

# CORPORATE GOVERNANCE

## PRINCIPAL RISKS AND UNCERTAINTIES

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

## CORPORATE GOVERNANCE STATEMENT

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

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

## SHAREHOLDERS

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

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

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

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

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

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

## BOARD AND MANAGEMENT

### BOARD OF DIRECTORS

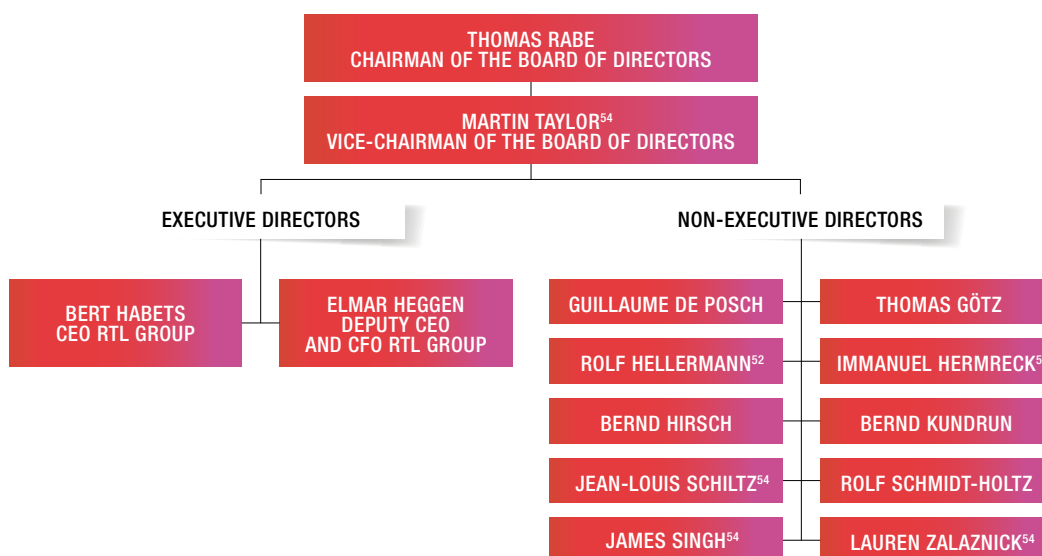
The Board of Directors has the most extensive powers to take, in the interest of the Company, all acts of administration and of disposal, that are not reserved by law or the Article of Incorporation to the General Meeting of Shareholders.

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

years. Rolf Hellermann resigned with effect on 31 December 2018. Immanuel Hermreck was co-opted on 12 December 2018, with effect on 1 January 2019. The ratification of his co-optation will be proposed at the AGM of 26 April 2019. Biographical details of the directors are set out on pages 30 to 35.

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

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



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

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

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

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

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

<sup>54</sup> Independent Director

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

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

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

Neither options nor loans have been granted to Directors.

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

#### THE FOLLOWING BOARD COMMITTEES ARE ESTABLISHED:

##### NOMINATION AND COMPENSATION COMMITTEE

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

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

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

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

##### AUDIT COMMITTEE

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

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

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

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

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

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

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

#### CEO

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

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

#### EXECUTIVE COMMITTEE

As from 1 January 2018, the Executive Committee was comprised of the two executive directors, the CEO and the Deputy CEO and CFO. The Executive Committee is vested with internal management authority. Biographical details of the members of the Executive Committee can be found on pages 30 to 35.

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

#### EXTERNAL AUDITOR

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

#### DEALING IN SHARES

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

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

Restrictions apply to:

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

## CODE OF CONDUCT

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

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

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

## INTERNAL CONTROLS OVER FINANCIAL REPORTING

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

### STANDARDS AND RULES

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

### SYSTEMS AND RELATED CONTROLS

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

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

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

### ANALYTICS AND REPORTING

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

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

### TRANSPARENCY

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

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

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

## RISK MANAGEMENT

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

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

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

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

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

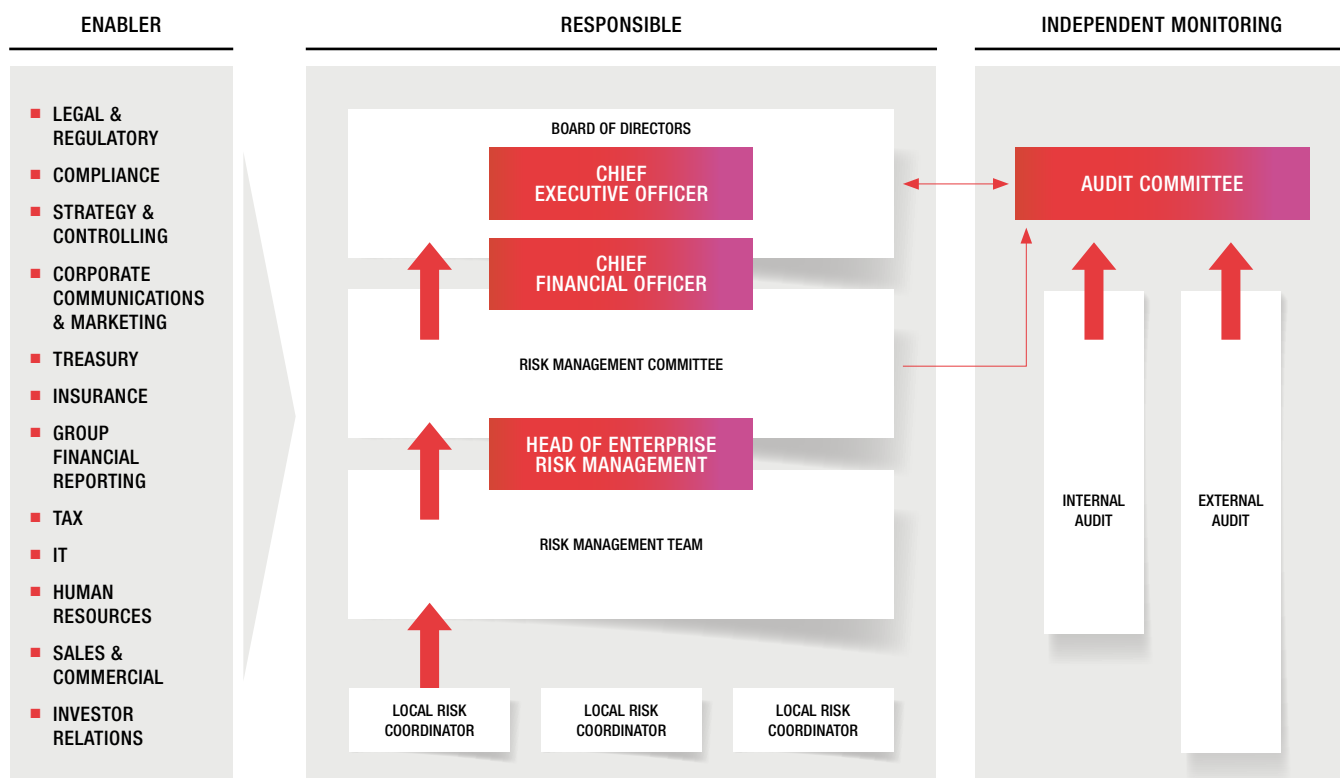
RTL Group's risk management process intends to meet the following three main objectives:

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

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

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

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



**DEFINITION OF RISK**

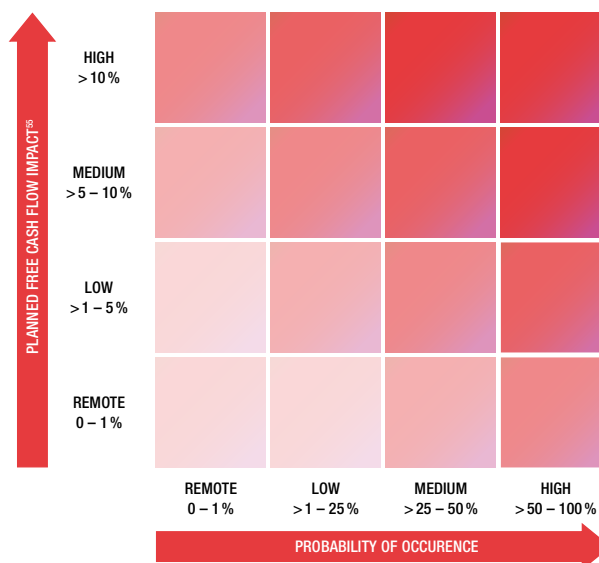
The Risk Management Committee is composed of the following permanent members:

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

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



## RISK CLASSIFICATION



### RISK REPORTING FRAMEWORK

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

This framework is based on several key principles:

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

### RISK MANAGEMENT IN THE FUTURE

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

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

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

## GENERAL MANAGEMENT STATEMENT ON RISK EVALUATION

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

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

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

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

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

## OPPORTUNITY MANAGEMENT

### OPPORTUNITY MANAGEMENT SYSTEM

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

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

### OPPORTUNITIES

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

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

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

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

## LUXEMBOURG LAW ON TAKEOVER BIDS

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

### A) SHARE CAPITAL STRUCTURE

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

### B) TRANSFER RESTRICTIONS

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

**C) MAJOR SHAREHOLDING**

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

**D) SPECIAL CONTROL RIGHTS**

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

**E) CONTROL SYSTEM****IN EMPLOYEE SHARE SCHEME**

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

**F) VOTING RIGHTS**

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

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

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

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

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

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

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

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

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

**K) AGREEMENTS WITH DIRECTORS AND EMPLOYEES**

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