

Boulogne-Billancourt, February 17, 2011

FY 2010:
Robust growth of 11% in consolidated revenue
Earnings doubled:
Current operating profit of €230m
Net profit of €229m

The TF1 Board of Directors, chaired by Nonce Paolini, met on February 16, 2011 to adopt the financial statements for the year ended December 31, 2010.

CONSOLIDATED FIGURES (€m)	9m 2010	9m 2009	Change %	Q4 2010	Q4 2009	Change %	2010	2009	Change %
Revenue	1,826	1,628	+12%	796	737	+8%	2,622	2,365	+11%
TF1 Channel advertising	1,071	967	+11%	479	462	+4%	1,550	1,429	+8%
Other activities	755	661	+14%	317	275	+15%	1,072	936	+15%
Current operating profit	125	33	x4	105	68	+54%	230	101	x2
Operating profit	221	33	x7	92	68	+35%	313	101	x3
Cost of net debt	(16)	(15)	+7%	(2)	(7)	-71%	(18)	(22)	-18%
Net profit	170	51	x3	59	64	-8%	229	115	x2

The TF1 Group generated consolidated revenue of €2,622m in 2010, up €257m (11%) on the previous year.

TF1 channel advertising revenue totalled €1,550m, an improvement of €121m (8%), thanks largely to increasing volumes of advertising spend throughout the year.

Revenue from other activities amounted to €1,072m, an improvement of €136m (15%), including €33m from the resale of rights to the 2010 FIFA World Cup in the second quarter of 2010 and €40m arising from the first-time consolidation of TMC and NT1 with effect from July 1, 2010.

Strong revenue rebound

Revenue by segment (€m)	9m 2010	9m 2009	Change %	Q4 2010	Q4 2009	Change %	2010	2009	Change %
Broadcasting France	1,466	1,285	+14%	644	603	+7%	2,110	1,888	+12%
Audiovisual Rights	82	104	-21%	61	47	+30%	143	151	-5%
Broadcasting International	274	235	+17%	90	84	+7%	364	319	+14%
Other Activities	4	4	ns	1	3	-67%	5	7	-29%
Total group TF1	1,826	1,628	+12%	796	737	+8%	2,622	2,365	+11%

* In the 2009 published financial statements, 1001 Listes was included in Home Shopping and SPS in Broadcasting International. These two businesses were reclassified to Other Activities in 2010. The 2009 figures shown above have been restated and hence are comparable with 2010.

Growth at **Broadcasting France** was mainly driven by a resurgence in advertising spend.

In 2010, TF1 achieved 97 of the top 100 TV audience ratings in France. It was also the only major channel to increase its prime time viewing figures, attracting an average of 6.3 million, around 100,000 more than in the previous year. The TF1 channel took audience share of 24.5% among individuals aged 4 and over, rising to 28.1% for "women aged under 50 purchasing decision-makers", the key target group for advertisers⁽¹⁾.

The performance of the Broadcasting France segment was also boosted by revenue from the digital terrestrial TV channels TMC and NT1, fully consolidated from July 1, 2010. In a more favourable economic environment, Home Shopping and TF1 Entreprises both achieved revenue growth thanks to the expansion of e-commerce and successes in music and live shows. At e-TF1, a sharp increase in visitors to the Group's sites led to better monetisation of video format advertising.

The fall in revenue from the **Audiovisual Rights** segment was due to fewer cinema releases than in the previous year, and to ongoing price erosion in the video sector.

The expansion of Eurosport (**Broadcasting International**) into Eastern Europe and the Asia-Pacific region, coupled with the recovery in the advertising market, underpinned revenue growth across all of the Eurosport Group's channels; subscription revenue rose by 16%, and advertising revenue by 11%.

Other Activities, comprising SPS (EurosportBET) and 1001 Listes, generated revenue of €5m in 2010.

Current operating margin of 9% in 2010

The TF1 Group made a current operating profit of €230m in 2010, up €129m year-on-year. Current operating margin for the year was 9%, versus 4% for 2009, while fourth-quarter margin was 13% (versus 9% in the comparable period of 2009).

