

A full-page photograph of Thomas Rabe, the Chief Executive Officer of RTL Group, standing in a modern television studio. He is a middle-aged man with short hair, smiling at the camera. He is wearing a dark navy blue V-neck sweater over a light-colored collared shirt, dark trousers, and light-colored sneakers with red stripes. His hands are clasped in front of him. The background is a large, curved wall with a geometric pattern of light blue and pink triangles. Above him, the studio's technical equipment is visible, including cameras, lights, and monitors, some of which have yellow identification tags with numbers like 51, 105, 37, 54, 23, 109, 33, 414, and 43. The floor is a reflective white surface.

Thomas
RABE

CHIEF EXECUTIVE OFFICER
RTL GROUP

The background features a dark, abstract composition with various geometric shapes and numbers. A large, semi-transparent red triangle dominates the left side, pointing towards the bottom right. Other smaller shapes, including a yellow square with the number '25' and a white square with the number '102', are visible in the upper left. The overall aesthetic is modern and technical.

CHIEF EXECUTIVE'S REPORT

Driven by the strong performances of our three largest business units, RTL Group **achieved all financial goals** in 2019: revenue grew organically by 3.2 per cent, adjusted EBITA remained broadly stable despite higher investments, and Group profit increased by 10 per cent.

In this report, I will highlight RTL Group's performance in 2019 and explain how we will boost the digital transformation of our Group across our three strategic priorities: core, growth, and alliances & partnerships.

RECORD REVENUE

In 2019, RTL Group generated record revenue for the fifth consecutive year, reaching €6.7 billion. Our organic revenue growth rate rose to 3.2 per cent, driven by Fremantle and our digital businesses. Fremantle's revenue was up 12.6 per cent, while streaming revenue grew by 46.7 per cent.

Mediengruppe RTL Deutschland, our largest business unit, outperformed the German net TV advertising market, thanks to the power of the German Ad Alliance. In France, Groupe M6 completed the acquisition of the country's leading free-to-air channel for children, Gulli, and five pay-TV channels from Lagardère. As a result, Groupe M6 gained both audience and TV advertising market share in 2019.

HIGH PROFITABILITY

Based on this strong operating performance, adjusted EBITA was broadly stable, at €1,156 million, despite higher investments. The adjusted EBITA margin was 17.4 per cent. Reported EBITA was €1,139 million, compared to €1,171 million in 2018.

RTL Group's profit for the year increased by 10.1 per cent to €864 million, mainly due to the capital gain from the disposal of Universum Film, and lower impairments.

HIGHER REACH, BETTER MONETISATION

Our industry is going through a massive transformation. Traditional media companies, particularly in the United States, are spending billions of dollars in the battle with global platforms such as Netflix and Amazon. As part of these so-called 'streaming wars', Disney, Apple, AT&T/WarnerMedia and Comcast/NBC Universal have all launched – or plan to launch – new streaming services.

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



To achieve these goals, our strategy builds upon three priorities. Firstly, strengthening our core businesses. Secondly, boosting our streaming services, global content business and capabilities in technology and data. And thirdly, fostering alliances and partnerships in the European media industry.

CORE >

INVESTING IN CONTENT

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

At RTL Group level, we launched our Format Creation Group (FC Group) to meet the global demand for exclusive content by developing both new format ideas and IP, fully owned and controlled by RTL Group. FC Group focuses on developing factual entertainment formats and reality shows, and works closely with RTL broadcasters to reflect their needs in their local markets. The most important element is to be in control of the format rights.

CORE >

CONSOLIDATION AND COST REDUCTION

Our primary focus is on organic growth at RTL. However, wherever interesting opportunities arise, we will continue to consolidate across our existing broadcasting footprint. A recent example was our acquisition of the French children's channel Gulli and five pay-TV channels by Groupe M6.



To drive the strategic agenda of RTL Group and to foster cooperation, a Group Management Committee (GMC) has been established. The GMC will shape the future of the company, bringing together massive experience and different perspectives.

From left to right:
Björn Bauer, CFO of RTL Group,
Bernd Reichart, CEO of
Mediengruppe RTL Deutschland,
Elmar Heggen, Chief Operating Officer
and Deputy CEO of RTL Group,
Thomas Rabe, CEO of RTL Group,
Jennifer Mullin, CEO of Fremantle,
and Nicolas de Tavernost,
Chairman of the Executive
Board at Groupe M6

Given the changes in the international TV industry, we have also started a wide-ranging review to reduce costs and review our portfolio. RTL Group has sold several non-core assets over the past two years – including the football club Girondins de Bordeaux, the website MonAlbumPhoto and the home entertainment and theatrical distribution company Universum Film.

GROWTH >

BUILDING NATIONAL STREAMING CHAMPIONS

Within our three-priority strategy, we put a strong focus on building national streaming champions in the European countries where we have leading families of TV channels. Making the most of our competitive advantage in local programming, our streaming services will complement global services such as Netflix, Amazon Prime and Disney+.

“Within our three-priority strategy, we put a strong focus on building national streaming champions.”

We roll out the strategy either through stand-alone services such as TV Now and Videoland, or through national partnerships such as Salto in France.

At the end of 2019, RTL Group registered 1.44 million paying subscribers for its streaming services TV Now and Videoland – 37 per cent more than last year. The viewing times of TV Now and Videoland also increased over the year, by 31 per cent and 45 per cent respectively.

