

STRATEGY

As described in the previous section on market trends, the international TV industry is in the midst of a major transformation, with huge opportunities for those who are prepared to shape the future.

To successfully transform RTL Group's business, two factors are particularly important. One is higher reach – in both linear and non-linear – which requires investments in content, marketing and a state-of-the-art streaming platform. The second is better monetisation of audience reach – via targeting and personalisation/recommendation – which requires investments in advertising technology and data.

RTL Group's Board of Directors, Executive Committee and Group Management Committee (GMC) defined a strategy that builds upon three priorities:

1. Strengthening the Group's **core** businesses.
2. Expanding RTL Group's **growth** businesses, in particular in the areas of streaming, content production and technology.
3. Fostering **alliances and partnerships** in the European media industry.

CORE

STRENGTHENING RTL GROUP'S FAMILIES OF CHANNELS

Building and extending families of TV channels has been key to address increasing audience fragmentation and competition in a digital, multi-channel world, with the overall goal of keeping RTL Group's audience shares and net TV advertising market shares in the various countries stable or growing them. In recent years, RTL Group's families of channels have been extended by **digital channels**, including Nitro, RTL Plus, Vox Up, 6ter, and RTL Z.

RTL Group's primary focus is on organic growth. However, wherever attractive opportunities arise, the Group **aims to consolidate** across its existing European broadcasting footprint, including through acquisitions.

In 2019, Groupe M6 acquired Lagardère's TV business, to complement its offering for families and to strengthen its overall position in the French media market, both in TV advertising and digital. This transaction included the full acquisition of Gulli (the country's leading free-to-air digital channel for children), five pay-TV channels and the corresponding streaming services, including Gulli Replay and Gulli Max.

In December 2020, RTL Group agreed with its co-shareholders in the Group's Belgian TV and radio operations to acquire their shares in RTL Belgium

against a payment in cash and RTL Group treasury shares. The transaction was finalised on 28 December 2020 and took RTL Group's shareholding in RTL Belgium to 100 per cent.

In March 2021, Mediengruppe RTL Deutschland announced a binding agreement with its current joint venture partner, The Walt Disney Company, to acquire the outstanding 50 per cent shareholding in Super RTL. With its umbrella brands, Toggo and Toggolino, Super RTL has successfully developed into a digital entertainment company, distributing its content via linear TV, streaming, digital radio and a variety of apps and websites. Super RTL also operates a growing merchandising business. The transaction – which is subject to approval from the German and Austrian competition authorities – will take RTL Group's shareholding in Super RTL to 100 per cent.

Another focus for strengthening the Group's core business in broadcasting is to increase non-advertising revenue, by further **growing the revenue from platform operators**. RTL Group aims to receive a fair revenue share for its brands and programmes from the major distribution platforms – cable network operators, satellite companies and internet TV providers – for services such as high-definition TV channels, streaming platforms and digital pay channels.

INVESTING IN CONTENT

Every year, RTL Group invests around €3.5 billion in content, combining the programming spend of its broadcasters and the productions of its global content business, Fremantle.

Exploring all possible ways to develop and own new hit formats and continuing to grow the Group's investments into premium content are key to strengthening RTL Group's core businesses.

Every investment in local, exclusive content – including the rights for live sports events – strengthens both RTL Group's linear TV channels and streaming services. For example, in January 2020, Mediengruppe RTL Deutschland won the full and exclusive rights to broadcast and stream the Uefa Europa League and the newly established Uefa Conference League, starting with the 2021/22 season, for a period of three years. This deal strengthens two of Mediengruppe RTL Deutschland's linear channels – RTL Television and Nitro – and will play an important part in attracting new paying subscribers for TV Now. RTL Nederland has acquired the rights to broadcast certain matches of the Uefa Champions League, also starting with the 2021/22 season, for a period of three years. RTL Belgium has broadcast live matches of the Uefa Champions League since 2000 and recently signed a new agreement for three more seasons, starting in autumn 2021.