Current operating profit/(Loss) by segment (€m)	9m 2010	9m 2009	Change (€m)	Q4 2010	Q4 2009	Change (€m)	2010	2009	Change (€m)
Broadcasting France	98	26	+72	103	63	+40	201	89	+112
Audiovisual Rights	(8)	(22)	+14	3	(1)	+4	(5)	(23)	+18
Broadcasting International	43	38	+5	17	6	+11	60	44	+16
Other Activities	(8)	(9)	+1	(18)	0	-18	(26)	(9)	-17
Total group TF1	125	33	+92	105	68	+37	230	101	+129

* In the 2009 published financial statements, 1001 Listes was included in Home Shopping and SPS in Broadcasting International. These two businesses were reclassified to Other Activities in 2010. The 2009 figures shown above have been restated and hence are comparable with 2010.

The TF1 Group continues to adapt its business model. After €106m of savings in 2008 and 2009, the Group achieved a further €32m of recurring savings in 2010: €19m on TF1 channel programming costs, and €13m from cost reductions (excluding rights).

The profitability of the **Broadcasting France** segment improved markedly, thanks to strong advertising revenue performances from the TF1 channel, TMC and NT1, and internet activities.

Programming costs for the TF1 channel totalled €951m for the year as a whole (including €78m for the 2010 FIFA World Cup), compared with €927m for 2009. Excluding non-recurring sporting events, programming costs improved by €54m.

In the **Audiovisual Rights** segment, good results for the Catalogue business and the benefits of the alliance with UGC Images partially offset the current operating loss reported by the Video business.

Eurosport (**Broadcasting International**) had a remarkable year, generating operating profit of €60m, thanks to the effects of revenue growth combined with better rights management and tight control of overheads. The strategy implemented three years ago, focused on extending geographical reach and developing the new Eurosport 2, Eurosportnews and Eurosport HD channels, is paying off.

The €26m loss reported by the Other Activities segment was due mainly to the launch costs incurred by the online gaming and betting business of the subsidiary SPS (EurosportBET) during 2010.

€83m of non-current operating income

In addition to the €96m gain arising from the remeasurement of the previously-held equity interests in TMC and NT1 at fair value (as recognised in the financial statements at September 30, 2010 on the basis of an independent expert valuation), operating profit was also impacted by a €13m impairment loss taken against the goodwill of SPS (EurosportBET) and 1001 Listes.

Net profit doubled

The cost of net debt fell from €22m in 2009 to €18m in 2010, reflecting the cost of carry of the bond issue redeemed on November 12, 2010.

Other financial income and expense showed a net expense of €3m, versus a net gain of €36m in the previous year, largely as a result of the recognition in the 2009 financial statements of the fair value remeasurement of the put option over the 9.9% equity interest in Canal+ France.

Net profit for the year ended December 31, 2010 was €229m, compared with €115m for the previous year. Bear in mind that the 2009 net profit figure includes a €40m gain on the remeasurement of the Canal+ France put option, and that the 2010 net profit figure includes net non-current operating income of €83m arising from the main corporate actions of the year.

Debt eliminated from the balance sheet

At end December 2010, the TF1 Group had net surplus cash of €17m.

Total shareholders' equity as of the same date was €1,548m, out of a balance sheet total of €3,325m.

Non-current assets increased by €272m in 2010 to €1,415m, mainly as a result of the acquisition of additional equity interests in TMC and NT1.

Dividend of €0.55 per share

The Board will ask the Shareholders' Annual General Meeting of April 14, 2011 to approve a dividend of €0.55 per share, giving a yield of 4.5% based on the average listed share price for 2010 (€12.3).

The ex-date will be April 19, 2011, the date of record will be April 21, 2011, and the payment date will be April 26, 2011.

2011 outlook

As in 2010, the TF1 Group will be faced with an economic environment characterised by continuing uncertainty and poor visibility.

We are working on the assumption that consolidated revenue will remain stable in 2011. Consolidation of the revenue contribution from the acquired equity interests of TMC and NT1 over the full year will be offset by the non-recurrence of the resale of 2010 FIFA World Cup rights.

We are confident in our ability to leverage growth in advertising revenue, not just for the TF1 channel but across all our media (digital terrestrial TV channels, digital media and Eurosport). Most of our diversification activities are likely to see further growth, though against less favourable comparatives.

We are also reiterating our objective of improving profitability and stabilising TF1 channel programming costs; we expect these costs to average in the region of €950m in 2011 and 2012.

Our ability to combine mass media effectiveness with the intimacy of personal digital media makes us well placed to consolidate our position as market leader in our core business: delivering entertainment and information in all their forms, thereby offering advertisers the broadest possible scope to get their message across.

