 'market-based' approach. Accordingly, RTL Group takes the specific emissions from the electricity supply contract instead of the national grid average. Without that change, emissions would only be 11 per cent lower compared to 2008.

RTL Group's main environmental indicators are shown in the table below. The Group's reporting is based on the Global Reporting Initiative's G4 sustainability reporting guidelines.

### Environmental indicators according to GRI G4

Materials	Unit	2014	2015	Per cent change
<b>EN1 Paper (total purchase volume)</b>	t	180	<b>170</b>	(6)
<b>EN2 Paper, sustainable paper</b>	t	130	<b>120</b>	(8)
Percentage of sustainable paper	%	72	<b>71</b>	(1)
Energy	Unit	2014	2015	Per cent change
<b>EN3 Total energy</b>	MWh	134,100	<b>131,900</b>	(2)
Electricity	MWh	93,100	<b>92,000</b>	(1)
Thermal	MWh	23,800	<b>22,800</b>	(4)
Energy from fuels	MWh	17,100	<b>17,100</b>	
<b>EN5 Energy intensity</b>	KWh/€	0.03	<b>0.03</b>	
<b>EN6 Reduction of energy consumption</b>	%		<b>(2)</b>	
Water	Unit	2014	2015	Per cent change
<b>EN8 Total fresh water</b>	m <sup>3</sup>	1,895,700	<b>2,052,800</b>	+8
from company wells	m <sup>3</sup>	1,759,500	<b>1,894,000</b>	+8
from public supplies	m <sup>3</sup>	136,200	<b>158,800</b>	+17
Greenhouse gas (GHG) emissions	Unit	2014	2015	Per cent change
<b>EN15 Direct GHG emissions (scope 1)</b>	t	9,600	<b>8,800</b>	(8)
<b>EN16 Indirect GHG emissions (scope 2 – location-based)</b>	t	35,800	<b>42,400</b>	+18
Indirect GHG emissions (scope 2 – market-based)	t	33,900	<b>32,500</b>	(4)
<b>EN17 Other indirect GHG emissions (scope 3)</b>	t	18,400	<b>20,100</b>	+9
Business travel	t	12,400	<b>13,500</b>	+9
Paper	t	200	<b>200</b>	
Employee commute	t	5,800	<b>6,400</b>	+10
<b>EN18 GHG emissions intensity (scope 1, 2 – location-based, 3)</b>	kg/€	0.013	<b>0.014</b>	
<b>EN19 Increase of GHG emissions (scope 1, 2 – location-based)</b>	%	–	<b>9</b>	
Effluents and waste	Unit	2014	2015	Per cent change
<b>EN22 Total water discharge</b>	m <sup>3</sup>	1,894,600	<b>2,052,800</b>	(8)
<b>EN23 Total weight of waste</b>	t	2,200	<b>1,800</b>	(18)
of that amount, hazardous waste	t	32	<b>2</b>	(94)
of that amount, disposable	t	1,400	<b>1,100</b>	(21)
of that amount, recyclable	t	800	<b>700</b>	(13)
<b>RTL Group Coverage 2015</b>		<b>Total</b>	<b>Covered</b>	
Revenue RTL Group		<b>6,029,000,000</b>	<b>83%</b>	
Average number of full-time equivalent employees (Q1–Q4)		<b>10,325</b>	<b>76%</b>	

<sup>38</sup> Emissions data for purchased paper and employee commuting are reported since 2014. These were not part of the target setting approach and thus are excluded here.

## INNOVATION

RTL Group's innovation management is focused on three core topics: developing and acquiring new, high-quality TV formats; using all digital means of distribution; and expanding diverse forms of marketing and monetisation. RTL Television focuses on locally produced, creative content, supported by a dedicated programme development department. Over the next few years the Group expects to see early results in its programming. Elsewhere, Mediengruppe RTL Deutschland worked with NBC Universal and TF1 to co-produce original US-style procedural TV dramas – the first time European broadcasters have partnered with a major US media company for a deal of this nature. The first project evolving from this partnership – the thriller series *Gone* – was announced in November 2016. The highly acclaimed series *The Young Pope* – produced by FremantleMedia's Wildside for Sky, HBO and Canal Plus – celebrated its world premiere at the Venice Film Festival. FremantleMedia North America's adaptation of Neil Gaiman's acclaimed contemporary fantasy novel, *American Gods*, will premiere on the US pay-TV channel Starz in April 2017.

In 2016, RTL Group enhanced and strengthened its position in the growing online video market, with a focus on aggregation and monetisation. Online video advertising is currently the fastest-growing segment in digital advertising, driven by programmatic video advertising. This business is

especially based on technological expertise. In spring 2016, Mediengruppe RTL Deutschland acquired Smartclip, which bundles the online video advertising inventory of 700 publishers worldwide, and manages the integration and delivery of video advertising to all internet-connected devices. As a strong sales house and technological innovator, Smartclip also creates solutions for Connected TV and multiscreen advertising. Smartclip complements RTL Group's investments in digital advertising sales, in particular SpotX – one of the world's leading platforms for programmatic online video advertising.

FremantleMedia founded more dedicated digital studios in 2016, including Tiny Riot in the Netherlands, and produces original web content such as the Facebook series *Confessions – It's Complicated* in India.

Synergy Committees and the RTL Digital Hub are used for exchanging information and knowledge at RTL Group. In the age of digitalisation, the role of 'big data' – in the form of cookies, clusters or cross-device analytics – is becoming ever more prominent. The aggregation and exploitation of data is becoming increasingly more important for RTL Group, its advertising customers and ultimately consumers. With this in mind, Mediengruppe RTL Deutschland created the role of Head of Smart Data – reporting directly to the Chief Strategy Officer – in July 2016.

## SIGNIFICANT LITIGATIONS

Provisions for litigations correspond to the Group's best estimate of the expected future cash outflow related to disputes arising from the Group's activities (see note 8.13.1 to the consolidated financial statements).

