

# Directors' report

# Auditors' report

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# Directors' report

The Directors are pleased to present their report to the shareholders, with details on the businesses and the development of the Group, together with the financial statements for the year ended 31 December 2005 on pages 84-131.

Highlights	Year to December 2005 €m	Year to December 2004 (restated) <sup>1</sup> €m	Per cent change
<b>Revenue</b>	<b>5,115</b>	<b>4,878</b>	<b>+4.9</b>
<b>Underlying revenue<sup>2</sup></b>	<b>5,052</b>	<b>4,794</b>	<b>+5.4</b>
<b>Reported EBITA<sup>3</sup></b>	<b>758</b>	<b>709</b>	<b>+6.9</b>
Restructuring costs and non recurring items	8	15	
Start up losses <sup>4</sup>	31	38	
<b>Adjusted EBITA</b>	<b>797</b>	<b>762</b>	<b>+4.6</b>
Reported EBITA margin (%)	14.8	14.5	
Adjusted EBITA margin (%)	15.6	15.6	
<b>Reported EBITA</b>	<b>758</b>	<b>709</b>	<b>+6.9</b>
Amortisation of fair value adjustments on acquisitions of subsidiaries and joint ventures	(16)	(13)	
Impairment of goodwill and amortisation of fair value adjustments on acquisitions of associates	(2)	(6)	
Gain/(loss) from sale of subsidiaries, joint ventures and other investments	1	(18)	
Net financial expense	(9)	(44)	
Income tax expense	(116)	(196)	
<b>Profit for the year</b>	<b>616</b>	<b>432</b>	<b>+42.6</b>
Attributable to:			
Minority interest	79	66	
RTL Group shareholders	537	366	+46.7
<b>Adjusted EPS (€)<sup>5</sup></b>	<b>2.96</b>	<b>2.62</b>	<b>+13.0</b>
<b>Proposed/paid dividend per share (€)</b>	<b>1.05</b>	<b>0.95</b>	<b>+10.5</b>

<sup>1</sup>2004 result restated by €2 million following application of IFRS 2 (share based payments)

<sup>2</sup>Adjusted for the full consolidation of Five in 2005. In 2004 adjustments made for the full consolidation of M6 and partial disposal of SPORTFIVE

<sup>3</sup>EBITA represents earnings before interest and taxes excluding impairment of goodwill and amortisation of fair value adjustments on acquisitions and gain/(loss) from sale of subsidiaries, joint ventures and other investments

<sup>4</sup>RTL Televizija, Yorin FM, RTL FM and launch of digital television and radio channels

<sup>5</sup>Adjusted earnings per share represents the net profit for the period adjusted for amortisation of fair value adjustments on acquisitions and impairment of goodwill, gain or loss from sale of subsidiaries, joint ventures and other investments, net of income tax expense and one-off tax effects

## RTL Group headlines

- Record reported EBITA of €758 million, up 6.9 per cent
- Strong audience and advertising market positions maintained
- Mixed advertising market conditions in Europe continue
- Group revenue of €5,115 million, up 4.9 per cent
- Positive net result of €537 million, up from €366 million in 2004
- Net cash from operating activities of €987 million resulting in an operating cash conversion of 120 per cent
- Proposed dividend of €1.05 per share, up almost 11 per cent

## Profit centre highlights

- Record EBITA at M6, RTL Nederland, Antena 3, RTL TVI, FremantleMedia and RTL Klub in Hungary
- Significant increase in results and share of advertising market at Five
- Double digit growth in non-advertising revenue

## Strategic developments

- Full consolidation of Five in the UK following the acquisition of remaining stake
- Launch of new family of channels in the Netherlands
- Significant increase in strategic participation in Grupo Media Capital in Portugal
- Acquisition of stake in REN TV in Russia

# Directors' report

continued

## Revenue

Advertising market conditions remained mixed across Europe in 2005 with strong growth in Spain, moderate growth in the United Kingdom and the Netherlands whilst Germany and France were stable year-on-year with Belgium recording a decline in advertising for the first time since 2000.

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

	2005 net TV advertising market growth rate %	RTL Group advertising market share 2005 %	RTL Group advertising market share 2004 %	2005 Audience share in main target group %	2004 Audience share in main target group %
<b>Germany</b>	+0.4 <sup>6</sup>	43.5	44.2	32.2 <sup>7</sup>	32.9 <sup>7</sup>
<b>France</b>	+1.0 <sup>6</sup>	23.2	22.1	19.1 <sup>8</sup>	18.6 <sup>8</sup>
<b>UK</b>	+3.2 <sup>6</sup>	8.8*	8.3*	6.6 <sup>9</sup>	6.7 <sup>9</sup>
<b>Netherlands</b>	+2.9 <sup>6</sup>	39.9*	39.7*	30.1 <sup>10</sup>	30.2 <sup>10</sup>
<b>Belgium</b>	-2.5 <sup>11</sup>	68.3	66.7	32.1 <sup>12</sup>	32.5 <sup>12</sup>
<b>Spain</b>	+9.9 <sup>13</sup>	29.2	26.9	22.8 <sup>14</sup>	21.9 <sup>14</sup>
<b>Hungary</b>	+7.2 <sup>15</sup>	49.2*	50.0*	36.5 <sup>16</sup>	36.5 <sup>16</sup>

\*net estimates

<sup>6</sup>Industry/IREP and RTL Group estimates

<sup>7</sup>Target group: 14-49

<sup>8</sup>Target group: housewives under 50

<sup>9</sup>Target group: 16+

<sup>10</sup>Target group: Shoppers 20-49

<sup>11</sup>Source: IP estimate

<sup>12</sup>Target group: 18-54, 17:00 – 23:00

<sup>13</sup>Source: Antena 3 estimates

<sup>14</sup>Target group: 13-55, all day

<sup>15</sup>Source: RTL Klub estimate

<sup>16</sup>Target group: 18-49, 19:00 – 22:59

Revenue increased by 4.9 per cent to €5,115 million (2004: €4,878 million). On a like-for-like basis (adjusting for the main portfolio changes) revenue was up 5.4 per cent. The main scope changes affecting revenue result from the full consolidation of M6 from February 2004, the partial sale of SPORTFIVE, also in 2004, and the full consolidation of Five from September 2005. Excluding the SPORTFIVE effect, Content revenue rose 7.5 per cent.

Revenue	Year to December 2005 €m	Year to December 2004 €m	Per cent change
<b>Television</b>	4,001	3,707	+7.9
<b>Content</b>	1,022	1,086	(5.9)
<b>Radio</b>	242	244	(0.8)
<b>Other</b>	85	88	(3.4)
<b>Eliminations</b>	(235)	(247)	(4.9)
<b>Total</b>	<b>5,115</b>	<b>4,878</b>	<b>+4.9</b>

## EBITA

Reported EBITA increased by almost 7 per cent to €758 million, another record result. The improvement was across the board with the largest changes coming from Antena 3, M6, Five and RTL Nederland. Stripping out restructuring costs, non recurring items and start-up losses, EBITA was up almost 5 per cent to €797 million.

EBITA	Year to December 2005 €m	Year to December 2004 (restated) €m	Reported EBITA Margin 2005 %	Reported EBITA Margin 2004 %
<b>Television</b>	617	560	15.4	15.1
<b>Content</b>	125	118	12.2	10.9
<b>Radio</b>	35	37	14.5	15.2
<b>Other</b>	(19)	(6)	(22.4)	(6.8)
<b>Total</b>	<b>758</b>	<b>709</b>	<b>14.8</b>	<b>14.5</b>

Adjusted EBITA	Restructuring costs and non-recurring items 2005 €m	Start up losses 2005 €m	Adjusted EBITA 2005 €m	Adjusted EBITA 2004 €m	Adjusted EBITA Margin 2005 %	Adjusted EBITA Margin 2004 %
<b>Television</b>	15	19	651	596	16.3	16.1
<b>Content</b>	(7)	–	118	118	11.5	10.9
<b>Radio</b>	–	8	43	52	17.8	21.3
<b>Other</b>	–	4	(15)	(4)	(17.6)	(4.5)
<b>Total</b>	<b>8</b>	<b>31</b>	<b>797</b>	<b>762</b>	<b>15.6</b>	<b>15.6</b>

Group operating expenses increased to €4,525 million from €4,335 million, up 4.4 per cent.

## Portfolio changes

The most significant portfolio change in 2005 was the first time full consolidation of Five as from September. Other portfolio changes include Mistergooddeal (via M6 in France) and the first time equity accounting for both REN TV in Russia and Grupo Media Capital in Portugal.