Executive compensation

In accordance with the AFEP-MEDEF corporate governance recommendations, information about executive compensation and share option grants has today been posted on the www.TF1finance.com website, in the Corporate Governance / Compensation of Corporate Officers section.

The financial statements have been audited, and the auditors have issued an unqualified audit opinion.

The full financial statements, including the notes, are available on the TF1finance.com website.

A webcast of the Analyst Meeting at which the full-year results are presented will be available from 11 a.m. Paris time on February 17, 2011 on the www.TF1finance.com website

(1) Source: Médiamétrie

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ON SE RETROUVE SUR 



Financial Report

2010

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Consolidated key figures

(€m)	2010	2009
Revenue	2,622.4	2,364.7
<i>TF1 channel advertising revenue</i>	1,549.8	1,429.4
<i>Revenue from other activities</i>	1,072.6	935.3
Current operating profit	230.4	101.3
Operating profit	313.2	101.3
Net profit	229.3	114.5
Operating cash flow*	297.2	185.8
Shareholders' equity	1,547.6	1,396.6
Net surplus cash (+) / net debt (-)	16.8	72.8
Basic earnings per share (€)	1.07	0.54
Diluted earnings per share (€)	1.06	0.53
	2010	2009
Weighted average number of shares outstanding ('000)	213,396	213,396
Closing share price at end of period (€)	13.0	12.9
Market capitalisation at end of period (€bn)	2.8	2.8

* Operating cash flow before cost of net debt and income taxes

Income statement contributions by segment

	Revenue		Current operating profit		
	(€m)	2010	2009*	2010	2009*
BROADCASTING FRANCE		2,109.6	1,888.3	201.3	88.9
TF1 SA ^a		1,561.3	1,443.9	143.3	44.0
Home shopping		101.9	99.0	3.9	5.1
Theme channels – France ^b		252.5	194.3	27.5	15.1
TF1 Entreprises		43.8	39.1	2.4	(1.6)
Production ^c		16.7	22.1	(1.9)	1.8
e-TF1		78.2	72.8	2.5	(3.4)
Other ^d		55.2	17.1	23.6	27.9
AUDIOVISUAL RIGHTS		142.9	151.0	(5.2)	(22.5)
Catalogue ^e		54.1	57.6	4.3	(9.4)
TF1 Vidéo ^f		88.8	93.4	(9.5)	(13.1)
BROADCASTING INTERNATIONAL ^g		364.4	319.2	59.9	44.3
Eurosport International		364.4	319.2	59.9	42.3
France 24		-	-	-	2.0
OTHER ACTIVITIES ^h		5.5	6.2	(25.6)	(9.4)
SPS		1.6	-	(23.6)	(3.0)
1001 Listes		3.9	4.7	(2.0)	(1.1)
Top Ticket.s		-	1.5	-	(5.3)
TOTAL – CONTINUING OPERATIONS		2,622.4	2,364.7	230.4	101.3

^a Includes SNC Aphélie.

^b Includes Eurosport France, LCI, TV Breizh, TMC, NT1, TF6, Série Club, Stylia, Histoire, Ushuaïa TV, TF1 Digital and TF1 Thématiques.

^c TV and movie production entities.

^d Mainly comprises TF1 Publicité, TF1 Expansion, and TF1 DS (which carries the resale of rights to the 2010 FIFA World Cup).

^e Mainly comprises TF1 Droits Audiovisuels, TF1 International, UGC Distribution, Telema and TCM.

^f Includes CIC.

^g The interest in France 24 was sold to Audiovisuel Extérieur de la France (AEF) on February 12, 2009.

^h SPS, 1001 Listes (sold February 7, 2011) and Top Ticket.s (Pilipili – sold November 17, 2009).

* In the 2009 published financial statements, 1001 Listes was included in Home Shopping and SPS in Broadcasting International.

These two businesses were reclassified to “Other Activities” in 2010. The 2009 figures have been restated, and hence are comparable with those for 2010.