In 2019, RTL Group launched a new creative unit – Format Creation Group (**FC Group**) – which develops non-scripted formats exclusively for RTL broadcasters and their streaming services. FC Group is jointly financed by RTL Group's major broadcasters. The new unit aims to fulfil the growing demand for exclusive content by developing innovative **formats**

and intellectual property, fully owned and controlled by RTL Group. FC Group currently focuses on the development of entertainment formats, reality and game shows, working closely with RTL broadcasters to reflect the needs of their local markets.

STREAMLINING RTL GROUP'S PORTFOLIO

RTL Group's management continuously reviews the Group's portfolio of assets. In the last three years, RTL Group sold several non-core assets such as the football club Girondins de Bordeaux and the website MonAlbumPhoto in France, the home entertainment and theatrical distribution company Universum Film in Germany, and the Vancouver-based digital video network BroadbandTV (BBTV). In February 2021, RTL Group signed a definitive agreement for the sale of SpotX to US ad-tech company Magnite. The transaction is subject to regulatory approvals and is expected to close in Q2/2021.

INCREASING OPERATIONAL EFFICIENCY

Management continuously assesses opportunities to reduce costs and to reallocate resources to growth areas such as its streaming services. In 2019, RTL Group's Executive Committee reviewed the role of the Group's Corporate Centre. As a result of this review, the Group's Corporate Centre was significantly reduced and partly transferred to Cologne, Germany. In December 2020, Mediengruppe RTL Deutschland announced that it will free up resources for significant additional investments in streaming content, technology and data by reallocating budgets as well as through cost savings. These cost savings will target overhead and structural costs such as events and travel, including personnel. The planned headcount reduction of 100 to 150 jobs will be implemented during 2021.

GROWTH

BUILDING NATIONAL STREAMING CHAMPIONS

RTL Group is building national streaming champions in the European countries where it has leading families of TV channels. Making the most of the Group's competitive advantage in local programming, these streaming services will complement global services such as Netflix, Amazon Prime and Disney+.

The strategy is rolled out either through stand-alone services such as TV Now in Germany and Videoland in the Netherlands, or through national partnerships such as Salto in France.

RTL Group's stand-alone services will gradually adopt a **hybrid business model** – combining a free, advertising-funded offer with a premium pay content bundle that offers RTL Group TV programmes (both live and on demand) with licensed content from third parties and content production 'originals' exclusive to these services.

At the end of 2020, RTL Group registered 2.19 million paying subscribers for its streaming services TV Now in Germany and Videoland in the Netherlands – 52 per cent more than last year. The viewing times of TV Now and Videoland also increased over the year, by 33 per cent and 81 per cent respectively.

To further boost the expansion of RTL Group's streaming services over the next five years, RTL Group will grow:

- ...its **annual content spend** in TV Now and Videoland from €85 million in 2019 to around €350 million in 2025.
- ...the **number of paying subscribers** for TV Now and Videoland from 1.44 million at the end of 2019, to between 5 and 7 million by the end of 2025.
- ...its **streaming revenue**, from €141 million in 2019 to at least €500 million by 2025,
- with the aim of **reaching Adjusted EBITA breakeven** by 2025.

In November 2020, Mediengruppe RTL Deutschland and Deutsche Telekom announced a strategic partnership. The partners integrated the RTL streaming service TV Now Premium in Deutsche Telekom's TV offer, Magenta TV. Since then, the price plans for both Magenta TV Smart and Magenta TV Smart Flex include TV Now Premium without any additional fee for customers. Both companies have also agreed to increase cooperation in advertising technology, advertising sales and content, with a special focus on addressable TV. First tests in 2021 will be based on RTL Group's ad-tech solutions, Smartclip and Yospace, and will be open for additional partners from the media and TV industry.

In July 2020, RTL Nederland announced a new hybrid model for Videoland, adding an entry subscription model at a lower price that shows advertising, and a Plus subscription model that includes the use of more screens. This strategic step has opened up Videoland to advertising clients of the Dutch Ad Alliance.

In October 2020, Salto – the joint subscription streaming service of Groupe TF1, France Télévisions and Groupe M6 – was launched in France with more than 10,000 hours of content, and the chance to stream 20 TV channels live in HD quality. RTL Group's technology company Bedrock provides the tech platform for the streaming service, which offers state-of-the-art content curation and personalisation features.