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

Several subsidiaries of the Group are being sued by broadcaster RTL 2 Fernsehen GmbH & Co. KG and its sales house El Cartel Media GmbH & Co. KG before the regional court in Düsseldorf in Germany seeking disclosure of information in order to substantiate a possible claim for damages. The proceedings succeed the imposition of a fine in 2007 by the German Federal Cartel Office for the abuse of market dominance with regard to discount scheme agreements ("share deals") IP Deutschland GmbH and SevenOne Media GmbH granted to media agencies. The German Federal Cartel Office argued that these discounts would foreclose the advertising market for small broadcasters. In 2014, the court of Düsseldorf decided to order an expert report. The expert has not yet rendered his report. Similar proceedings of other small broadcasters initiated in different courts were unsuccessful or have been withdrawn.

Brandi Cochran was employed as a model on the television series *The Price Is Right* from July 2002 until February 2010 and was claiming wrongful termination and other allegations due to her gender and pregnancy. Her claim was brought against

FremantleMedia North America ("FMNA"). The Court entered judgment in January 2013 and awarded her damages in the amount of USD 9 million (compensatory damages of USD 1 million and punitive damages of USD 8 million; subject to interest at the rate of 10 per cent per annum until paid) plus attorney's fees. FMNA appealed the verdict. FMNA also filed a post-trial motion for a new trial, which was granted in March 2013 (and the verdict was vacated). In December 2014, the Appellate Court remanded the parties for a new trial, which was set to begin in April 2016. However, in February 2016, the parties reached a settlement agreement, which resolved this matter. The related cash-out in 2016 was USD 3 million, net of insurance reimbursement, without significant impact on the income statement.

In June 2016, the main competitors of Fun Radio alleged that a host of the morning show had influenced Fun Radio's audience ratings by encouraging his listeners to give favourable treatment to Fun Radio in the Médiamétrie surveys. In response to these allegations, Médiamétrie called a special committee, which ultimately decided to remove Fun Radio from Médiamétrie's survey to be published in July 2016. Following a legal procedure initiated by Fun Radio, Médiamétrie was required to reinstate Fun Radio in the ratings surveys as from September 2016 but, since then, decided to lower Fun Radio's audience results, arguing a possible "halo effect". Thereafter, Fun Radio initiated a procedure to challenge the scientific reliability of the Médiamétrie calculation. In December 2016, the main competitors of Fun Radio also filed a claim for damages, claiming unfair competition.

# CORPORATE GOVERNANCE

## **Principal risks and uncertainties**

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

## **Corporate governance statement**

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

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

## **1. SHAREHOLDERS**

Following the Extraordinary General Meeting held on 25 May 2016, 44,748 shares have been cancelled as a result of the application of the Immobilisation Law of 28 July 2014. Consequently, the reduced share capital is set at €191,845,074, which is divided into 154,742,806 fully paid up shares with no par value.

As at December 2016, Bertelsmann held 75.1 per cent of RTL Group SA shares, and 24.1 per cent were publicly traded. The remaining 0.8 per cent were held collectively as treasury stock by RTL Group and one of its subsidiaries (see note 8.15.12 to the consolidated financial statements).

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

at least one tenth of the Group’s capital, and the Annual General Meeting of Shareholders is held on the third Wednesday of April at 15:00. If this day is a public holiday, the meeting will be held on the next business day at the same time.

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

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

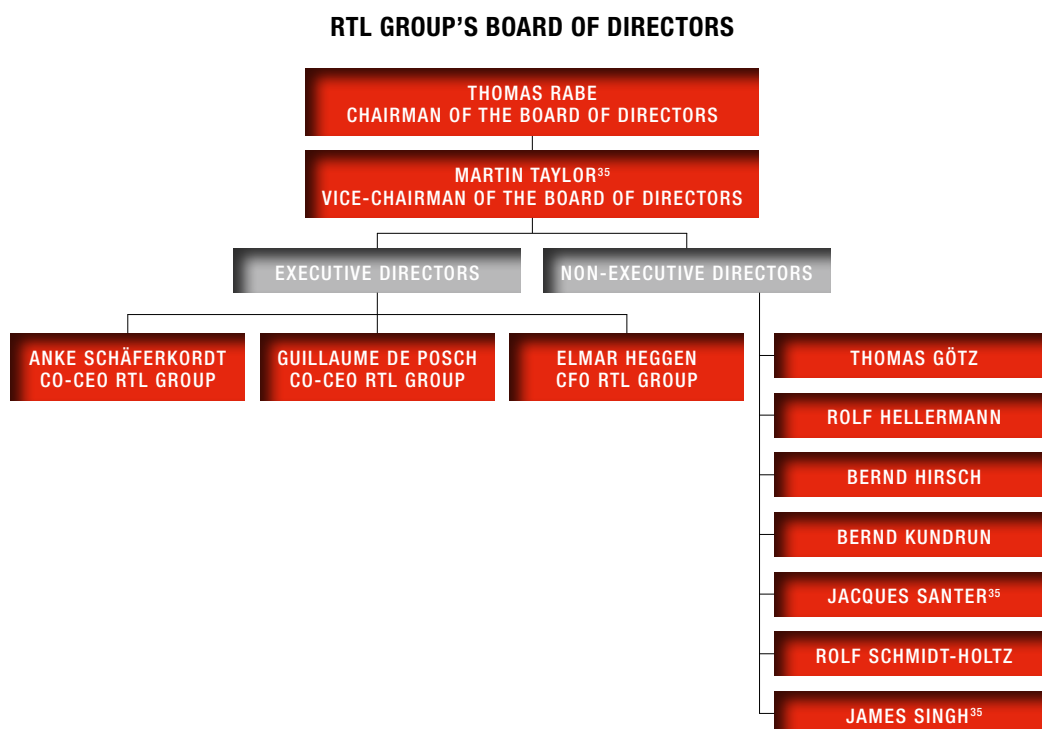


## 2. BOARD AND MANAGEMENT

### Board of Directors

On 31 December 2016 the Board of RTL Group SA had 12 members: three executive directors, and nine non-executive directors. On 20 April 2016, Bernd Hirsch was appointed as Non-Executive Director to RTL Group's Board of Directors for a term of two years, to expire at the end of the Ordinary General Meeting of Shareholders ruling on the 2017 accounts. Likewise, the term of office of the other executive

and non-executive directors will expire at the end of the Ordinary General Meeting of Shareholders ruling on the 2017 accounts. Three of the non-executive directors – Jacques Santer, James Singh and Martin Taylor – are independent of management and other outside interests that might interfere with their independent judgement.