Quarterly revenue figures

€m	Q1	Q1	Change	Q2	Q2	Change	Q3	Q3	Change	Q4	Q4	Change
	2010	2009	2010/09	2010	2009	2010/09	2010	2009	2010/09	2010	2009	2010/09
BROADCASTING FRANCE	479.7	434.6	+ 10.4%	562.2	476.7	+ 17.9%	424.0	374.1	+ 13.3%	643.7	602.9	+ 6.8%
AUDIOVISUAL RIGHTS	32.4	33.0	- 1.8%	27.6	35.9	- 23.1%	22.3	35.4	- 37.0%	60.6	46.7	+ 29.8%
BROADCASTING INTERNATIONAL	84.0	69.2	+ 21.4%	97.2	78.1	+ 24.5%	93.0	87.4	+ 6.4%	90.2	84.5	+ 6.7%
OTHER ACTIVITIES	0.8	1.1	- 27.3%	0.7	1.5	- 53.3%	2.1	1.5	+ 40.0%	1.9	2.1	- 9.5%
TOTAL – CONTINUING OPERATIONS	596.9	537.9	+ 11.0%	687.7	592.2	+ 16.1%	541.4	498.4	+ 8.6%	796.4	736.2	+ 8.2%

2010 Key Events

January

January 11, 2010: TF1 signed a Diversity Charter, underscoring the Group's commitment in this area.

January 26, 2010: The French Competition Authority cleared the purchase by TF1 of direct ownership of the 100% interest in the NT1 channel and the 40% interest in the TMC channel owned by the AB Group.

February

February 2, 2010: TF1 and La Française des Jeux, France's leading consumer gaming operator, announced a 3-year partnership deal that will give TV viewers and internet users access to a dedicated gaming zone on the TF1.fr website.

February 11, 2010: TF1 received the Top Com Corporate Business 2010 award in the Internal Communication category for its Disability Awareness campaign, devised by the Publicis Consultants agency.

February 15, 2010: TF1 launched *MyTéléfoot*, the first dedicated multi-screen football platform for younger audiences.

February 15, 2010: TF1, France Télévisions and the Canal+ Group signed an agreement on broadcasting rights for the FIFA 2010 World Cup, under which the TF1 Group granted France Télévisions and the Canal+ Group live broadcasting rights to 37 of the 64 matches in the competition.

March

March 8, 2010: TF1 Publicité, e-TF1 and HighCo, the European market-leader in couponing and sampling, launched TF1 CONSO, a unique cross-media promotional offering with a presence on TV, on the web, and in the field.

March 8, 2010: TF1, which already owned 50% of SPS via its Eurosport subsidiary, raised its interest to 100% by buying out the 50% stake held by the Serendipity investment fund.

March 9, 2010: TF1 received the *Décision Achats* magazine award in the "Professionalisation of Purchasing" category in recognition of the Group's achievements in deploying the Purchasing Project launched at end 2007.

March 23, 2010: The CSA, the French audiovisual regulator, cleared the acquisition by TF1 of direct ownership of the 100% of NT1 and the 40% of TMC held by the AB Group.

April

April 6, 2010: The French National Assembly passed a law allowing online gaming, and establishing an Online Gaming Regulatory Authority (ARJEL).

April 22, 2010: The Conseil d'État rejected the urgent appeal lodged by Métropole Télévision against the decisions of the French Competition Authority and the French audiovisual industry regulator (CSA).

May

May 3, 2010: TF1 and Orange, the leading mobile phone operator, signed a partnership deal to offer Orange subscribers access to the MyTF1 portal on Livebox, along with a range of TF1 entertainment content on the internet and on Orange mobiles.

May 6, 2010: The new version of WAT.tv, the TF1 Group's video platform, was launched.

May 25, 2010: TF1 announced that it would screen 5 matches from the FIFA 2010 Football World Cup in 3D.

June

June 11, 2010: The AB Group and TF1 finalised the purchase by TF1 of direct ownership of the 100% interest in the NT1 channel and the 40% interest in the TMC channel owned by the AB Group.

June 17, 2010: Record audience figures for the France/Mexico match, which attracted 15.2 million viewers or 56% of individuals aged 4 and over¹. This was the 15th largest audience for a football match since Médiamat ratings began in 1989.

June 29, 2010: MyTF1 won first prize in the "Design and Graphics" category of the International Interactive TV Awards.

July

July 11, 2010: The FIFA World Cup Final between the Netherlands and Spain attracted 14.1 million viewers, the highest viewing figures for a football match not involving a French team since Médiamat ratings began.

August

August 30, 2010: the new online insurance comparison site AutomotoCompare.fr was launched, building on the expertise of the Automoto brand and policies offered by nearly 50 car and motorcycle insurers.