## Review by profit centre

Revenue	Year to December 2005 €m	Year to December 2004 (restated) €m	Per cent change	Per cent of total 2005	Per cent of total 2004
<b>Germany</b>	1,858	1,826	+1.8	36.3	37.4
<b>M6</b>	1,270	1,145	+10.9	24.8	23.5
<b>FremantleMedia</b>	947	866	+9.4	18.5	17.8
<b>Five</b>	370	276	+34.1	7.2	5.7
<b>Netherlands</b>	358	338	+5.9	7.0	6.9
<b>French Radio</b>	198	207	(4.3)	3.9	4.2
<b>Belgium</b>	174	167	+4.2	3.4	3.4
<b>Luxembourg</b>	110	125	(12.0)	2.2	2.6
<b>Croatia</b>	38	14	>100.0	0.7	0.3
<b>SPORTFIVE</b>	–	135	(100.0)	–	2.8
<b>Others</b>	43	50	(14.0)	0.9	1.0
<b>Eliminations</b>	(251)	(271)	(7.4)	(4.9)	(5.6)
<b>Total revenue</b>	<b>5,115</b>	<b>4,878</b>	<b>+4.9</b>	<b>100.0</b>	<b>100.0</b>

	Year to December 2005 €m	Year to December 2004 (restated) €m	Per cent change	Per cent of total 2005	Per cent of total 2004
<b>EBITA</b>					
<b>Germany</b>	244	262	(6.9)	32.2	36.9
<b>M6</b>	229	207	+10.6	30.2	29.2
<b>FremantleMedia</b>	104	101	+3.0	13.7	14.2
<b>Five</b>	36	18	+100.0	4.7	2.5
<b>Netherlands</b>	46	39	+17.9	6.1	5.5
<b>French Radio</b>	37	43	(14.0)	4.9	6.1
<b>Belgium</b>	28	26	+7.7	3.7	3.7
<b>Luxembourg</b>	16	5	>100.0	2.1	0.7
<b>Croatia</b>	(8)	(19)	(57.9)	(1.0)	(2.7)
<b>Antena 3</b>	39	17	>100.0	5.1	2.4
<b>SPORTFIVE</b>	1	11	(90.9)	0.1	1.6
<b>Others</b>	(14)	(1)	>100.0	(1.8)	(0.1)
<b>Reported EBITA</b>	<b>758</b>	<b>709</b>	<b>+6.9</b>	<b>100.0</b>	<b>100.0</b>

### Profit Centre Germany

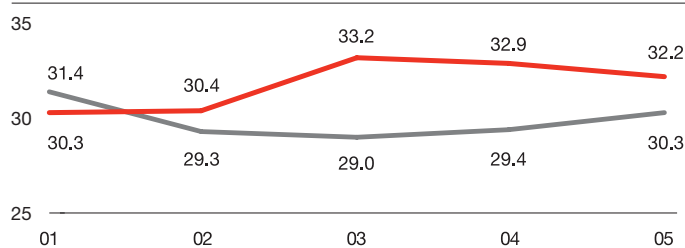
The combined audience share of the family of channels decreased slightly to 32.2 per cent (target group 14-49), from 32.9 per cent in 2004. The RTL family remained the clear market leader with almost a 2 percentage point gap over its commercial rival. On an underlying basis, before restructuring and start up costs, EBITA was €265 million compared to €264 million in 2004.

### Audience share 2001 – 2005

Target: 14-49

Source: Gfk

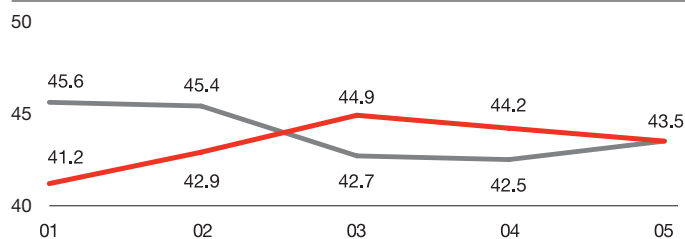
– RTL Family – P7S1 Group



### Advertising share 2001 – 2005

Source: Nielsen S+P

– RTL Family – P7S1 Group

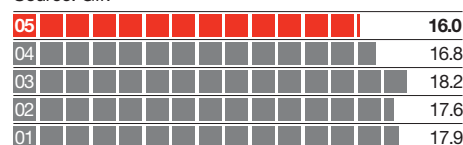


	Year to December 2005 €m	Year to December 2004 €m	Per cent change
<b>Revenue</b>			
TV	1,755	1,733	+1.3
Radio	14	13	+7.7
RTL Shop	89	80	+11.3
<b>Total</b>	<b>1,858</b>	<b>1,826</b>	<b>+1.8</b>
<b>EBITA</b>			
TV	265	264	+0.4
Radio	4	1	>100.0
RTL Shop	(4)	(3)	(33.3)
Start up losses, restructuring costs and non recurring items	(21)	–	n.a.
<b>Total</b>	<b>244</b>	<b>262</b>	<b>(6.9)</b>

### RTL Television, audience share 2001 – 2005

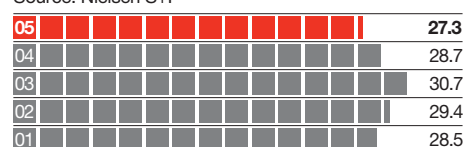
Target: 14-49

Source: Gfk



### RTL Television, advertising share 2001 – 2005

Source: Nielsen S+P



RTL Television was audience market leader in Germany, with a 16.0 per cent share, for the thirteenth consecutive year in the key target group of 14-49 year old viewers. RTL Television broadcast the most successful movie, the most popular series and the most liked sitcom thus also making it the leading commercial channel in terms of total audience share (with 13.2 per cent).

The end of 2005 saw an outstanding start to the third season of *Deutschland sucht den Superstar* with 5.3 million fans (27.1 per cent) tuning in. Other programme highlights in 2005 included the classic quiz show *Wer wird Millionär?* which had up to 11.4 million viewers and an average share of 21.1 per cent, the spectacular *Domino Day* with 7.8 million viewers (34.1 per cent) as well as the new two-part event format *Typisch Frau, Typisch Mann* (22.5 per cent) and *Der große Deutsch-Test* with Hape Kerkeling (22.2 per cent).

Service-oriented reality formats with high production values were a new trend in 2005. Tine Wittler and her home makeover special *Einsatz in vier Wänden – Spezial* achieved a market share (14-49) of 22.9 per cent in primetime, and 19.3 per cent of 14 to 49 year olds picked up valuable tips from *Super Nanny*. With a market share (14-49) of 19.4 per cent, the new home-documentary *Unsere erste gemeinsame Wohnung* made a very strong first appearance. Good ratings were also achieved by the new TV romance *Bauer sucht Frau* which had up to 5.9 million viewers and a market share of 24.2 per cent among the 14-49 target group.

# Directors' report

continued

Of the ten most successful series on German television, nine formats are RTL Television productions. The top position was once again occupied by *Alarm für Cobra 11* which had a market share of 20.3 per cent.

The most successful sitcom of the television broadcasting year 2005 was also an RTL Television format: the final season of *Nikola* achieved a market share of 18.5 per cent among the relevant target group. The RTL Television daily soap *Gute Zeiten, schlechte Zeiten* continues to be the leading daily series with a market share of 24.1 per cent.

The best cinema films of the year were also broadcast on RTL Television: *Harry Potter and the Philosopher's Stone* enchanted 9.9 million muggles on October 2, achieving a remarkable 45.9 per cent market share among 14-to-49-year-olds. *James Bond: Die Another Day* was watched on December 4 by 7.6 million viewers resulting in an audience share of 32.5 per cent amongst 14-49 year olds.

Completing the line up were the two most successful international series on German television, *CSI: Miami* (23.8 per cent) and *Monk* (18.1 per cent).

The RTL Television news formats were once again one of the most important sources of information on German television. The morning shows *Punkt 6* and *Punkt 9*, the lunchtime show *Punkt 12* and the late-night format *RTL Nachtjournal* outperformed their competitors among all viewers and the target 14-49 age group. *Punkt 9* improved its audience share by 3.7 percentage points (to 20.3 per cent in the 14-49 age group) whilst *Punkt 12* remains the most successful news format on German television with an audience share of 29.2 per cent in the 14-49 target group.

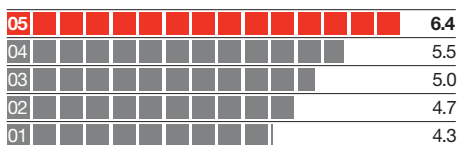
Formula One once again delivered solid ratings for RTL Television with the year's most watched race, the Canadian Grand Prix on 12 June 2005, attracting almost 10 million viewers. The average for all 19 races was 6.9 million fans and an audience share of 42.4 per cent in the target group.