Martin Taylor was appointed under the criteria of independence of the London Stock Exchange, before RTL Group adopted the Ten Principles of the Luxembourg Stock Exchange. Jacques Santer and James Singh are independent directors, and both meet the current criteria of independence of the Ten Principles of the Luxembourg Stock Exchange.

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

The responsibility for day-to-day management of the Group is delegated to the Chief Executive Officers ("CEOs"). The Board has a number of responsibilities, which include approving the annual Group's budget, overseeing significant acquisitions and disposals, and managing the Group's financial statements. The Board of Directors met four times in 2016 – with an average attendance rate of 97.9 per cent – and adopted some decisions by circular resolution. An evaluation process of the Board of Directors' activities, and the activities of its committees, was carried out in 2014 and will recur in 2017.

<sup>35</sup> Independent Director

Individual attendance of the members of the RTL Group Board of Directors	Participation in meetings	Attendance
Thomas Rabe (chairman)	4/4	100 %
Martin Taylor	4/4	100 %
Anke Schäferkordt	4/4	100 %
Guillaume de Posch	4/4	100 %
Elmar Heggen	4/4	100 %
Thomas Götz	4/4	100 %
Rolf Hellermann	4/4	100 %
Bernd Hirsch	3/3	100 %
Bernd Kundrun	4/4	100 %
Jacques Santer	4/4	100 %
Rolf Schmidt-Holtz	3/4	75 %
James Singh	4/4	100 %

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

In 2016, a total of €0.6 million (2015: €0.6 million) was allocated in the form of attendance fees to the non-executive members of the Board of Directors and the Committees that emanate from it. (see note 10.4 to the consolidated financial statements).

Neither options nor loans have been granted to Directors.

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

Individual attendance of the members of the Nomination and Compensation Committee	Participation in meetings	Attendance
Martin Taylor (chairman)	4/5	80 %
Thomas Rabe	5/5	100 %
Rolf Schmidt-Holtz	4/5	80 %

The Nomination and Compensation Committee consults with the CEOs and gives a prior consent on the appointment and removal of executive directors and senior management, makes a proposal to the

### The following Board Committees are established:

#### Nomination and Compensation Committee

The Nomination and Compensation Committee comprises three non-executive directors, one of whom is an independent director (who also chairs the meetings), and meets at least twice a year. The Committee's plenary meetings are attended by the CEOs and the Executive Vice President Human Resources. The Nomination and Compensation Committee may involve other persons whose collaboration is deemed to be advantageous to help the committee fulfil its tasks. The Chairman of the Nomination and Compensation Committee reports on the discussion held and conclusions taken by the committee to the subsequent Board of Directors meeting. The Nomination and Compensation Committee met five times in 2016, physically or via telephone conference, with an average attendance rate of 86.7 per cent.

General Meeting of the shareholders on the appointment and removal of the non-executive directors, and establishes the Group's compensation policy.

### Audit Committee

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

The Committee's plenary meetings are attended by the CEOs, the Chief Financial Officer ("CFO"), the Head of Audit & Compliance, the external auditors and other senior Group finance representatives. The

Audit Committee may invite other persons whose collaboration is deemed to be advantageous to help the committee fulfill its tasks. The Audit Committee met five times in 2016 physically or via telephone conference, with an average attendance rate of 95 per cent. The Chairman of the Audit Committee reports on the discussions held and conclusions taken by the Audit Committee to the subsequent Board of Directors meeting.

Individual attendance of the members of the Audit Committee	Participation in meetings	Attendance
James Singh (chairman)	5/5	100 %
Bernd Hirsch	4/4	100 %
Thomas Rabe	4/5	80 %
Martin Taylor	5/5	100 %

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

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

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

### CEOs

Responsibility for the day-to-day management of the Group rests with the CEOs, who – on a regular basis and upon request of the Board – inform the Board of Directors about the status and development of the Group.

The CEOs are responsible for proposing the annual budget, to be approved by the Board of Directors. They are also responsible for determining the ordinary course of the business.

### Executive Committee

On 31 December 2016, the Executive Committee is comprised of the three executive directors, the two Co-CEOs and the CFO. The former Executive Vice President Regional Operations & Business Development, CEE and Asia, was invited to attend the meetings on a permanent basis. The Executive Committee is vested with internal management authority.

### RTL GROUP'S EXECUTIVE COMMITTEE



In 2016, a total of €12.8 million (2015: €12.6 million) was allocated in the form of salaries, non-cash benefits and a post-employment benefit plan to the

members of the Executive Committee (see note 10.3 to the Consolidated Financial Statements).

### External auditor

In accordance with the Luxembourg law on commercial companies, the Group's annual and consolidated accounts are certified by an external auditor, appointed at the Annual General Meeting of Shareholders. On 20 April 2016, the shareholders appointed Pricewaterhouse Coopers, société coopérative (PwC) for a year. PwC's mandate will expire at the Annual General Meeting on 19 April 2017.

### Dealing in shares

The Group's shares are listed on Euronext Brussels, and on the Frankfurt and Luxembourg Stock Exchanges. Applicable Belgian, German and Luxembourg insider dealing and market manipulation laws prevent anyone with material

non-public information about a company from dealing in its shares and from committing market manipulations.

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

Restrictions apply to:

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

## 3. CODE OF CONDUCT

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

Group. The Group has a training programme in place to ensure all employees are fully aware of the code.