September

September 1, 2010: The TF1 Enterprise Foundation welcomed its third annual intake as part of its mission to provide career opportunities for young people from deprived areas.

September 1, 2010: Eurosport opened a subsidiary in Lisbon to produce a Portuguese version of Eurosport.

September 8, 2010: The *Défi Intégration* team set sail on board the *Jolokia*: the mixed crew of six, including two disabled sailors, is hoping to break the record for the 9,000-mile voyage from Lorient in Brittany to Mauritius via the Cape of Good Hope.

September 12, 2010: TF1 won two prizes at the 12th TV Drama Festival in La Rochelle: best screenplay for the TV movie *Un divorce de chien*, and best TV movie drama for *Vieilles Canailles*.

September 14, 2010: The first-ever new season's conference for viewers was held in association with the *Métro* newspaper.

October

October 1, 2010: The TF1 Group created a new post of Executive Vice President – Audiovisual Rights Acquisition and Trading, in order to adapt the Group's structures and processes to changes in the competitive environment and to optimise broadcasting of the Group's content and channels.

October 2, 2010: Odysée was rebranded as Stylia, a new lifestyle, luxury and fashion channel.

October 6, 2010: Eurosport's monthly *Olympic Magazine* show was awarded the Bronze Trophy for Best Olympic Feature at the Golden Rings Awards ceremony organised by the International Olympic Committee.

¹ Source: Médiamétrie

October 27, 2010: The TF1 flagship 8 o'clock evening news programme (Monday-Sunday) was awarded 1st prize at the 11th Media Tenor Global TV Awards in recognition of the diversity of its news coverage.

November

November 15-21, 2010: TF1 supported the Disabled Persons' Jobs Week initiative.

November 27, 2010: An investigation shown on *Sept à Huit*, the news magazine hosted by Harry Roselmack and produced by Eléphant & cie, won an award at the 25th Scoop and Journalism Festival in Angers, France.

December

December 9, 2010: TF1 was awarded second prize at the inaugural Finance Department awards, organised by *Echanges* (the house magazine of DFCG, the French association of chief financial officers and financial controllers), in association with *Les Echos* newspaper.

December 14, 2010: The TF1 Group companies received "Diversity Label" certification, a first in the French media sector.

December 14, 2010: At the 25th annual *Micros d'Or* awards for sports journalism in France, journalist Pierre-François Lemonnier received an award in the TV news category for a report on the extreme kayaker Tao Berman, filmed in Slovakia and shown on TF1's flagship evening news bulletin on May 23, 2010. At the same awards, Eurosport received the Jean Mamère prize for the best reportage for a documentary about French female boxer Myriam Lamare.

December 30, 2010: The Conseil d'État rejected the appeal on the merits lodged by Métropole Télévision against the decisions of the French Competition Authority and the French audiovisual industry regulator (CSA), thereby definitively validating the acquisition of TMC and NT1 by the TF1 Group.

December 31, 2010: TF1 attracted 97 of the top 100 viewing figures in 2010.

Management Review

Boulogne-Billancourt, February 16, 2011

Significant events of the period

The significant events of the period are described in note 1 to the consolidated financial statements for the year ended December 31, 2010.

Changes in accounting policy

TF1 did not make any changes in accounting policy during 2010 other than those required to comply with new or amended IFRS requirements applicable on or after January 1, 2010, as shown in note 2-2-1 to the consolidated financial statements for the year ended December 31, 2010. The impact of the revisions to IFRS 3 on business combinations completed during the period is described in note 1 to the consolidated financial statements, "Significant Events of 2010".

Consolidated revenue

Although 2009 was a tough year as the economic crisis hit hard, it also marked a series of initiatives on which the TF1 Group sought to build and consolidate in 2010. Virtually all of the Group's businesses achieved a turnaround in 2010, which also saw the digital terrestrial TV (DTT) channels TMC and NT1 being fully consolidated by the Group from July 1.

Full-year consolidated revenue for the TF1 Group reached €2,622.4m in 2010, an improvement of €257.7m (10.9%) on the 2009 full-year figure. The 2010 figure includes a revenue contribution of €39.7m from the acquired equity interests in TMC and NT1, which have been included in the consolidated financial statements since July 1, 2010, the date on which control of these entities was acquired. On a comparable structure basis, consolidated revenue growth would have been 9.2%.

