



“Despite fierce new competition, RTL Group in 2007 again strengthened its position as the leading European broadcaster.”

Gerhard Zeiler, Chief Executive Officer



Chief Executive's report

by Gerhard Zeiler

2007 was the most successful business year in RTL Group's history. By maintaining a firm focus on our core businesses, we grew both our revenue and our operating result for the sixth consecutive year, and generated our highest margin ever.

In times of uncertainty as to how the future of media might look, television proved that it is still, and will remain for a long time, the leading medium. Despite fierce new competition, RTL Group in 2007 again strengthened its position as the leading European broadcaster.

Group revenue rose 1.2 per cent to €5,707 million, despite the deconsolidation of the French Pay TV TPS; underlying revenue was up 3.2 per cent. Reported EBITA rose 5.5 per cent to €898 million. The reported EBITA margin improved to 15.7 per cent, marking our highest margin ever.

Net profit attributable to RTL Group shareholders is down to €563 million (2006: €890 million), due to a number of one-offs affecting both years, namely the goodwill impairment accounted for in 2007 and the sale of TPS and recognition of a deferred tax asset in 2006. Without these effects the 2007 profit for the year would have increased substantially.

Following our strong results and based on our consistently strong cash flows, we recommend the distribution of a gross dividend per share of €5.00 for the fiscal year 2007.

The RTL Group share price ended the year at €80.77, down 5.4 per cent from the end of 2006, though this was above the performance of the Dow Jones STOXX index of European media shares which was down 6.7 per cent.



Focus on core businesses

The fact that again we have achieved these record results under mixed and sometimes difficult market conditions provides solid proof that our pan-European strategy is working well.

In 2007, RTL Group maintained a firm focus on our core businesses by further developing the families of channels as well as the production of TV content and the expansion of digital activities, and in addition maintaining control of costs.

Our families of channels in Germany, the Netherlands, Belgium and Groupe M6 in France in particular contributed to the earnings increase. Driven by higher earnings from the US, our worldwide production arm FremantleMedia again made significant contributions to the Group's EBITA.

With currently 42 TV channels in 10 countries, RTL Group has a very well balanced portfolio as a TV broadcaster. Nevertheless, our third strategic goal remains to expand further geographically. However, this is not a goal in itself. We will only expand if it is financially reasonable and if we can contribute with our expertise, as strategic investors.

Balanced portfolio pays off

In Germany, EBITA rose, despite a €96 million fine which IP Deutschland, RTL Group's advertising sales unit in Germany, had to pay to settle an antitrust investigation of the German Federal Cartel Office. The negative impact of the fine was largely offset by cost savings and other measures.

The German family of channels recorded the best ever audience share, with all channels reporting higher audience shares in the target group, increasing the audience lead over its main competitor. The digital pay-TV channels in Germany, launched in 2006, have already attracted more than two million subscribers.

In 2007, our German radio holding, RTL Radio Deutschland, achieved its best result ever.

In France, the main channel, M6, recorded its best ever net advertising market share, clearly outperforming the market, and the digital channels grew dynamically. The mini-generalist channel W9 became the most-watched 'new channel' on free DTT in France in the second half of 2007.

Our content arm, FremantleMedia, had another year of strong performance. EBITA increased, mainly due to higher earnings from FremantleMedia North America, the unit's biggest profit contributor. In 2007, FremantleMedia's global network of companies produced 10,081 hours of TV programming across 55 countries. The company distributed its programmes to more than 150 countries, among them strong programme

brands such as *Idols*, *Got Talent*, *Betty la Fea*, and the improvisation comedy format, *Thank God You're Here*. In the US, FremantleMedia North America had successful shows on all the major networks in 2007. In Germany, the company launched the subsidiary UFA Cinema. This new company plans to produce up to 10 films a year and already has 40 projects in the development stage.

In the United Kingdom, the TV advertising market had a difficult start to the year but recovered in the second half of 2007, resulting in a year-on-year increase of 2.9 per cent. In this very competitive market, Five Group increased its net advertising market share to an all-time high of 9.3 per cent, aided by additional sales from the digital channels Five US and Five Life, launched in October 2006. Five made a major investment in programming by securing the rights to the Australian drama *Neighbours* for several years.

In the Netherlands and in Belgium, the RTL families of channels achieved strong advertising sales, and both profit centres delivered a record EBITA.

The RTL Radio family in France has regained market leadership, with RTL Radio gaining more than 600,000 additional listeners in one year.



"Television will remain the key medium. And RTL remains the quality brand in commercial television."

Ongoing diversification

We maintained the broad sources of our revenue, as we believe that successful broadcasters need a well balanced, diversified revenue mix, made up of advertising, subscription fees, transactional revenues and content sales. Our broadcasting brands extend their reach online, as diversification activities, as well as digital content and services, improve.

With 49 per cent of its revenue coming from non-advertising sources, Groupe M6 continues to be a leader in the field of diversification. Its broad offering encompasses distance selling, publishing, rights-trading, interactive and web-based activities. M6 Mobile by Orange, launched in June 2005, continued its success story. By the end of July 2007, the service reached the mark of one million customers, 18 months ahead of the initial business plan.

Within Mediengruppe RTL Deutschland, RTL Interactive is responsible for diversification activities and digital content and services. With approximately one billion video views in 2007, the platforms RTL.de, Vox.de, Clipfish.de and RTLnow.de saw a significant increase year-on-year. During peak times, the video community Clipfish.de registered up to 121 million video views by 3.1 million individual users per month.

FremantleMedia also realised a significant increase in online and mobile activities through 2007. The extension of *Atomic Wedgie* from a mobile TV comedy channel to an open online entertainment channel resulted in a significant uptake in consumer demand.

Portfolio management

In the Netherlands, an asset deal with Talpa Media strengthened the RTL family of channels. The country's leading radio station, Radio 538, was integrated in RTL Nederland while Talpa Media received a minority stake in RTL Nederland. The deal closed at the end of September 2007 and brought certain TV assets from Talpa Media to RTL Nederland, such as sports rights, including the Dutch football premier league, and successful Dutch shows and drama series.

Via Groupe M6, RTL Group acquired 34 per cent in Annoncesjaunes.fr through a €16 million capital increase in October 2007. In November, RTL Group entered the nascent Russian satellite and cable TV market, thereby strengthening its presence in one of the fastest-growing advertising markets. Together with the Continental Finance Group SA, RTL Group formed a joint venture for the production, operation and distribution of thematic, non-terrestrial TV channels.

Following regulatory approval, RTL Group completed its exit from Sportfive, resulting in a gain on disposal of €66 million for the Group.

In Portugal, RTL Group decided to sell its entire shareholding in Media Capital. This full disposal resulted in cash proceeds of €209 million and a gain on disposal of €33 million for the Group.

Special dividend

Based on our strong operating earnings in 2007, the Board recommends to the Annual General Meeting of Shareholders the distribution of a gross ordinary dividend per share of €5.00, including an extraordinary dividend of €3.70 per share, up 67 per cent compared to the total dividend payout for the fiscal year 2006 (€3.00 per share, including an extraordinary dividend of €1.80 per share).

Television remains key

More than ever, RTL Group's success is founded on numerous businesses across Europe. Building on this strong foundation, we are guiding the company into a new phase.

We are developing our broadcasting operations into digital TV families with a presence on all new platforms. We will systematically meet the rising demand for attractive content and expand our production arm, FremantleMedia, with new talent, new formats and by doing business in new markets.

Television will remain the key medium. And RTL remains the quality brand in commercial television.



Gerhard Zeiler
Chief Executive Officer