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

## 4. INTERNAL CONTROLS OVER FINANCIAL REPORTING

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

### Standards and rules

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

financial reporting processes are organised through a centrally managed reporting calendar.

### Systems and related controls

Locally used ("ERP", treasury applications) finance systems are largely centrally monitored via a common system platform to ensure a consistent set-up of system-embedded controls. Segregation of duties, access rights and approval limits are regularly reviewed by the local data owners for all reporting units whose finance systems are centrally maintained. Internal and external financial reporting is up-streamed through a centrally managed integrated finance system – from budgeting and trend year analysis, monthly internal management reporting, forecasting of financial and operational KPIs, to consolidation and external financial reporting, and finally risk management reporting (see the section "How we manage risks"). Specific system-embedded controls support the consolidation process, including the reconciliation of intercompany transactions. IT General Controls ("ITGCs") are regularly assessed by external experts or internal audit. Controls objectives are defined for all the RTL Group central applications and interfaces (the "Referenced Applications") as well as their

related IT infrastructure. The description of the control environment and the effectiveness of these controls are subject to an annual SOC1 ISAE3402 third party assurance report. The Group's consolidation scope is constantly updated, both at the level of financial interests captured in the consolidation system, and at the level of legal information through a dedicated legal scope system.

#### **Analytics and reporting**

All internal and external local financial and consolidated reporting is systematically reviewed by local finance staff or by finance teams within the Corporate Centre. Typical analyses include comparisons with previous year, budget and forecast, financial and operational KPIs, flows of key captions on the income statement, statement of the financial position, changes in equity, and cash flow statement. Regular communication between RTL Group's operations and the Corporate Centre's finance department ensures any issue that could affect the Group's financial reporting is immediately flagged and resolved. Quarterly reporting to the financial market is reviewed by the Audit Committee and approved by the Board of Directors. (Q1 and Q3 condensed consolidated interim financial information is approved by the Audit Committee upon delegation by the Board of Directors).

#### **Transparency**

RTL Group's policy on reporting of significant compliance incidents requires business units to immediately report fraud as well as significant compliance incidents to the Group. Identified control weaknesses that could impact the reliability of financial reporting – reported by either external or internal audit – are brought to the attention of management and the Audit Committee, and are part of a follow-up process. Each year, the business units self-assess the maturity level of their local internal controls over financial reporting. Results of this self-assessment are reported to the Audit Committee. At each meeting the Audit Committee is updated on the key accounting, tax and legal issues within the Group. Finance committees are used as additional platforms to exchange information with business units with financial impact.

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

## RISK MANAGEMENT

### Risk matrix

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

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

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

RTL Group defines its risk management as a continuous process at Business Unit and Group level to prevent, protect, mitigate and leverage risks in light of execution of RTL Group's mission and strategic objectives. RTL Group's risk management has been designed to be fully aligned with International risk management standards (e.g. COSO framework) and Bertelsmann SE & CO. KGaA's risk management practices. RTL Group has robust risk management processes in place, designed to ensure that risks are identified, monitored and controlled. RTL Group's risk management system is based on a specific policy and a clear set of procedures. Policies and procedures are reviewed on a regular basis by the Internal Audit Department and/or external consulting companies. Risk management and risk reporting are coordinated by the Head of Enterprise Risk Management (ERM), and reporting is reviewed by the Internal Audit Department.

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

- *“Embedded culture”*: promote and embed a common risk management culture in the daily work of all RTL Group's employees;

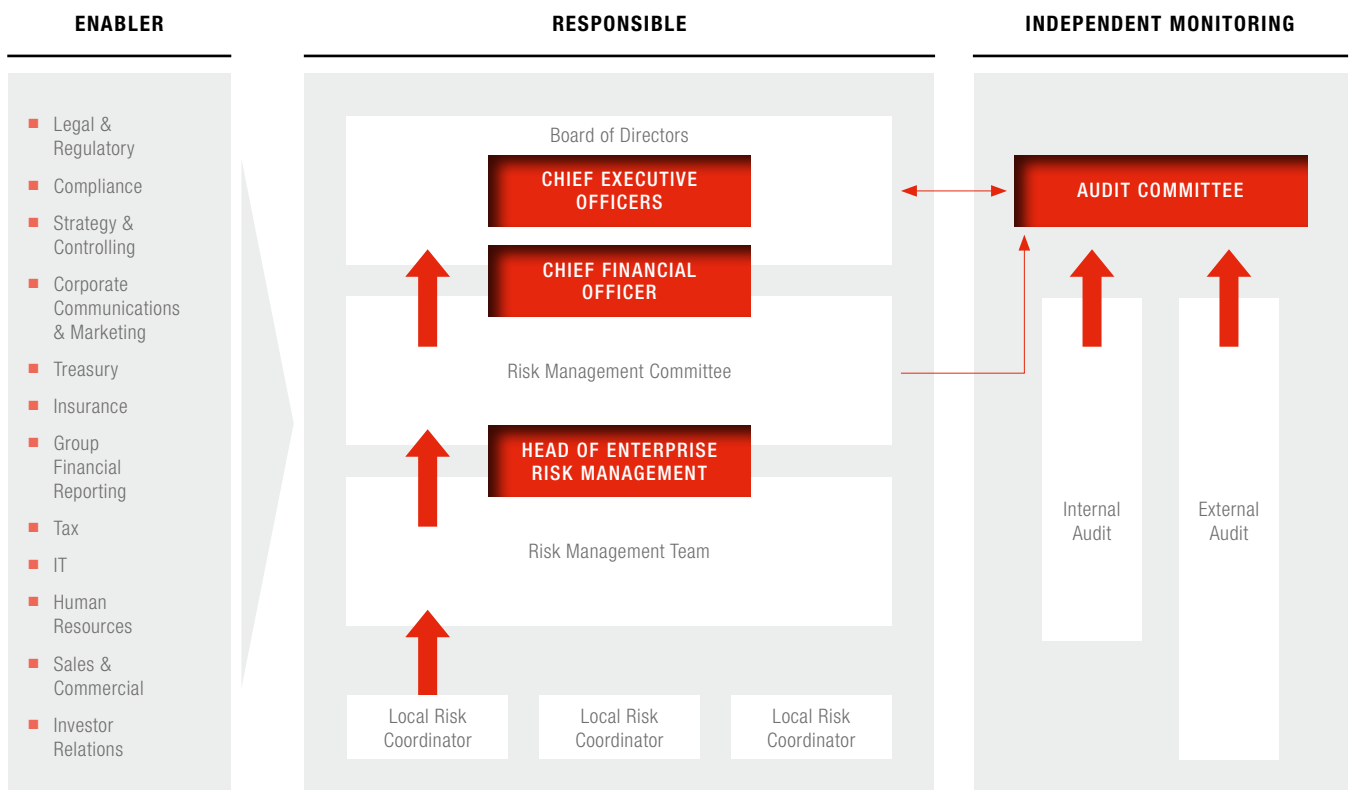
- *“Consistent policy”*: develop consistent risk policies on key matters to be tailored and implemented at Business Unit level with consideration of local challenges and environment;
- *“Harmonised response”*: ensure harmonised risk management prevention, detection and mitigation measures across RTL Group and its Business Units vs key risks, as well as a continuous related monitoring and improvement programme.