At the end of 2005 RTL Television made a significant step into the digital world by becoming the first major broadcasting group to have signed digital feed contracts with the cable operators. The signals of the entire RTL family of channels will be available nationwide in digital cable from January 2006 onwards.

## VOX, audience share 2001 – 2005

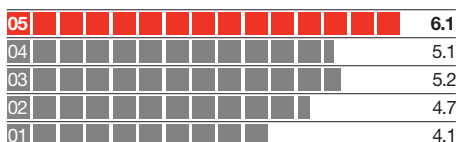
Target: 14-49

Source: GfK



## VOX, advertising share 2001 – 2005

Source: Nielsen S+P



VOX had another very successful year finishing with a 6.4 per cent audience share in its target group, an increase of 16 per cent year-on-year. This success is largely down to high-quality productions from the US which have secured excellent viewer ratings in primetime.

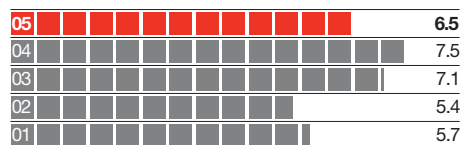
Leading programme highlights include the crime series *CSI:NY*, *CSI*, *Law & Order: Criminal Intent* and *Crossing Jordan*. Among in-house productions, it is TV chef Tim Mälzer with his show *Schmeckt nicht, gibt's nicht* who stands out. This is German television's most successful cooking show and Mälzer's second cookery book, *Born to Cook 2* immediately went to number one in the non-fiction bestseller list.

Weekends continued to be dominated by the magazine formats that have been successful for many years now. *Auto Motor und Sport TV*, the first car magazine show on private German television, broadcast its 500th episode in the autumn of 2005.

## RTL II, audience share 2001 – 2005

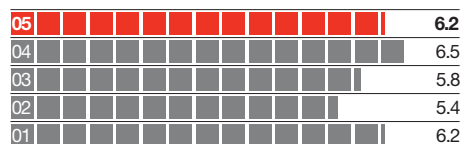
Target: 14-49

Source: GfK



## RTL II, advertising share 2001 – 2005

Source: Nielsen S+P



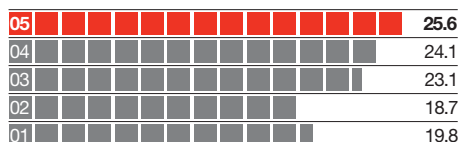
RTL II's main programme highlights include the series *Stargate* and its spin-off *Stargate Atlantis*, which are among the most popular science fiction series shown on German television with audience shares of up to 14.4 per cent. Popular science formats such as *Welt der Wunder* and *Welt der Wunder – Schau dich schlau!* also proved to be ratings successes with audience shares of up to 14.9 and 10.6 per cent respectively. Movies such as *Con Air* and *The Shawshank Redemption* were also very successful.

RTL II finished the year with a share of viewing among the 14-49 age category of 6.5 per cent, down from 7.5 per cent in 2004, and a contribution to RTL Group's EBITA of €9 million (2004: €18 million).

### Super RTL, audience share 2001 – 2005

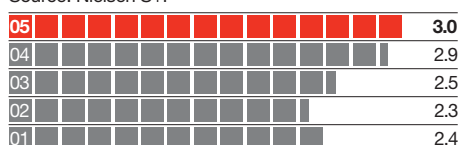
Target: 3-13

Source: GfK



### Super RTL, advertising share 2001 – 2005

Source: Nielsen S+P



Super RTL celebrated its tenth anniversary during the year by achieving its highest ever audience share reaching 25.6 per cent in its target group of 3-13 year olds. This success is due in part to the performance of the Icelandic series *Lazy Town* which drew a market share of more than 50 per cent among the target group and reached a series average of 37 per cent. Other popular formats included *Dragon Hunters – Die Drachenjäger* an internationally co-produced cartoon that drew a series average of 34 per cent. Super RTL has more than 85,000 subscribers for the two educational club sites of the channel, TOGGOLINO Club and TOGGO CleverClub, which provide a valuable source of diversification revenue to the channel. For the format *Kim Possible*, and for the first time in its history, The Walt Disney Company assigned not only the broadcast rights of a series to a TV channel but also the exploitation of the ancillary rights.

**n-tv**, the German news channel, successfully focused on news, business and talk formats during 2005. It achieved an audience share of 0.6 per cent (up from 0.5 per cent in 2004) in the audience group 14-49.

### Profit Centre M6

The audience share of M6 increased significantly to 19.1 per cent (target group housewives under 50) from 18.6 per cent in 2004. Advertising market share and EBITA reached another record level.

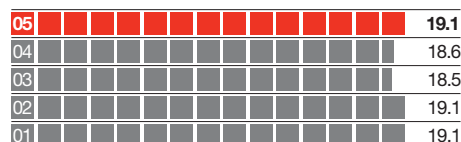
	Year to December 2005 €m	Year to December 2004 (restated) <sup>17</sup> €m	Per cent change
<b>Revenue</b>	<b>1,270</b>	<b>1,145</b>	<b>+10.9</b>
<b>Underlying EBITA</b>	<b>236</b>	<b>207</b>	<b>+14.0</b>
Start up losses	(7)	–	n.a.
<b>Reported EBITA</b>	<b>229</b>	<b>207</b>	<b>+10.6</b>

<sup>17</sup>Restated due to first time application of IFRS 2 (Share based payments)

### M6, audience share 2001 – 2005

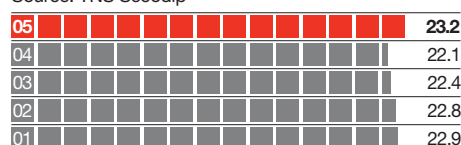
Target: Housewives under 50

Source: Mediamétrie



### M6, advertising share 2001 – 2005

Source: TNS Secodip



M6 continued with the strategy started in 2004 with more investment in its programme grid, although this increase was less than 4 per cent year on year. This policy resulted in improved audience shares in the target group, 26 evenings when more than 5 million viewers tuned in to watch M6 (up from 17 evenings in 2004) and 90 evenings when more than 4 million viewers watched the channel (up from 66 in 2004). The Monday evening movie offering was a resounding success resulting in 10 out of the 12 best audience ratings in 2005 with the *Star Wars* saga, over 5 episodes, bringing an average of 6.5 million viewers to the channel.

The significant increase in audience share in the target group was driven by a very broad range of programmes including French fiction such as *Merci les enfants vont bien* (5.4 million viewers and a 21.8 per cent audience share in the 4+ age group for the first episode), a record audience for the series *Kaamelott* (5.6 million viewers and a 20.2 per cent audience share in the 4+ age group) and another record for the local version of Pop Idol, *Nouvelle Star*, which attracted up to 6.5 million viewers.

The steps taken on the programming front have resulted in a further increase in audience share in the under 35 years age group, to a record level of 21.5 per cent, up 1.6 percentage points year on year which was the strongest growth of all the channels.

Other programme successes include international fiction where M6 launched thirteen new series in 2005, among them hits such as *Nip/Tuck* and *Les 4400* both of which proved extremely popular.

In February 2005 M6 announced a landmark licensing deal with Orange thereby creating M6 Mobile by Orange. This new mobile offer, targeted at a young user, has proved an enormous success with 227,000 subscribers to the service signed up by the end of 2005 (against an original target of 100,000).

In March 2005 Digital Terrestrial Television (DTT) services were launched in France and within this new landscape M6 launched W9 – a new channel targeting the 15-34 year olds with a movie, series and music offer. Later in the year Paris Première, TF6 and TPS Star were all launched on pay DTT.

On 15 November 2005 M6 announced the acquisition of Mistergooddeal, one of the leading French e-commerce businesses dealing in discount branded products, thus further boosting its development in the diversification field.

# Directors' report

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On 16 December 2005 M6 and TF1 announced a commercial agreement combining the pay TV business of TPS with those of Group Canal+. Subject to approval from the relevant authorities M6 will retain a 5.1 per cent holding in the new entity.

## Profit Centre FremantleMedia

FremantleMedia, RTL Group's worldwide production business, had another year of growth driven by new format launches, in particular in Europe, and a strong performance in the US.

	Year to December 2005 €m	Year to December 2004 €m	Per cent change
<b>Revenue</b>	<b>947</b>	<b>866</b>	<b>+9.4</b>
<b>Reported EBITA</b>	<b>104</b>	<b>101</b>	<b>+3.0</b>

In terms of new formats, FremantleMedia had a groundbreaking year in 2005 by successfully introducing the Latin American telenovela format to Europe, reintroducing game shows to primetime and continued success with established formats. FremantleMedia continues to invest in new concepts and talent to create quality entertainment programming for broadcasters around the world and also had the best year so far with its licensing and distribution businesses.