EXPANDING RTL GROUP'S GLOBAL CONTENT BUSINESS, FREMANTLE

RTL Group's content business, Fremantle, is one of the world's largest creators, producers and distributors of scripted and unscripted content. Fremantle has an international network of production teams, companies and labels in over 30 countries, rolling out 400 programmes across 75 formats each year and producing over 12,000 hours of original programming. The company's global sales business, Fremantle International, distributes and licenses over 30,000 hours of content each year.

Fremantle pursues three strategic goals:

- Maintaining its position as a leading producer and distributor of quality programming by **nurturing established brands** such as *Idols*, *Got Talent* and *The Farmer Wants a Wife*, while **investing in creating new formats and brands**.
- **Diversifying its portfolio**. Fremantle has made a series of investments in talent and labels, to strengthen its capabilities in the scripted, entertainment and factual genres, and in building a new client base with global streaming platforms such as Netflix and Amazon Prime.
- **Maximising its global network** by increasing scale in strategic markets. The company has strengthened its Scandinavian and southern European footprint and expanded its scripted footprint in Latin America, Sweden, Norway and Spain.

Given current market trends, drama series are key for RTL Group's expansion plans for both its streaming services and its global content business, Fremantle.

Since 2012, Fremantle has invested heavily in high-end productions, to **accelerate its growth in scripted series**. With a series of acquisitions – including Miso Film in Scandinavia, Wildside in Italy, Kwaï in France, and Abot Hameiri in Israel – Fremantle has created a global network that now comprises 19 production sites for drama series.

Fremantle also bought minority stakes in a number of newly founded production companies, to secure first access to their creative talent and output. Working with world-class storytellers is key to Fremantle's scripted strategy. Currently, Fremantle – together with broadcasters and streaming platforms – is working on the realisation of at least 60 scripted series ideas.

As a result of this strategy, Fremantle generated 21 per cent of its total revenue in 2020 from drama productions and expects this share to grow further over the coming years.

In 2020, Fremantle distributed *Enslaved* – the six-part documentary series featuring Samuel L. Jackson about the transatlantic slave trade – to 130 territories around the world. The company also launched its first high-end documentary – *Expedition Arktis* – which will be rolled out internationally in 2021. As part of Fremantle's expansion in this genre, the company is also launching *Planet Sex* (produced by Naked in the UK), a documentary series exploring human sexuality, hosted and co-created by LGBTQ+ advocate Cara Delevingne.

INVESTING IN TECHNOLOGY AND DATA

Combining key success factors of TV advertising – such as high reach, brand safety and emotional storytelling – with data and targeting offers significant growth potential for RTL Group's largest revenue stream: advertising.

RTL Group's largest unit, Mediengruppe RTL Deutschland, is responsible for the Group's ad-tech business **Smartclip**. The objective is to create an open ad-tech platform, based on the technology developed by Smartclip and tailored for the needs of European broadcasters and streaming services. Accordingly, Mediengruppe RTL Deutschland will invest further in evolving and growing the Smartclip platform. In May 2020, Smartclip and the Spanish broadcasting company Atresmedia announced they would deepen their strategic partnership. Smartclip will now enable ATV advertising solutions for Atresmedia at scale. The joint aim is to provide the largest ATV product offer in Spain. RTL Group is in talks with several major

European broadcasters to work on similar ad-tech partnerships with Smartclip.

In 2019, Mediengruppe RTL Deutschland and ProSiebenSat1 launched **d-force**, a joint demand-side platform for addressable TV and online video in Germany and Austria.

The tech platform for RTL Group's streaming services is built by the French technology company **Bedrock**, a company owned by RTL Group and Groupe M6. A common platform allows RTL Group to bundle its investments in streaming technology. The Bedrock platform serves the French subscription service Salto and Videoland in the Netherlands, as well as the RTL streaming services in Belgium, Hungary and Croatia. Mediengruppe RTL Deutschland's TV Now platform and Bedrock will increasingly share components.

Within the area of data, the open log-in standard **NetID** was developed by the European NetID Foundation and initiated by Mediengruppe RTL Deutschland, ProSiebenSat1 and United Internet. The standard offers a single sign-on that can be used on numerous German websites, and which already has a reach of more than 35 million users. The partner network of NetID already includes media companies such as Süddeutsche Zeitung, Spiegel Gruppe, Gruner + Jahr, retail companies such as Otto Group and Douglas, and parcel delivery company, DPD. In January 2021, Deutsche Telekom also became a partner of NetID.