To further boost the expansion of RTL Group's streaming services over the next five years, we plan to grow the number of paying subscribers for our streaming services TV Now and Videoland to between 5 and 7 million, to grow our streaming revenue to more than €500 million, and to break even by 2025.

To reach these goals, our annual content spend in TV Now and Videoland will grow from €85 million in 2019 to around €350 million in 2025.

GROWTH >

EXPANDING OUR GLOBAL CONTENT BUSINESS

In 2019, Fremantle was very successful across all genres and its global footprint – in drama with the second seasons of *American Gods* and *Charité*, and in entertainment with *American Idol* on ABC and *America's Got Talent: The Champions* on NBC.



**“We have
decided to
become a
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by 2030.”**

With a series of acquisitions – including Miso in Scandinavia, Wildside in Italy, Kwaï in France, Easy Tiger in Australia, 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 – because great stories always sell, all over the world.

In 2019, Fremantle made its first investments in the Latin and Hispanic scripted market, with a 25 per cent equity stake in the Los Angeles-based company, The Immigrant. In addition, Fremantle signed an exclusive first-look deal with the Oscar-winning production company, Fabula Pictures, to develop a slate of original English and Spanish dramas.

As a result of this strategy, Fremantle currently generates 23 per cent of its total revenue from drama productions – and we expect this share to grow further over the coming years.

GROWTH >

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.

With Smartclip we aim to create an open ad-tech platform, tailored for the needs of European broadcasters and streaming services. Smartclip offers multiple forms of

partnerships, from software licensing to partial ownership. Accordingly, we will invest further in evolving and growing the Smartclip platform.

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 our streaming services is currently built by Groupe M6 and its tech unit Bedrock. A common platform allows us to bundle our investments in streaming technology. The platform built by Bedrock will initially serve the French subscription service Salto – a partnership of Groupe TF1, France Télévisions and Groupe M6, due to be launched in 2020 – and Videoland in the Netherlands, as well as the RTL services in Belgium, Hungary and Croatia. Our German TV Now platform and Bedrock will increasingly share components. RTL Group, with a 50 per cent shareholding, will offer the platform to external broadcasting partners – as with Smartclip.

FOSTERING

ALLIANCES & PARTNERSHIPS >

Establishing such partnerships is part of RTL’s DNA – this is how we became the first pan-European broadcasting group. In 2019, we made a new start at offering different forms of partnership to European broadcasters – all based on the philosophy of bundling resources to establish open and neutral platforms. We offer these opportunities in areas such as advertising sales, streaming technology, advertising

technology, content creation and data.

One key development for our largest revenue stream – advertising – has been the growing demand from advertisers and agencies for global ad-buying opportunities. As a consequence, we are further expanding our international advertising sales house, RTL AdConnect. Its portfolio encompasses partners such as ITV in the UK and RAI in Italy.

Three years ago, we launched the Ad Alliance in Germany. The alliance was born out of the concept of 'What does the market want?' The answer is a one-stop sales house with high-quality content and high reach across all media – TV, digital, and print. This did not exist in the German market before and so is a unique proposition. At the beginning of 2020, the sales house Media Impact became a partner of the Ad Alliance for the digital inventory of Axel Springer and Funke Mediengruppe. Together, all platforms of the Ad Alliance reach 99 per cent of the German population. The power of our Ad Alliance was an important factor behind Mediengruppe RTL Deutschland's strong sales performance in 2019.

RTL Nederland has followed the German example and is currently building an 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 will be open to new partners.

We are also opening up growth opportunities in the area of content creation. A year ago, we formed the Bertelsmann Content Alliance in Germany. Bertelsmann is a creative powerhouse, investing close to €6 billion in creative content per year, of which €2 billion is invested in Germany. The Bertelsmann Content Alliance in Germany pools our content expertise to fully exploit the potential of our most important market. With content offerings across all media genres, and new marketing opportunities, Bertelsmann has become an even stronger partner for creative professionals in Germany.

BECOMING MORE DIVERSE...

At RTL Group, the focus of our Corporate Responsibility (CR) commitment is to embrace independence and diversity in our people, our content and our businesses. Millions of people watch our news each day. They need to be able to trust us. A healthy, diverse and high-quality media landscape is the foundation of a democratic society. In this light, our CR commitment means we can maintain

journalistic balance and reflect the diverse opinions of the societies we serve.

This diversity must also include the composition of our workforce and management. Our long-term ambition is for women and men to be represented equally across all management positions. As an intermediate step, we have set a target for 2021 to increase the share of women in top and senior management positions to at least one third.

...AND CLIMATE NEUTRAL

Even though RTL Group is a media company with no industrial operations, and which therefore does not consume significant amounts of raw materials or fossil fuel, we are mindful that conserving resources and protecting the climate are key challenges for the 21st century. Thus, we have decided to become a climate-neutral company by 2030.

ONE RTL

More than 90 per cent of the population in our key European markets are familiar with the brand RTL – it stands for our promise of high-quality entertainment, independent information and always being close to the audience. In times of massive audience fragmentation and growing disinformation, this is both a competitive advantage and a responsibility for all of us at RTL.

As described in this report, we have significantly accelerated the transformation of our Group. To underline our brand promise and to express that we are one RTL, we have started a review of our brand architecture, and will strengthen and harmonise the RTL branding across the Group.

More creativity and diversity, faster decision-making, a willingness to take risks and to cooperate across traditional boundaries – this is how we describe our mindset at RTL.