In 2005, FremantleMedia's global network of production companies produced 8,546 hours of award-winning primetime programming spanning drama, serial drama, entertainment, factual programming and comedy, making it one of the largest creators of programme brands in the world.

## FremantleMedia Production

FremantleMedia produces programming in more than 22 countries. In Germany, Grundy UFA successfully introduced telenovelas (serialised love stories) into the market in 2005. Germany's first ever locally produced telenovela, *Bianca – Wege Zum Glück* (*Bianca – Path To Happiness*) made an impressive debut. An even bigger success was the launch of *Verliebt in Berlin* (*In Love in Berlin*), based on the original Latin American format *Betty La Fea* (*Betty, the Ugly*), which achieved outstanding audience shares for its broadcaster. Grundy Producciones in Spain, launched *El Autentico Rodrigo Leal* (*Finding Rodrigo*) and a local adaptation of *Betty La Fea*, produced by the Dutch company, Blue Circle, is due to launch in February 2006 on Talpa. *Juegos Prohibidos* (*Forbidden Games*), produced by Invento, the joint venture between Fremantle Productions Latin America and Teleset, made its debut in Colombia in November.

FremantleMedia, which has the largest game show catalogue in the world, saw renewed interest and ratings hits for this classic entertainment genre. In the UK, the innovative concept *The Gameshow Marathon* – a celebrity series that featured key FremantleMedia formats such as *The Price Is Right*, *Family Feud* and *Sale of the Century*, delivered impressive ratings for ITV1. A series of *Family Feud* has now been commissioned by ITV1 in the UK, Nine Network in Australia and Talpa in the Netherlands.

The entertainment juggernaut *Idols* continued to break records around the world and has now been broadcast in 32 countries. A total of 27 series were produced in 2005 and a pan-Latin *Idol* is planned for 2006. *American Idol 4* was the highest rated series in the US in 2005, delivering audiences larger than *ER*, *Lost* and *Desperate Housewives*. It achieved an average audience of 27 million viewers and an incredible 500 million phone votes were cast during the series. The first episode of *American Idol 5*

on 17 January 2006 attracted the biggest audience yet for a season premiere, averaging 35.5 million viewers, and is currently the second most watched television programme in the US in the 2005/2006 season.

The second series of the UK's largest ever talent search *The X Factor* was one of ITV1's highest rated entertainment shows of the year delivering a peak audience of 10 million viewers with the final achieving a 51 per cent market share for Adults 16-34, ranking first in its timeslot. Local versions of the format were also produced in Australia, Belgium, Colombia and Russia.

## FremantleMedia Enterprises

FremantleMedia Licensing Worldwide (FLW) had a record year in 2005 driven by the performance of *Idols* and *The X Factor* around the world, as well as the continued revival of the classic game show brands. 2005 also saw the launch of a number of exciting new mobile and internet products, as FLW continues to explore and develop the market in the new media space.

In the US, FLW continued its strategic expansion of the *American Idol* franchise throughout 2005. The division benefited from a number of successful partnerships including an international tie-up with Mattel to produce branded Barbie dolls, the launch of the *American Idol* magazine in February and ongoing sponsorship deals with Ford, Cingular Wireless and Coca-Cola.

In an exclusive deal, FLW partnered with Syco Music and Sony BMG to make *The X Factor* winner Shayne Ward's debut single, 'That's My Goal', available for download over the internet on the night of *The X Factor* final, three days before its retail release. The song was one of the biggest selling singles of 2005 and has entered the Guinness Book of World Records as the world's fastest selling download.

The resurgence of game shows also led to record levels of subscriptions for mobile phone games based on these formats and the success of *The Price Is Right* live shows at casino venues across North America continued.

## Distribution

Fremantle International Distribution (FID) had another profitable year in 2005 as it continued to secure distribution deals with leading producers and rights holders from the US and the UK.

In pursuit of its strategy to secure rights to quality blue chip documentary programming FID, along with FLW, signed a distribution and licensing deal for the latest big budget CGI series *Prehistoric Park*, from creators Impossible Pictures, producers of the multi-award winning *Walking With...* series. The company also successfully signed a key deal with US studio Miramax and Harvey and Bob Weinstein's new company, Weinstein Company Inc., for the hugely successful fashion reality series, *Project Runway*. FID also represents a slate of current programming from US broadcasters The Sundance Channel and Showtime for international markets.

### Profit Centre Five

The audience share of Five decreased slightly to 6.6 per cent (target group adults) from 6.7 per cent. However, all the main terrestrial channels lost audience share during the year. Five's loss of just 1.5 per cent in adult audience shares compares well to the 5.6 per cent decline at ITV1 and 2.0 per cent at Channel 4. In terms of commercial impacts Five was the only terrestrial broadcaster to improve adult impacts in 2005.

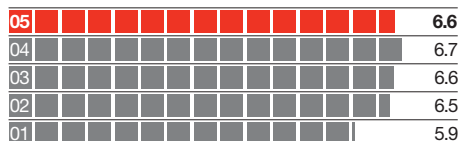
A record level of revenue, reflecting Five's highest ever share of the advertising market, meant another year of increased profitability at Five.

	Year to December 2005 <sup>16</sup> €m	Year to December 2004 €m	Per cent change
<b>Revenue</b>	<b>370</b>	<b>276</b>	<b>+34.1</b>
Revenue in local currency 100%	324	290	+11.7
<b>Reported EBITA</b>	<b>36</b>	<b>18</b>	<b>+100.0</b>
EBITA in local currency 100%	32	19	+68.4

<sup>16</sup>From 1 September 2005 Five has been fully consolidated into the accounts of RTL Group (previously proportionately)

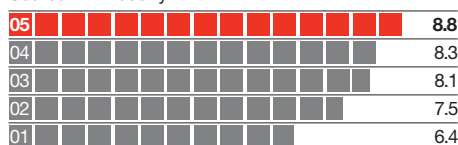
### Five, audience share 2001 – 2005

Target: Adults  
Source: BARB



### Five, advertising share 2001 – 2005

Source: TV Industry



2005 was a momentous year for Five as RTL Group finally completed the acquisition of the remaining stake taking its ownership level to 100 per cent. The operating performance during the year and the scope for further increases demonstrates the logic of this acquisition. Five has continued the positive momentum of the last few years with stable audiences, despite more competition, and increased levels of advertising share and profitability. The advance in profitability was achieved in spite of another increase in programme investment of some 10 per cent. The UK advertising market performed strongly in 2005, up 3.2 per cent, with Five outperforming significantly with revenue growing by triple the market rate.

At the end of 2005 multichannel penetration had reached 61% of homes, up from 55% at the end of 2004. Freeview penetration has continued to grow faster than expected with the number of homes with a Freeview set estimated to be over 6 million (source: BARB). Five continues to do better in Freeview homes, with an audience share of 8.3 per cent, than in satellite or cable homes (4.0 per cent and 5.2 per cent respectively) so the continued growth and success of Freeview remains important for Five.

The increase in digital penetration has also contributed to Five's increase in reach (homes who are watching Five) to 88.5% of total homes (2004: 86.4%).

Programming highlights of the year include the new acquired series *House* (audience share 11.7 per cent) featuring Hugh Laurie, who won a Golden Globe for his performance, and the continued success of the *CSI* brand which now includes *Vegas* (audience share 15.1 per cent), *Miami* and *New York* (audience share 13.4 per cent).

Five continued to invest heavily in lifestyle programmes such as *Build a New Life in the Country* (audience share 8.9 per cent), *Call Yourself a Property Developer* and *How Not to Decorate* (audience share 7.1 per cent) all of which performed well, especially for ABC1 adults. Other new and continuing factual programmes such as *Extraordinary People*, *Fifth Gear* and *Hidden Lives* also helped contribute to the improved demographics at the channel.

Films have continued to perform strongly with highlights in 2005 being *Spiderman* (audience share 14.9 per cent), *Men in Black 2* (audience share 15.7 per cent) and repeats of *Terminator 3* (audience share 13.9 per cent) and *Gladiator* (audience share 14.7 per cent). These films also all delivered an excellent young 16-34 year old audience. The original *Willy Wonka* film achieved an exceptional share of 22 per cent or 4.3 million people when it was broadcast in July.

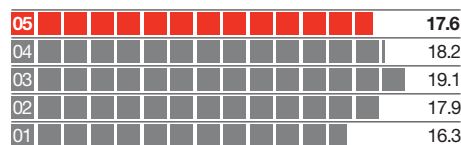
### Profit Centre Netherlands

RTL's family of channels maintained its clear market leadership position with a total audience share of 30.1 per cent (shoppers 20-49), compared to 30.2 per cent in 2004 in spite of the launch of John de Mol's new channel, Talpa. During the year, RTL Netherlands successfully relaunched and repositioned its family of channels.