Revenue for the year comprised:

- €1,549.8m of TF1 channel advertising revenue, an improvement of €120.4m (8.4%), thanks largely to increasing volumes of advertising spend throughout the year.
- €1,072.6m of diversification revenue, an improvement of €137.3m (14.7%), including €33m from the resale of 2010 FIFA World Cup rights in the second quarter of 2010. Excluding the resale of 2010 FIFA World Cup rights and on a constant structure basis, diversification revenue rose by 6.9%, largely driven by organic growth at TMC and by fine performances from Eurosport International.

Advertising revenue for the TF1 Group as a whole was €1,793.3m, an improvement of €188.7m (11.8%). On a constant structure basis, growth reached 9.3% thanks to strong advances in revenues for the TF1 channel, TMC, and internet activities.

TF1 Group 2010 fourth-quarter consolidated revenue was €796.4m, up €60.2m (8.2%). On a comparable structure basis, revenue growth was 4.8%.

Fourth-quarter consolidated revenue comprised:

- €478.7m of TF1 channel advertising revenue, an improvement of €16.2m (3.5%), bearing in mind that the channel's advertising revenue had already started to recover in the fourth quarter of 2009 (0.7% up on the fourth quarter of 2008).
- €317.7m of diversification revenue, an improvement of €44.0m (16.1%). On a constant structure basis, growth was 7.0%.

The geographical split of revenue was 85.1% from France, 10.4% from the rest of the European Union, and 4.5% from other countries.

Programming costs

TF1 channel programming costs, including non-recurring sporting events like the 2010 FIFA World Cup, were €951.2m for 2010 as a whole, compared with €926.9m for 2009.

This €24.3m increase reflects the following factors:

- €77.6m of additional costs arising from the showing of 27 FIFA World Cup matches in June and July 2010. The rights to the 27 matches that TF1 chose to broadcast in June and July cost €70.0m, while production costs amounted to €7.6m.
- €53.3m of savings, comprising:
 - €14.3m due to the replacement of some programmes by football matches in June and July;
 - €39.0m of savings across the rest of the channel's output, reflecting the significant efforts made to optimise schedules, renegotiate the unit cost of programmes, and make better use of inventories in order to reduce programme retirements and the lapsing of rights.

Excluding non-recurring sporting events, TF1 channel programming costs improved by €53.3m to €873.6m. These savings come on top of the €51.3m of savings achieved in 2009 relative to 2008.

Most of the channel's programme units managed to achieve savings:

- 33.2% for Children, by broadcasting less expensive programmes;
- 18.1% for Sport (excluding the 2010 FIFA World Cup), largely by renegotiating the contracts for the Champions League and the French national football team;
- 15.0% for Movies, by reducing the number of films screened;
- 2.9% for Drama, TV Movies and Series, by optimising the number of drama slots in 2010.

The News and Entertainment units saw programming costs rise by 2.6% and 2.7% respectively in 2010, due to an increase in the number of news magazine and entertainment programmes shown on the channel.

TF1 channel programming costs for the fourth quarter of 2010 were €258.1m, compared with €262.6m for the fourth quarter of 2009, a saving of €4.5m. Bear in mind that 2009 fourth-quarter programming costs were already €21.0m lower than 2008 fourth-quarter costs.

Ongoing optimisation measures

Of the €4.5m savings achieved in the fourth quarter of 2010, €3.0m can be regarded as recurring. These savings came from further contract renegotiations and optimising programme schedules.

Of the programming cost savings achieved over 2010 as a whole, €19.0m can be regarded as recurring.

Renegotiations of supplier contracts (other than rights contracts) generated savings of €4.0m in the fourth quarter of 2010, taking recurring full-year savings to €13.0m for the year as a whole.

Following the €32m of savings achieved in 2008, and the €74m achieved in 2009, TF1 therefore achieved a further €32m of recurring savings during 2010.

Current operating profit

The TF1 Group reported a current operating profit of €230.4m for the year ended December 31, 2010, an improvement of €129.1m on the 2009 full-year figure of €101.3m. Current operating margin was 8.8% in 2010, compared with 4.3% in 2009.

Fourth-quarter current operating profit was €105.5m, versus €68.6m for the comparable period of 2009, an increase of €36.9m.

Current operating margin was 13.2% in the fourth quarter of 2010, versus 9.3% for the comparable period of 2009; this was the best fourth-quarter performance since 2006.

Operating profit

On June 11, 2010, the TF1 Group acquired control of TMC, TMC Régie and NT1.