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

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

- Effectiveness and efficiency of operations, and the optimal use of the Group's resources
- Integrity and reliability of financial and operational information
- Reliability of financial reporting
- Proper identification, assessment, mitigation and reporting of material risks
- Compliance with applicable laws, regulations, standards and contracts





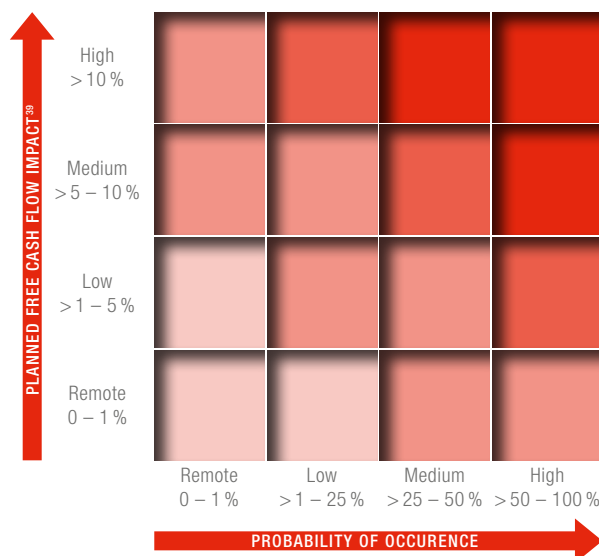
The Risk Management Committee is composed of the following permanent members:

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

**Definition of risk**

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

## RISK CLASSIFICATION



### Risk reporting framework

We have developed a framework for the reporting of risks, in line with good corporate practice.

This framework is based on a number of key principles:

- Comprehensive scope of risk assessment: risks are assessed within a framework of defined key risk categories. Regular risk assessments include a description of the risk, an indication of the potential financial impact, and steps taken to mitigate the risk. These steps are performed throughout RTL Group, consolidated by the Head of Enterprise Risk Management, reviewed by the Internal Audit Department, and ultimately summarised in a dedicated risk management report. Results are presented to the Audit Committee.
- Regular and consistent reporting: RTL Group's system of internal controls ensures that risks are addressed, reported and mitigated when they arise. All significant risks are comprehensively assessed within the risk reporting framework, and reported to RTL Group management on a bi-annual basis. This ensures that necessary actions are undertaken to manage, mitigate or offset risks within the Group. The risks are reported in a common reporting tool to ensure consistency in scope and approach.
- Bottom-up approach: RTL Group assesses risks where they arise – in its operations. All business units assess themselves according to the three parts of the risk management report:
  - Risk Management System: risk assessment and quantification of residual risks if applicable
  - Internal Control System: self-assessment on internal controls in place

- Information Security Management System: risk assessment and quantification of IT-related risks
- Consolidated Group matrix: the Enterprise Risk Management (ERM) team aggregates a comprehensive view of significant risks for the Group by consolidating local risk assessments. A Risk Management Committee prepares and reviews this consolidated Group risk matrix. The committee also:
  - Advises on the control and reporting process for any major risks, and recommends mitigation strategies to the Group CFO
  - Monitors follow-up of risks and ensures mitigation measures have been taken
  - Increases risk awareness within the Group
  - Identifies potential optimisation opportunities in processes
- Audit approach: both the process of local risk assessments and the consolidated Group risk matrices are regularly reviewed by the Internal Audit Department.

### Going forward

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

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

<sup>39</sup> Expected free-cash-flow impact according to the Executive Board budget in the respective period of time

### **General Management Statement on Risk Evaluation**

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

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

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

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

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

## OPPORTUNITY MANAGEMENT

### Opportunity Management System

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

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

### Opportunities

While opportunities associated with positive development may be accompanied by corresponding risks, certain risks are necessary to exploit potential opportunities. This link to risk within the Group offers strategic, operational, legal, regulatory and financial opportunities for the Group. Strategic opportunities can be derived primarily from the Group's strategic priorities. Strengthening core businesses, driving forward the digital transformation, developing growth platforms and expanding in growth regions are the most important long-term growth opportunities for RTL Group. In particular, there are opportunities to exploit

synergies as a result of the Group's expanding portfolio, individual operational opportunities, the possibility of more favourable economic development and the potential for efficiency improvements.

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

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

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

## LUXEMBOURG LAW ON TAKEOVER BIDS

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

### a) Share capital structure

RTL Group SA has issued one class of shares which is admitted to trading on the Frankfurt Stock Exchange, Euronext Brussels and the Luxembourg Stock Exchange. No other securities have been issued. The issued share capital as at 31 December 2016 amounts to €191,854,074 represented by 191,845,074 shares with no par value, each fully paid-up.