CREATING EUROPE'S LEADING DIGITAL TALENT NETWORK AND CONTENT STUDIO

RTL Group's digital video businesses have built significant reach among the young audiences that are highly sought after by advertisers.

In 2019, RTL Group bundled its digital video networks – United Screens, RTL MCN and UFA X – within **Divimove**, making the Berlin-based digital studio a leading home for digital content creators in Europe. Divimove represents 1,500 social influencers in 12 European countries.

In July 2019, RTL Group's Executive Committee approved a growth plan to significantly expand Divimove's capabilities in talent management, production of short-form video content, advertising sales, and technology and data. In January 2020, Divimove acquired Tube One, one of the best-known influencer networks in Germany.

ALLIANCES AND PARTNERSHIPS

In competing with the global giants, new alliances and partnerships between European media companies have become increasingly important.

In autumn 2019, RTL Group's management started to promote new partnership opportunities – all based on the philosophy of bundling European broadcasters' resources to establish open and neutral platforms. RTL Group offers these partnership opportunities in areas such as advertising sales, advertising technology, streaming technology, content creation and data.

DRIVING INTERNATIONAL ADVERTISING SALES VIA RTL ADCONNECT

One key development for RTL Group's largest revenue stream – advertising – has been the increased demand from advertisers and agencies for global ad-buying opportunities. As a consequence, RTL Group is expanding its **international sales house, RTL AdConnect**, to give international advertisers and agencies easy access to RTL Group's large portfolio of TV and streaming services, digital video networks and advertising technology, in a brand-safe environment. To be more relevant in all key European markets, RTL AdConnect's portfolio also encompasses leading partners such as ITV in the UK, RAI in Italy and Mediahuis in Belgium. Thanks to these partnerships, RTL Group is one of the only media companies in Europe that can **offer advertisers pan-European digital video campaigns**.

BUILDING ONE-STOP SALES HOUSES FOR CROSS-MEDIA CAMPAIGNS

Ad Alliance, launched in Germany in 2017, offers high reach to advertisers and agencies, and is a one-stop-shop for the development of cross-media solutions and innovative advertising products. Its portfolio spans television, radio/audio, print, and digital. Ad Alliance is the only sales house in Germany that can offer complex, all-media campaigns from a single source. After the sales house Media Impact

(Axel Springer) became a partner of the German Ad Alliance for its digital inventory in January 2020, Ad Alliance and Media Impact agreed to intensify their partnership and expand their advertising sales cooperation to Media Impact's print titles, such as *Bild* and *Welt*. This cooperation started in January 2021. Together, the platforms of the Ad Alliance reach 99 per cent of the German population. Ad Alliance remains open to additional partners.

RTL Nederland followed the German example by building an integrated advertising sales network for the Dutch market, also called Ad Alliance. The **Dutch Ad Alliance** integrates the sales activities of RTL Nederland, BrandDeli, Adfactor and Triade Media, and is also open to new partners.

POOLING BERTELSMANN'S CONTENT EXPERTISE

At the beginning of 2019, RTL Group's majority shareholder formed the **Bertelsmann Content Alliance in Germany**. Bertelsmann is a creative powerhouse, investing more than €5 billion in creative content each year, of which €2 billion is invested in Germany. The Bertelsmann Content Alliance in Germany pools the Bertelsmann Group's content expertise to fully exploit the potential of its most important market. With content offerings across all media genres, and new marketing opportunities, Bertelsmann has become an even stronger partner for all creative professionals in Germany. The alliance has also boosted both Bertelsmann and RTL Group's ability to compete with the global giants.

The Audio Alliance, launched in May 2019, is a production company for audio content which provides a centralised platform, Audio Now, for the content produced by the Bertelsmann Content Alliance members in Germany. As part of the Bertelsmann Content Alliance UK, Fremantle, Penguin Random House UK and BMG launched in 2020 the new podcast company, Storyglass, which represents the UK Audio Alliance.