	Year to December 2005 €m	Year to December 2004 €m	Per cent change
<b>Revenue</b>			
TV	345	331	+4.2
Radio	13	7	+85.7
<b>Total</b>	<b>358</b>	<b>338</b>	<b>+5.9</b>
<b>EBITA</b>			
TV	54	54	+0.0
Radio	(8)	(15)	(46.7)
<b>Total</b>	<b>46</b>	<b>39</b>	<b>+17.9</b>

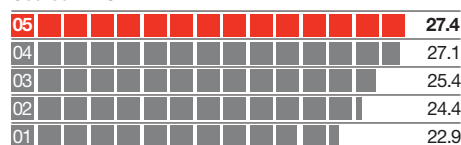
### RTL 4, audience share 2001 – 2005

Target: Shoppers 20-49  
Source: Intomart



### RTL 4, advertising share 2001 – 2005

Source: BBC



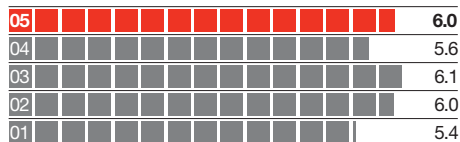
# Directors' report

continued

## RTL 5, audience share 2001 – 11 August 2005

Target: Men 20-49

Source: Intomart



## RTL 5, audience share – from 12 August 2005

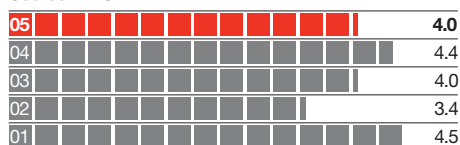
Target: 20-34

Source: Intomart



## RTL 5, advertising share 2001 – 11 August 2005

Source: BBC



## RTL 5, advertising share – from 12 August 2005

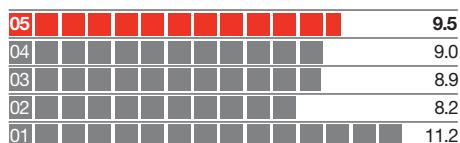
Source: BBC



## Yorin, audience share 2001 – 11 August 2005

Target: 20-34

Source: Intomart



## RTL7, audience share – from 12 August 2005

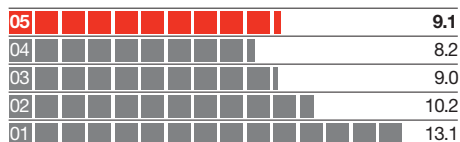
Target: Men 20-49

Source: Intomart



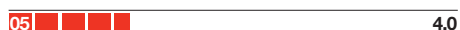
## Yorin, advertising share 2001 – 11 August 2005

Source: BBC



## RTL7, advertising share – from 12 August 2005

Source: BBC



The extremely strong position of **RTL 4** remains the basis for the success of RTL Nederlands. This television channel remained market leader in 2005 in the core target group Shoppers aged 20-49, with an audience share of 17.6%, some 5.3 percentage points ahead of commercial rival SBS 6.

The success of RTL 4 is partly due to a number of new programmes, but also to the continued success of the core programming. RTL4's extremely strong early evening line-up was unchanged, with *RTL News*, *Editie NL* and *RTL Boulevard* and *Goede Tijden*, *Slechte Tijden*, each guaranteeing at least one million viewers. On 2 September the 3,000th edition of *Goede Tijden*, *Slechte Tijden* was celebrated with a double-length show that attracted approximately 1.5 million viewers. RTL 4's already hugely popular 'living night' (one million viewers every Tuesday) was supplemented with the new show *Help, Mijn Man is een Klusser* (*Help, My Husband is into DIY*). The series *Baantjer* and *Crime Scene Investigation* continued to draw large audiences to the channel whilst reality shows such as *Dancing With The Stars* and *Idols* rounded off the offer and also attracted millions of viewers.

Following the closure of Yorin, a new channel, **RTL 7**, was launched. The channel covers breaking news as well as regular bulletins and business news with shows including *Nederland In Bedrijf* and *Business Class*. *De Pfaffs* and films targeted at a predominantly male target group, such as *Asterix & Obelix*, *Down Periscope*, *Turks Fruit* and *Soldaat van Oranje*, have also contributed strongly to RTL 7's audience share development since its launch on 12 August 2005.

Since its repositioning in August 2005, **RTL 5** has grown its market share culminating in an audience share of 9.0 per cent in the 20-34 target group as at year end. Football took up a very important position within the revamped RTL 5 schedule as did the weekend movie schedule. The late-night talkshow *Jensen!*, which was for the first time shown on every weekday evening in the most recent season, performed very well, reaching 400,000 viewers on average.

In radio, **RTL FM** achieved an audience share of 3.5 per cent, an increase of 0.6 percentage points compared to 2004 (2.9 per cent) in the target group 20-49. In the overall 10+ target group, RTL FM's market share grew from 2.2 per cent to 2.8 per cent.

Following musical changes and a fine-tuning of the programme, **Yorin FM** improved its performance in the core 20-34 target group in 2005 to a 6.4 per cent audience share, whilst in the overall 10+ target group, the station fell back slightly to 2.8 per cent. On 1 January 2006, following a strategic review of the radio activities, management decided to sell Yorin FM to SBS Broadcasting.

## Profit Centre French Radio

The audience share of the French radio family was flat at 17.6 per cent (target 13+). Profitability was down year on year due to structural changes made by the new management team.

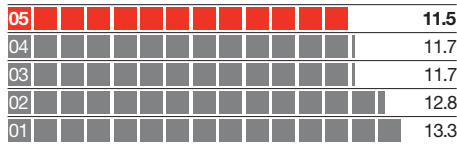
	Year to December 2005 €m	Year to December 2004 €m	Per cent change
<b>Revenue</b>	<b>198</b>	<b>207</b>	<b>(4.3)</b>
<b>Reported EBITA</b>	<b>37</b>	<b>43</b>	<b>(14.0)</b>

In April a new CEO, Axel Duroux, took over responsibility for the French radio activities and immediately set about refreshing existing formats, bringing in new programming and preparing the stations for the digital future.

### RTL, audience share 2001 – 2005

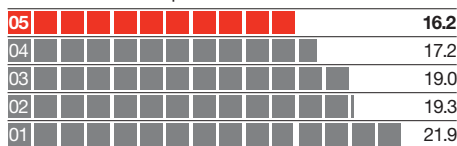
Target: 13+ (since September 2002)

Source: Médiamétrie



### RTL, advertising share 2001 – 2005

Source: TNS Secodip



RTL remains, as it has been for the last twenty years, the leading radio station in France. In the last audience measure of 2005 (Médiamétrie November – December) RTL recorded a market share of 11.4 per cent, 40 per cent ahead of the second-placed station. The performance of RTL during the weekend improved significantly in the last survey with average market shares increasing by 17 per cent year on year.

A number of new formats were launched at the end of 2005, reflecting management's desire to broaden the stations appeal, especially for young adults. New programmes include *On ne pouvait pas le rater* hosted by Marc-Olivier Fogiel, *L'Heure du Jazz* hosted by Jean-Yves Chaperon and the relaunch of *Stop ou Encore* presented by Vincent Perrot.

The "classic" shows with well-known and well-respected hosts of RTL such as Nagui, Julien Courbet, Jean-Pierre Foucault and of course Philippe Bouvard continue to appeal to a large number of listeners.

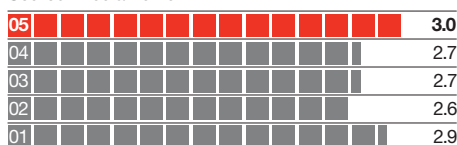
The ongoing marketing campaign "Vivreensemble" continues to re-affirm RTL's position and presence in people's lives.

RTL's share of the radio advertising market was 16.2 per cent (2004: 17.2 per cent).

### RTL 2, audience share 2001 – 2005

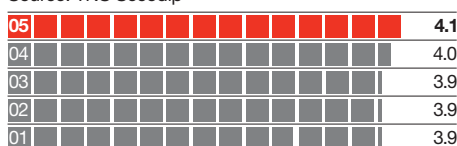
Target: 13+ (since September 2002)

Source: Médiamétrie



### RTL 2, advertising share 2001 – 2005

Source: TNS Secodip



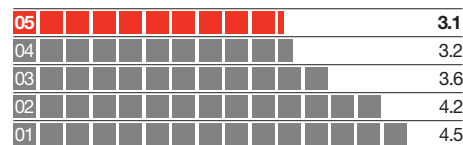
RTL 2 celebrated its tenth anniversary in 2005 with record audience shares across all target groups between the ages of 13 and 49, but especially in its core target of 25-39.