### b) Transfer restrictions

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

### c) Major shareholding

The shareholding structure of RTL Group SA as at 31 December 2016 is as follows: Bertelsmann Capital Holding GmbH held 75.1 per cent, 24.1 per cent were publicly traded and the remaining 0.8 per cent were held collectively as treasury stock by RTL Group SA and one of its subsidiaries.

### d) Special control rights

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

### e) Control system in employee share scheme

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

### f) Voting rights

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

### g) Shareholders' agreement with transfer restrictions

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

### h) Appointment of Board members, amendments of the Articles of Association

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

### i) Powers of the Board of Directors

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

### j) Significant agreements or essential business contracts

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

### k) Agreements with Directors and employees

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

## SUBSEQUENT EVENTS

On 2 February 2017, UFA Film und Fernseh GmbH entered into an agreement with the controlling shareholders of Divimove GmbH (“Divimove”) to modify the corporate governance of the company. This change provided the control to RTL Group and extended the exercise period of the call option over the remaining 24.5 per cent until the first half of 2019, at the latest. The strike price of the option is based on a variable component. The transaction qualifies as a business combination since RTL Group gains the control of Divimove. The amount of the re-measurement to fair value of the pre-existing interest is estimated at € 14 million.

On 27 September 2016, Magyar RTL Televízió Zártkörűen Működő Részvénytársaság (“RTL Hungary”) entered into an agreement to acquire a 30 per cent stake representing 51 per cent of the voting rights in Central Digital Media Kft (“Central Digital Media”), one of the leading web publishers in Hungary. Central Digital Media operates a number of websites and mobile apps. Central Digital Media is ranked as one of the top three online media companies in Hungary, based on web analytics. The acquisition, subject to approval by the Hungarian competition authority, would significantly accelerate the Group’s strategy to increase RTL Hungary’s presence in the digital media market. The transaction would qualify as a business combination since M-RTL would gain control of Central Digital Media. RTL Hungary would also hold call options on the remaining 70 per cent shares exercisable 18 months after the deal completion. However, in the second part of February 2017, the Hungarian competition authority decided to refuse its approval of the transaction. RTL Hungary is currently assessing this decision and possible legal actions.

## OUTLOOK

Beginning with the fiscal year 2017, RTL Group will report EBITDA as its key performance indicator for operating profit, adapting to more common reporting standards of the media industry (previously: EBITA).

Given the current economic climate, RTL Group does not see any signs of either a wider advertising market rally or decline – especially with uncertainty around the Brexit and the political elections in Europe – and expects the picture in 2017 to be similar to 2016 with overall slight growth. Accordingly, RTL Group currently believes 2017 will be another challenging year for its TV channels and therefore expects only slight top line growth from its core broadcast markets.

FremantleMedia – 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 FremantleMedia’s revenue to be broadly stable, subject to stable exchange rates, with EBITDA progressing strongly.

Digital revenues are expected to continue to show dynamic double-digit revenue growth and increase its share of RTL Group’s total revenue to at least 15 per cent within the next three to five years.

The company will continue to focus on cash conversion and expects 2017 levels to be broadly in line with the previous years, not below 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 2017.

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 2017 as an ordinary dividend. The potential for an interim dividend payment will be assessed by the Board after having reviewed the Group’s investment pipeline, cash generation and net debt level.

RTL Group expects its total revenue for the financial year 2017 to continue to grow moderately (+2.5 per cent to +5.0 per cent), driven by the Group’s digital businesses and Mediengruppe RTL Deutschland – this means 2017 revenue is expected to reach a window of between €6,393 million and €6,549 million. The company expects EBITDA for the full year 2017 to be broadly stable (-1.0 per cent to +1.0 per cent), mainly due to the lack of positive one-off effects at the level of Groupe M6.

Outlook RTL Group	2016 € m	2017e € m	Outlook € m	Change %
Revenue	6,237	6,393 to 6,549	Moderately up	+2.5 to +5.0
EBITDA	1,411	1,397 to 1,425	Broadly stable	-1.0 to +1.0

8 March 2017  
The Board of Directors



# MANAGEMENT RESPONSIBILITY STATEMENT

We, Anke Schäferkordt and Guillaume de Posch, Chief Executive Officers and Elmar Heggen, Chief Financial Officer, confirm, to the best of our knowledge, that these 2016 consolidated financial statements which have been prepared in accordance with the International Financial Reporting Standards as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of RTL Group and the undertakings included in the consolidation taken as a whole, and that the Directors' report includes a fair review of the development and performance of the business and the position of RTL Group and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

Luxembourg, 8 March 2017



**Anke Schäferkordt and Guillaume de Posch**  
Chief Executive Officers



**Elmar Heggen**  
Chief Financial Officer

# CONSOLIDATED INCOME STATEMENT

for the year ended 31 December

	2016 € m	2015 € m
Revenue	6,237	6,029
Other operating income	111	55
Consumption of current programme rights	(2,070)	(2,015)
Depreciation, amortisation, impairment and valuation allowance	(215)	(199)
Other operating expenses	(2,924)	(2,750)
Impairment of goodwill and amortisation and impairment of fair value adjustments on acquisitions of subsidiaries	(15)	(6)
Gain / (loss) from sale of subsidiaries, other investments and re-measurement to fair value of pre-existing interest in acquiree	6	4
<b>Profit from operating activities</b>	<b>1,130</b>	<b>1,118</b>
Share of results of investments accounted for using the equity method	67	57
<b>Earnings before interest and taxes ("EBIT")</b>	<b>1,197</b>	<b>1,175</b>
Interest income	6	6
Interest expense	(27)	(31)
Financial results other than interest	3	13
<b>Profit before taxes</b>	<b>1,179</b>	<b>1,163</b>
Income tax expense	(363)	(300)
<b>Profit for the year</b>	<b>816</b>	<b>863</b>
Attributable to:		
RTL Group shareholders	720	789
Non-controlling interests	96	74
<b>Profit for the year</b>	<b>816</b>	<b>863</b>
<b>EBITA<sup>1</sup></b>	<b>1,205</b>	<b>1,167</b>
Amortisation and impairment of fair value adjustments on acquisitions of subsidiaries	(15)	(6)
Re-measurement of earn-out arrangements	1	10
Gain / (loss) from sale of subsidiaries, other investments and re-measurement to fair value of pre-existing interest in acquiree	6	4
<b>Earnings before interest and taxes ("EBIT")</b>	<b>1,197</b>	<b>1,175</b>
<b>EBITDA<sup>2</sup></b>	<b>1,411</b>	<b>1,360</b>
Depreciation, amortisation and impairment	(221)	(199)
Re-measurement of earn-out arrangements	1	10
Gain / (loss) from sale of subsidiaries, other investments and re-measurement to fair value of pre-existing interest in acquiree	6	4
<b>Earnings before interest and taxes ("EBIT")</b>	<b>1,197</b>	<b>1,175</b>
<b>Earnings per share (in €)</b>		
– Basic	4.69	5.14
– Diluted	4.69	5.14