2005 was the year where RTL 2 started some innovative new shows like *Maxi Pop Rock* the first show with 100% extended versions of Pop Rock Hits and *Extra Pop Rock* a daily feature with exclusive versions of current and gold Pop Rock Hits. Maroon 5, Green Day, Phil Collins, Santana and U2 are part of the core sound of RTL 2 and RTL 2 is the official partner of Tracy Chapman, Oasis, Coldplay and Simply Red. RTL 2 staged a new live show at the legendary Olympia with Travis, Zazie, Lenny Kravitz, The Coors and Natalie Imbruglia.

### Fun Radio, audience share 2001 – 2005

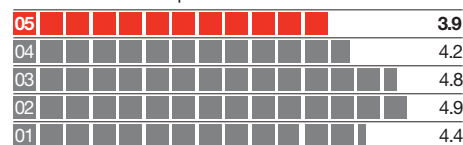
Target: 13+ (since September 2002)

Source: Médiamétrie



### Fun Radio, advertising share 2001 – 2005

Source: TNS Secodip



Fun Radio was relaunched at the end of 2005 as a Soul and dance station for young listeners. The impact of this changed grid has still not yet been fully reflected in its audience share.

The *More than 40 minutes of Soul&Dance non stop* every hour of the daytime is the new music offer on Fun Radio. A fun and entertaining start to the day for 1.5 million listeners is guaranteed with the host Cauet while Fun Radio also connects the 13-25 year old target group with lifestyle information, appropriate music news and previews, cinema, DVD and video game releases, where to go at night, fun features, and friendly presenters.

### Profit Centre Belgium

Audience shares of the family of channels fell slightly to 32.1 per cent (target 18-54, 17.00 – 23.00) from last years 32.5 per cent. But, contrary to the overall advertising market, which fell almost 3 per cent, RTL managed to increase its advertising share and further improved on an already high level of profitability.

	Year to December 2005 €m	Year to December 2004 €m	Per cent change
<b>Revenue</b>			
TV	154	147	+4.8
Radio	20	20	–
<b>Total</b>	<b>174</b>	<b>167</b>	<b>+4.2</b>
<b>EBITA</b>			
TV	20	18	+11.1
Radio	8	8	–
<b>Total</b>	<b>28</b>	<b>26</b>	<b>+7.7</b>

# Directors' report

continued

## RTL-TVi, audience share 2001 – 2005

Target: Shoppers 18-54  
Source: CIM Audiométrie South

05		24.1
04		24.7
03		24.5
02		24.0
01		25.9

## Club RTL, audience share 2001 – 2005

Target: Men, 18-54  
Source: Audiométrie

05		6.2
04		6.8
03		6.4
02		7.1
01		6.8

## RTL-TVi/Club RTL/Plug TV, advertising market share

(French speaking Belgium) 2001 – 2005  
Source: CIM MDB South

05		68.3
04		66.7
03		66.9
02		65.8
01		68.2

The RTL Group channels were responsible for 86 of the 100 best viewer ratings in 2005 with **RTL TVi** being leader in the evenings slot (17.00 – 23.00 hours) for 343 days of the year. RTL TVi also accounted for 22 of the year's 25 most watched programmes (age group 4+) including *Le journal de 19 heures*, with an audience share of 51 per cent, and *Edition spéciale* which had an audience share of 47.7 per cent. US favourites such as *CSI*, which had a share of 31.2 per cent and *Desperate Housewives*, with a share of 30.0 per cent, were also amongst the most popular programmes of 2005.

Challenging and harrowing formats such as *Auschwitz* were also aired in 2005 and despite the subject matter managed to draw in a remarkable 34.2 per cent share (4+ age group). Top international movies such as *Coup de foudre à Manhattan* and *Spiderman* had shares of 34.8 per cent and 30.1 per cent respectively further highlighting the wide range of programmes on offer at RTL TVi.

**Club RTL** continues to focus on children's programmes during the day and sports in the evening. Champions League football remains the most important format averaging a 19.4 per cent audience share in 2005 (4+ age group). Other programme highlights include the *Moto GP* (6.5 per cent average audience share, 4+ age group) and *The Simpsons* (averaging 9.6 per cent audience share, 4+ age group).

**Plug TV** celebrated its first full year of operations having been launched on 13 February 2004. It caters for the young adult audience of 15-34 years old and in this target group Plug TV achieved a 4.5 per cent market share (17.00 – 23.00) up from 3.5 per cent in 2004. Programme highlights include formats such as *Nouvelle star* and *Les enfants de la télé* and the reality-entertainment format *Le pensionnat de Sarlat*.

In radio, **Bel RTL** retained, and further consolidated, its position as the number one radio station in the south of the country, where it had a 21.1 per cent audience share of the 12+ audience (CIM Radio March – May), up from 18.8 per cent in 2004.

**Radio Contact** also improved its audience share rising to a market share of 15.6 per cent, from 12.6 per cent, and is now the clear number two. **BXL, la City Radio**, which is still in launch phase, completed its first full year of operations with an audience share of 0.2 per cent (CIM Radio March – May).

## Profit Centre Luxembourg

This profit centre comprises the Luxembourg radio and television businesses, the technical services provider Broadcasting Centre Europe (BCE) and CLT-UFA International (rights trading activity).

	Year to December 2005 €m	Year to December 2004 €m	Per cent change
<b>Revenue</b>	<b>110</b>	<b>125</b>	<b>(12.0)</b>
Of which: CLT-UFA International	52	72	
Other Luxembourg activities	58	53	
<b>Reported EBITA</b>	<b>16</b>	<b>5</b>	<b>+100.0</b>
Of which: CLT-UFA International	10	7	+42.9
Reversal of impairment and start up losses	3	–	n.a.
Other Luxembourg activities	3	(2)	n.a.

**RTL Radio** remains the reference station for both news and entertainment with an audience share of 71 per cent (12+, Monday to Friday, 05.00 – 24.00). **RTL Télé Lëtzebuerg** maintained a broadly stable prime time audience share (12+, Monday to Friday, 19.00 – 20.00) at 67 per cent (from 70 per cent in 2004).

During the first six months of 2005 **BCE** provided the technical staff as well as the audiovisual infrastructure to support the Luxembourg presidency of the European Union.

On August 12, BCE started the transmission of the new Dutch channel RTL 7, which complements its two sister channels, RTL 4 and RTL 5. All three channels are now broadcast from Luxembourg using a new digital play-out facility.

BCE has further developed its role as a key digital player with its mass-digitalisation platform, fully automated, offering a processing capacity of over 20,000 hours per year and the ability to store over 1,200 Terabyte of data. These digital services (storage, archiving, broadcast, disaster recovery) represent one of the cornerstones of BCE's growth strategy.

**CLT-UFA International (CUI)** manages a portfolio of film rights, series and other rights. It remains in profitability despite further reductions in revenue, in line with the strategic decision to reduce the activities in this field.

### Profit Centre Croatia

In its first full year of operations following its launch on 30 April 2004, RTL Televizija has achieved an excellent audience share in its target group of 18-49 of 28.6 per cent. The successful launch of RTL Televizija means that it is already the leading commercial television station in Croatia.

	Year to December 2005 €m	Year to December 2004 €m	Per cent change
<b>Revenue</b>	<b>38</b>	<b>14</b>	<b>&gt;100.0</b>
<b>Reported EBITA</b>	<b>(8)</b>	<b>(19)</b>	<b>(57.9)</b>

### National audience breakdown 2005

Target: 18-49

Source: AGB Plus

Channel	Audience share (%)
Other	8.4
Nova TV	14.0
HTV2	16.9
HTV1	32.1
<b>RTL</b>	<b>28.6</b>

### National audience breakdown,

4 May – 31 December 2004

Target: 18-49

Source: AGB Plus

Channel	Audience share (%)
Other	9.3
Nova TV	13.3
HTV2	16.7
HTV1	31.2
<b>RTL</b>	<b>29.5</b>

Within the target group of younger adults aged between 18 and 49, RTL Televizija holds top positions in many programme genres including News, Tabloid Magazine shows, sports events, series and TV movies, sitcoms, daily soaps, variety shows and reality shows. Programme highlights include the daily soap produced by FremantleMedia *Zabranjena Ljubav (Forbidden Love)* which achieved an average audience share of 29.3 per cent, *Mijenjam Zenu (Wife Swap)* which achieved an average audience share of 36.8 per cent, *Prijatelj na Kvadrat (Home Improvement)* with an average audience share of 24.8 per cent and the Saturday movies which had an average audience share of 31.0 per cent during 2005.