1 EBITA represents earnings before interest and taxes excluding impairment of goodwill and of disposal group, and amortisation and impairment of fair value adjustments on acquisitions of subsidiaries, impairment of investments accounted for using the equity method, re-measurement of earn-out arrangements and gain or loss from sale of subsidiaries, other investments and re-measurement to fair value of pre-existing interest in acquiree

2 EBITDA represents earnings before interest and taxes excluding amortisation and impairment of non-current programme and other rights, of goodwill and of disposal group, of other intangible assets, depreciation and impairment of property, plant and equipment, impairment of investments accounted for using the equity method, re-measurement of earn-out arrangements and gain or loss from sale of subsidiaries, other investments and re-measurement to fair value of pre-existing interest in acquiree

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December

	2016 €m	2015 €m
<b>Profit for the year</b>	<b>816</b>	863
<b>Other comprehensive income:</b>		
<b>Items that will not be reclassified to profit or loss:</b>		
Re-measurement of post-employment benefit obligations	(11)	9
Income tax	3	(2)
	<b>(8)</b>	7
<b>Items that may be reclassified subsequently to profit or loss:</b>		
Foreign currency translation differences	33	34
Effective portion of changes in fair value of cash flow hedges	39	36
Income tax	(12)	(12)
	<b>27</b>	24
Change in fair value of cash flow hedges transferred to profit or loss	(34)	(28)
Income tax	11	9
	<b>(23)</b>	(19)
Fair value gains / (losses) on available-for-sale financial assets	2	(5)
Income tax	–	1
	<b>2</b>	(4)
	<b>39</b>	35
<b>Other comprehensive income / (loss) for the year, net of income tax</b>	<b>31</b>	42
<b>Total comprehensive income for the year</b>	<b>847</b>	905
<b>Attributable to:</b>		
RTL Group shareholders	751	829
Non-controlling interests	96	76
<b>Total comprehensive income for the year</b>	<b>847</b>	905

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	31 December 2016 € m	31 December 2015 € m
<b>Non-current assets</b>		
Programme and other rights	100	85
Goodwill	3,039	2,959
Other intangible assets	225	215
Property, plant and equipment	290	352
Investments accounted for using the equity method	427	400
Loans and other financial assets	167	207
Deferred tax assets	317	370
	<b>4,565</b>	<b>4,588</b>
<b>Current assets</b>		
Programme rights	1,160	1,093
Other inventories	15	19
Income tax receivable	19	34
Accounts receivable and other financial assets	2,025	2,014
Cash and cash equivalents	433	449
	<b>3,652</b>	<b>3,609</b>
Assets classified as held for sale	83	–
<b>Current liabilities</b>		
Loans and bank overdrafts	493	605
Income tax payable	52	45
Accounts payable	2,842	2,742
Provisions	145	132
	<b>3,532</b>	<b>3,524</b>
<b>Net current assets</b>	<b>203</b>	<b>85</b>
<b>Non-current liabilities</b>		
Loans	517	524
Accounts payable	405	443
Provisions	249	235
Deferred tax liabilities	45	62
	<b>1,216</b>	<b>1,264</b>
<b>Net assets</b>	<b>3,552</b>	<b>3,409</b>
<b>Equity attributable to RTL Group shareholders</b>	<b>3,077</b>	<b>2,954</b>
<b>Equity attributable to non-controlling interests</b>	<b>475</b>	<b>455</b>
<b>Equity</b>	<b>3,552</b>	<b>3,409</b>