The format *Big Brother – Season 2*, which was broadcast for 4 months from September 2005, continued to be extremely popular with audiences reaching an average share of 43.3 per cent. The daily shows achieved an audience share of 38.7 per cent and the weekly shows reached an audience share of 54.0 per cent.

This show is considered as the biggest production ever done in Croatia and the success was in line with expectations after the incredible results of Season 1, which was broadcast at the end of 2004.

The diversification activities started this year with the release of the best selling compilation album "Retromanija" which resulted in nearly 200,000 copies being sold.

### Profit Centre Antena 3

Antena 3 improved its audience share to 22.8 per cent (target 13-55) from 21.9 per cent in 2004. Strong advertising market growth and an increase in the market share from 26.9 per cent to 29.2 per cent, combined with the better results at radio, new diversification revenue and the acquisition of Unipublic have enabled Antena 3 to achieve record results. EBIT<sup>19</sup> grew 88 per cent to €325 million in 2005 from €173 million last year.

Antena 3 reported excellent audience share growth, especially in the second half of the year, becoming overall leader for the last two months of the year despite increased competition following the launch of a new fourth terrestrial channel, Quatro. Viewers appreciate Antena 3 for its innovative and entertaining style and also for its information – in news Antena 3 was the leading channel, especially so in prime time where it was 2.6 percentage points ahead of the public channel TVE1 with an audience share of 25 per cent.

As a result of the improvement in the operational performance of the business the profit contributed to RTL Group was €39 million, up from €17 million in 2004.

<sup>19</sup>Local IFRS accounts as presented by Antena 3 on 100 per cent basis on 23 February 2006

### Antena 3, audience share 2001 – 2005

Target: 13-55

Source: TNS

Year	Audience share (%)
<b>05</b>	<b>22.8</b>
04	21.9
03	20.9
02	21.6
01	22.1

### Antena 3, advertising share 2001 – 2005

Source: Infoadex & internal estimates

Year	Advertising share (%)
<b>05</b>	<b>29.2</b>
04	26.9
03	24.8
02	25.5
01	27.0

### Profit Centre SPORTFIVE

Following the partial disposal of SPORTFIVE on 25 June 2004, RTL Group has, from 1 July 2004, equity accounted for SPORTFIVE, thus no revenue is consolidated into the accounts of RTL Group.

	Year to December 2005 €m	Year to December 2004 €m	Per cent change
<b>Revenue</b>	<b>–<sup>20</sup></b>	<b>135</b>	<b>(100.0)</b>
<b>Reported EBITA</b>	<b>1</b>	<b>11</b>	<b>(90.9)</b>

<sup>20</sup>Following the partial sale of SPORTFIVE in 2004 and the according change in consolidation method, no revenue is consolidated into the accounts of RTL Group

Since it was established in 1984, SPORTFIVE has grown into one of the largest sports marketing companies in the world, covering the whole range of sports rights marketing, from stadium advertising and hospitality programmes to shirt sponsorships and the sale of international TV rights. SPORTFIVE operates through a large network of subsidiaries, representative offices and agents. SPORTFIVE currently represents more than 30 European football federations. In the FIFA World Cup 2006™ qualification cycle, SPORTFIVE marketed 253 of the 282 matches. In 2005, SPORTFIVE won the tendering for the sale of the broadcasting rights in Europe to the UEFA EURO 2008™ in Austria and Switzerland.

# Directors' report

continued

SPORTFIVE also represents ten national leagues for worldwide television distribution, including those of Italy, Spain and Germany. With partnerships with some 270 European professional football clubs, SPORTFIVE is the undisputed leader in UEFA Cup marketing. The African football authorities have also called on SPORTFIVE to take up the challenge of distributing TV- and marketing rights of the CAN and CAF Champions League.

The profit contributed to RTL Group was €1 million, down from €11 million in 2004 as last years result included a one-off compensation payment as part of the sales process.

## Profit Centre Others

This profit centre now comprises the corporate centre, the participations in RTL Klub (Hungary), REN TV (Russia), Media Capital (Portugal) and other minor investments.

	Year to December 2005 €m	Year to December 2004 €m	Per cent change
<b>Revenue</b>	<b>43</b>	<b>50</b>	<b>(14.0)</b>
<b>Reported EBITA</b>	<b>(14)</b>	<b>(1)</b>	<b>&gt;100.0</b>
Others	–	7 <sup>21</sup>	n.a.
Corporate centre	(24)	(15)	+60.0
RTL Klub	9	7	+28.6
REN TV	1	–	n.a.
Media capital	0	–	n.a.

<sup>21</sup>Includes release of provisions following the sale of SPORTFIVE and litigations settled

8 out of the top 10 programmes in Hungary were broadcast by **RTL Klub**, which retains leadership position with an average audience share of 36.5 per cent in adults 18-49 (prime time). Programme highlights include formats such as *Who wants to be a millionaire* which had an audience peak of 53.6 per cent and the reality show *Gyozike*. The average rating for this show was 46.1 per cent and it was responsible for 9 out of the top 20 most popular programmes on television. The daily soap *Baratok kozt* remains extremely successful with peak audiences in excess of 50 per cent and an annual average share of 42.4 per cent.

In 2005 the broadcast licence was extended until 2012 following agreement with the ORTT (The National Radio and Television Board).

RTL Group's share of the results rose to €9 million (2004: €7 million).

RTL Group holds a 30 per cent stake in **REN TV**, one of Russia's leading private broadcasters. The Moscow based television network reaches 97 million citizens with a technical coverage of approximately 87 per cent. REN TV operates through a broadcast network holding licences in Moscow, Chelyabinsk, Magnitogorsk, and Volgograd and through subsidiaries in Ekaterinburg, Voronezh, Bryansk and Rostov-on-Don and has more than 180 broadcasting agreements with local operators. The REN TV signal is received in all 18 Russian cities with more than 1 million inhabitants and in all 29 cities included in the TNS Gallup peplemeter panel.

REN TV's programme grid includes news, documentaries, entertainment, music and sports as well as popular series and movies. In the age group 6-54 REN TV achieved an audience share of 5.6 per cent and finished the year with an advertising market share of 5.7 per cent.

RTL Group's share of the results was €1 million (2004: €nil million) reflecting the first-time equity consolidation of REN TV as from 1 October 2005.

In Portugal, RTL Group increased its stake to 33 per cent in the media group, **Media Capital**, during 2005. Media Capital owns and runs the leading television channel, TVI, a generalist channel with a broad programme offer and a dynamic, independent, innovative and popular style. TVI obtained record audience shares in 2005 becoming, for the first time in the stations history, the leading channel in terms of total audience, with a 34.9 per cent share (up from 33.1 per cent in 2004). The main goal of TVI is to maximize its share among the key commercial targets of housewives and individuals ABC1 25-54 by focusing on the two main time-slots of access and prime-time (18.00-24.00 hours). This strategy paid off, in particular in primetime, with TVI increasing its audience share in 2005 to 38.4 per cent (2004: 37.2 per cent), well above its commercial rival, SIC, which drew 31.4 per cent.

RTL Group's share of the results was €nil million (2004: €nil million) reflecting the first-time equity consolidation of Media Capital as from mid-December 2005.

## Portfolio changes

The most significant portfolio change was the first time full consolidation of Five as from September 2005 following the acquisition of the remaining stake from UBM.

Other main portfolio changes include Mistergooddeal in France, via M6, REN TV in Russia and Grupo Media Capital in Portugal.

## Share of results of associates

	Year to December 2005 €m	Year to December 2004 €m	Per cent change
<b>EBITA</b>			
– RTL II	9	18	(50.0)
– Antena 3	39	17	>100.0
– SPORTFIVE	1	0	n.a.
– RTL Klub	9	7	+28.6
Others	5	–	n.a.
<b>Total</b>	<b>63</b>	<b>42</b>	<b>+50.0</b>

The total contribution of the associate companies increased to €63 million (2004: €42 million). The major explanation of the improved results is due to the very strong performance from Antena 3, which offset a disappointing year at RTL II. The portfolio changes relating to REN TV in Russia and Media Capital in Portugal have a minor impact in the results as at the 31 December 2005.

## Interest expense (net) and financial results other than interest

Net interest expense fell to €11 million (2004: €25 million) reflecting further improvement of the average cash position. It also includes interest charges on pension liabilities.

The financial results other than interest include write-downs on financial assets as well as fair value adjustments on embedded derivatives.

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

As part of the gain of control of Five in the UK, RTL Group has completed a full fair value exercise. The amortisation of these fair values amounted to €2 million as at 31 December 2005 (2004: €Nil million) and is reported in this heading.

A similar fair value exercise was completed following the acquisition of M6 in France in 2004. The amortisation of these fair values amounted to €14 million as at 31 December 2005 (2004: €13 million) and is also reported in this heading.

### Gain from sale of subsidiaries, joint ventures and other investments

There was a gain on sale of subsidiaries, joint ventures and other investments in 2005 amounting to €1 million. In 2004 the loss arose on the disposal of SPORTFIVE and the London Payout Centre.

### Income tax expense

The tax expense decreased to €116 million (2004: €196 million). The normalised tax rate was approximately 29 per cent (2004: 33 per cent).

### Net profit for the year

The net profit for the year was €537 million (2004: net profit €366 million) up 46.7 per cent year on year.

### Earnings per share

Reported earnings per share, based upon 153,618,853 shares, was €3.50 per share (2004: €2.38 per share). The adjusted earnings per share, taking into account the amortisation of fair value adjustments on acquisitions and impairment of goodwill, gain or loss from sale of subsidiaries, joint ventures and other investments, net of income tax expense and one-off tax effects, increased to €2.96 (2004: €2.62).

### Net debt/cash position

The consolidated net cash position at 31 December 2005 was €267 million (2004: reported net cash €246 million). The increased net cash position is despite the acquisitions made during the year, the most notable being Five in the UK, Media Capital in Portugal and REN TV in Russia and the re-classification of the marketable securities. The Group continues to generate significant operating cash flow with an EBITA cash conversion of 120 per cent (2004: 99 per cent).

	As at 31 December 2005 €m	As at 31 December 2004 restated <sup>22</sup> €m	As at 31 December 2004 €m
<b>Net cash position</b>			
<b>Gross balance sheet debt</b>	<b>(75)</b>	<b>(597)</b>	<b>(597)</b>
<b>Less: Loans receivable<sup>22</sup></b>	<b>10</b>	<b>231</b>	<b>231</b>
<b>Gross Financial debt</b>	<b>(65)</b>	<b>(366)</b>	<b>(366)</b>
<b>Add: Cash</b>	<b>332</b>	<b>346</b>	<b>346</b>
<b>Add: Cash deposit at Bertelsmann</b>	<b>–</b>	<b>208</b>	<b>208</b>
<b>Add: Marketable securities<sup>23</sup></b>	<b>–</b>	<b>–</b>	<b>58</b>
<b>Net cash position</b>	<b>267<sup>24</sup></b>	<b>188</b>	<b>246</b>

<sup>22</sup>In 2004 the loans receivable relate to Five and other financing (n-tv and TPS via M6). In 2005 the loans receivable relate to n-tv and TCM (via M6)

<sup>23</sup>Marketable securities re-classified to equity (IAS 32 (revised)) from 1 January 2004

<sup>24</sup>Of which €241 million held by M6

### Own shares

RTL Group has an issued share capital of €191,900,551 divided into 154,787,554 fully paid-up shares with no defined nominal value.

RTL Group indirectly holds 0.76 per cent (2004: 0.76 per cent) of RTL Group's shares.

### Related party transactions

In April 2002, RTL Group entered into a €300 million loan agreement with Bertelsmann AG. The loan was granted to RTL Group for a period of 3 years. In accordance with the terms of the loan agreement, this loan was fully repaid by RTL Group in April 2005.

The interest expense for the year amounts to €5 million (2004: €16 million).

On 5 November 2002, RTL Group entered into a €600 million Revolving Credit Facility with Bertelsmann AG. The facility was granted for the period from 8 November 2002 to 31 August 2006. On 21 December 2004 the Facility was reduced by €300 million and on 15 June 2005 the remaining Facility was cancelled.

As this credit facility has not been used in 2005, the interest expense for the year amounts to €0 million (2004: €0 million).

On 5 November 2002, RTL Group entered into a €300 million 364 days (renewable) Revolving Credit Facility with Bertelsmann AG. The Facility has been granted to RTL Group initially for the period from 8 November 2002 to 31 August 2004. The term of the Facility was extended to 31 August 2006. The Facility bore interest at a rate per annum equal to the sum of the EONIA rate plus a 25 basis point margin. The Facility was amended on the 1 December 2005 resulting in a new margin of 22 basis points over EONIA and was rolled over until 1 December 2006. The Facility is renewable for a further two more periods of 364 days beyond 1 December 2006. As at 31 December 2005, the balance of the Facility used by RTL Group amounts to €12 million (2004: €nil million).

The interest expense for the year amounts to €1 million (2004: €3 million).

During the year RTL Group has invested its short term cash surplus from working capital with its parent company Bertelsmann AG, with an EONIA flat rate return. As at 31 December 2005 the amount deposited amounts to €0 million (2004: €208 million).

The interest income for the year amounts to €2 million.

During the year commitment fees on unused credit facilities granted by Bertelsmann AG amounted to €1 million.

### Share option plan

On 25 July 2000, RTL Group launched a share option plan for the senior management of the Group. Under the terms of the plan, the option price reflects the market value of the shares on the date that they are granted. The market value is defined as the average stock price on the Brussels exchange for the 20 working days preceding the grant, or as otherwise decided by the Board of Directors. The options vest in equal tranches on the second, third and fourth anniversary of the date of grant and lapse after 10 years. The total number of options granted and accepted by the senior management at the end of 2005 was 173,300 (2004: 217,200).

# Directors' report

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## Significant litigations

RTL Group has been made a party to litigation between several of its minority shareholders on the one hand and Bertelsmann and GBL on the other hand in relation to the acquisition by Bertelsmann of the RTL Group shares previously owned by GBL. On 8 July 2003, the Luxembourg Civil Court rejected the claim of the minority shareholders. The judgment was appealed. This litigation is still pending in the Luxembourg Court of Appeal, a judgement being expected in the first half of 2006. RTL Group believes that whatever the outcome of that litigation it should not have any direct impact on the Group, because it has not been a party to that transaction and its involvement is limited solely to entering any transfer of shares into the shareholders register.

In September 2002, the minority shareholders have filed a lawsuit against RTL Group, its Directors, Bertelsmann, BWTV and WAZ with regard to the free float. They are seeking a Court decision obliging RTL Group to increase the free float and prohibiting other defendants from making additional purchases of RTL Group shares.

The minority shareholders also dispute the decision by RTL Group to de-list its shares from the London Stock Exchange. On 31 December 2002, the Court of appeal of Luxembourg, sitting in summary proceeding, confirmed the Court decision pronounced in summary proceeding on 25 October 2002 that held the claim inadmissible. The de-listing of RTL Group's shares from the London Stock Exchange took effect from 31 December 2002. As a consequence of the de-listing, the minority shareholders requested the Luxembourg Civil Court to order the re-listing of the shares on the London Stock Exchange.

The Court decided to join both claims (free float and de-listing). On March 30, 2004 the Court dismissed the claims of the minority shareholders who in turn lodged an appeal. It is expected that the Court of Appeal will render its judgement in the first half of 2006. The parties will be allowed to appeal the decision to the Supreme Court of Luxembourg.

The French high administrative court (Conseil d'Etat) examined an appeal lodged by Bouygues against the decision of the French media Authority (Conseil Supérieur de l'Audiotvisuel) authorising the restructuring of the shareholding of Métropole Télévision following the partial exit of Suez in 2004. In April 2005 the Conseil d'Etat rejected the appeal made by Bouygues.

RTL Group's Board of Directors is not aware of any other significant litigation.

## Profit appropriation (RTL Group S.A.)

The statutory accounts of RTL Group S.A. show a profit for the financial year 2005 of €76,051,681 (2004: profit of €76,167,298). Taking into account the profit carried forward as at 31 December 2005 of €1,750,511,835, the share premium (€5,782,185,577) and the profit for the year (€76,051,681), the amount available for distribution is €7,608,749,093. The Board of Directors recommends to the General Meeting of Shareholders on 19 April 2006 the distribution of a gross final dividend per share of €1.05 (2004: €0.95 per share).

If the General Meeting of Shareholders accepts this proposal, RTL Group will distribute for the financial year 2005 a total dividend of €163 million.

## Outlook

Advertising market conditions are expected to remain mixed with low forward visibility throughout the year. Therefore we remain cautious at this early stage of the year.

This past year we have been able to seize opportunities to further strengthen our portfolio. We did this by increasing our shares in existing investments as well as by acquiring new stakes. Given our proven track record to assimilate these into the Group and our strong cash generation, with no net financial debt, we will continue to look for further internal and external growth opportunities.

Our strategy remains consistent with previous years: we will continue to develop families of channels to counter audience fragmentation, grow and further build upon our existing diversification businesses and look outside our current geographic footprint for new opportunities. By following this strategic path we aim to further strengthen our unique position as the only truly pan-European television company.

14 March 2006  
The Board of Directors