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

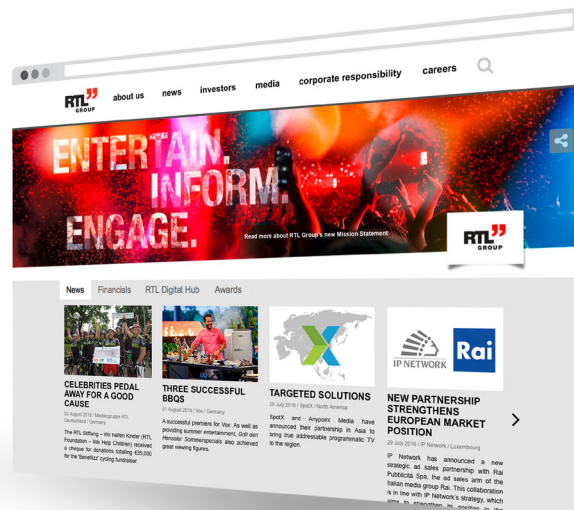
	Share capital € m	Treasury shares € m	Currency translation reserve € m	Hedging reserve € m	Revaluation reserve € m	Reserves and retained earnings € m	Equity attributable to RTL Group shareholders € m	Equity attributable to non-controlling interests € m	Total equity € m
<b>Balance at 1 January 2015</b>	<b>192</b>	<b>(45)</b>	<b>(149)</b>	<b>42</b>	<b>77</b>	<b>2,711</b>	<b>2,828</b>	<b>447</b>	<b>3,275</b>
<b>Total comprehensive income:</b>									
Profit for the year	-	-	-	-	-	789	789	74	<b>863</b>
Foreign currency translation differences	-	-	32	-	-	-	32	2	<b>34</b>
Effective portion of changes in fair value of cash flow hedges, net of tax	-	-	-	25	-	-	25	(1)	<b>24</b>
Change in fair value of cash flow hedges transferred to profit or loss, net of tax	-	-	-	(19)	-	-	(19)	-	<b>(19)</b>
Fair value gains/(losses) on available-for-sale financial assets, net of tax	-	-	-	-	(4)	-	(4)	-	<b>(4)</b>
Re-measurement of post-employment benefit obligations, net of tax	-	-	-	-	-	6	6	1	<b>7</b>
	-	-	32	6	(4)	795	829	76	<b>905</b>
<b>Capital transactions with owners:</b>									
Dividends	-	-	-	-	-	(691)	(691)	(75)	<b>(766)</b>
Equity-settled transactions, net of tax	-	-	-	-	-	5	5	4	<b>9</b>
(Acquisition)/disposal of treasury shares	-	(2)	-	-	-	-	(2)	-	<b>(2)</b>
Transactions on non-controlling interests without a change in control	-	-	-	-	-	(5)	(5)	2	<b>(3)</b>
Transactions on non-controlling interests with a change in control	-	-	-	-	-	(7)	(7)	4	<b>(3)</b>
Derivatives on equity instruments	-	-	-	-	-	(3)	(3)	(3)	<b>(6)</b>
	-	(2)	-	-	-	(701)	(703)	(68)	<b>(771)</b>
<b>Balance at 31 December 2015</b>	<b>192</b>	<b>(47)</b>	<b>(117)</b>	<b>48</b>	<b>73</b>	<b>2,805</b>	<b>2,954</b>	<b>455</b>	<b>3,409</b>
<b>Total comprehensive income:</b>									
Profit for the year	-	-	-	-	-	720	720	96	<b>816</b>
Foreign currency translation differences	-	-	33	-	-	-	33	-	<b>33</b>
Effective portion of changes in fair value of cash flow hedges, net of tax	-	-	-	27	-	-	27	-	<b>27</b>
Change in fair value of cash flow hedges transferred to profit and loss, net of tax	-	-	-	(23)	-	-	(23)	-	<b>(23)</b>
Fair value gains/(losses) on available-for-sale financial assets, net of tax	-	-	-	-	2	-	2	-	<b>2</b>
Re-measurement of post-employment benefit obligations, net of tax	-	-	-	-	-	(8)	(8)	-	<b>(8)</b>
	-	-	33	4	2	712	751	96	<b>847</b>
<b>Capital transactions with owners:</b>									
Dividends	-	-	-	-	-	(614)	(614)	(74)	<b>(688)</b>
Cancellation of shares	-	-	-	-	-	(2)	(2)	-	<b>(2)</b>
Equity-settled transactions, net of tax	-	-	-	-	-	5	5	5	<b>10</b>
(Acquisition)/disposal of treasury shares	-	(1)	-	-	-	-	(1)	-	<b>(1)</b>
Transactions on non-controlling interests without a change in control	-	-	-	-	-	(6)	(6)	(4)	<b>(10)</b>
Transactions on non-controlling interests with a change in control	-	-	-	-	-	(11)	(11)	(6)	<b>(17)</b>
Derivatives on equity instruments	-	-	-	-	-	3	3	3	<b>6</b>
Transactions on treasury shares of associates	-	-	-	-	-	(2)	(2)	-	<b>(2)</b>
	-	(1)	-	-	-	(627)	(628)	(76)	<b>(704)</b>
<b>Balance at 31 December 2016</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>

# CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December

	2016 €m	2015 €m
<b>Cash flows from operating activities</b>		
Profit before taxes	1,179	1,163
Adjustments for:		
– Depreciation and amortisation	218	202
– Value adjustments, impairment and provisions	133	106
– Share-based payments expenses	10	9
– Re-measurement of earn-out arrangements	(1)	(10)
– Gain on disposal of assets	(25)	(22)
– Financial results including net interest expense and share of results of investments accounted for using the equity method	23	(15)
Use of provisions	(81)	(110)
Working capital changes	(83)	(102)
Income taxes paid	(267)	(238)
<b>Net cash from operating activities</b>	<b>1,106</b>	<b>983</b>
<b>Cash flows from investing activities</b>		
Acquisitions of:		
– Programme and other rights	(122)	(108)
– Subsidiaries, net of cash acquired	(60)	(82)
– Other intangible and tangible assets	(135)	(117)
– Other investments and financial assets	(36)	(34)
	<b>(353)</b>	<b>(341)</b>
Proceeds from the sale of intangible and tangible assets	47	18
Disposal of other subsidiaries, net of cash disposed of	5	2
Proceeds from the sale of investments accounted for using the equity method, other investments and financial assets	8	49
Interest received	5	5
	<b>65</b>	<b>74</b>
<b>Net cash used in investing activities</b>	<b>(288)</b>	<b>(267)</b>
<b>Cash flows from financing activities</b>		
Interest paid	(17)	(20)
Transactions on non-controlling interests	(16)	(1)
Acquisition of treasury shares	(1)	(2)
Term loan facility due to shareholder	(153)	6
Proceeds from loans	72	28
Repayment of loans	(27)	(6)
Dividends paid	(689)	(766)
<b>Net cash used in financing activities</b>	<b>(831)</b>	<b>(761)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(13)</b>	<b>(45)</b>
<b>Cash and cash equivalents and bank overdrafts at beginning of year</b>	<b>444</b>	<b>479</b>
Effect of exchange rate fluctuation on cash held	–	10
<b>Cash and cash equivalents and bank overdrafts at end of year</b>	<b>431</b>	<b>444</b>

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## Financial Calendar

19 April 2017	Annual General Meeting
11 May 2017	Results January to March 2017
30 August 2017	Half-year results 2017
9 November 2017	Results January to September 2017

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