In the consolidated financial statements for the year ended December 31, 2010, the TMC/NT1 acquisition resulted in the recognition of a gain of €95.9m (net of transaction costs). The treatment applied was in line with the revised IFRS 3 (Business Combinations), which requires a previously-held equity interest to be remeasured when control is acquired over the investee.

The €6.1m gain arising on the remeasurement of the previously-held equity interest in SPS, which was initially recognised in the first quarter of 2010 as a component of current operating profit in the Broadcasting International segment, was reclassified as non-current operating income in the fourth quarter.

Impairment losses charged against the goodwill of SPS and 1001 Listes generated non-current operating expenses of €12.2m and €7.0m respectively.

After taking account of these various factors, operating profit for 2010 totalled €313.2m.

Profit for the period

The cost of net debt fell from €22.3m in 2009 to €18.2m in 2010, mainly reflecting the cost of carry of the bond issue which was redeemed on November 12, 2010.

Other financial income and expenses showed a net expense of €2.5m in 2010, against a net gain of €36.2m in the previous year. The difference was mainly due to the recognition of the fair value remeasurement of the put option over the 9.9% interest in Canal+ France (impact: €39.5m) in 2009.

Income tax expense for 2010 was €68.9m, up €53.6m year-on-year. The fair value remeasurement of the Canal+ France financial asset in 2009, and the remeasurement of the previously-held equity interests, were not taxable in 2010.

The share of profits from associates was €5.7m in 2010, compared with €14.6m in 2009.

TF1 has retained a 33.5% equity interest, valued at €155m, in the other activities of the AB Group, and has also granted a call option over this interest, exercisable at any time up to and including June 12, 2012 at a price of €155 million.

In accordance with IAS 27 (Consolidated and Separate Financial Statements), because TF1 has granted a call option that is exercisable at any time, this interest has since July 1, 2010 ceased to be accounted for as an associate by the equity method, and is instead recognised as a non-current financial asset in the balance sheet at fair value.

Overall, net profit for the year ended December 31, 2010 was €229.3m, compared with €114.5m for the previous year. Bear in mind that the 2009 figure includes a €39.5m gain from the remeasurement of the Canal+ France financial asset, and that the 2010 figure includes net non-current operating income of €82.8m arising from the impact of remeasurements and goodwill impairment during the year.

Net profit for the fourth quarter of 2010 amounted to €59.2m (including net non-current operating expenses of €19.2m), compared with €63.8m for the fourth quarter of 2009 (including €8.8m for the remeasurement of the Canal+ France financial asset).

Balance sheet

As of December 31, 2010, shareholders' equity was €1,547.6m, out of a balance sheet total of €3,324.7m.

Provisional goodwill of €399m has been recognised in the balance sheet on the acquisition of control over TMC and NT1, in line with the revised IFRS 3 (Business Combinations), which requires previously-held equity interests to be remeasured when control is acquired over the investee.

The TF1 Group had net surplus cash of €16.8m at December 31, 2010, compared with €72.8m at end 2009. At the end of 2009, TF1 had recently received €744m from the sale of the 9.9% equity interest in Canal+ France. In 2010, TF1 paid out €194.9m for the additional equity interest in the TMC and NT1 channels.

The €500m bond issue of November 12, 2003 matured on November 12, 2010, and was redeemed out of the Group's available cash.

At end December 2010, the TF1 Group had confirmed bilateral credit facilities totalling €1,105.5m with various banks. The drawdown rate on these facilities at year-end was zero. This portfolio of confirmed credit facilities is renewed regularly as and when each facility expires (terms of 3 to 5 years, depending on the facility), so that the Group has access to sufficient liquidity at all times.

The financial position of the TF1 Group is therefore extremely sound.

The TF1 Group has a credit rating from Standard & Poor's. On July 7, 2010, Standard & Poor's upgraded the outlook for TF1 from stable to positive, while reiterating the Group's BBB / A-2 rating.

Dividend payout

The Board of Directors will ask the Annual General Meeting of April 14, 2011 to approve a dividend of €0.55 per share, giving a yield of 4.5% based on the average listed share price for 2010 (€12.3).

The ex-date will be April 19, 2011, the date of record will be April 21, 2011, and the payment date will be April 26, 2011.

1. Broadcasting France

The Broadcasting France segment generated revenue of €2,109.6m, up 11.7% (7.9% on a comparable structure basis and excluding the resale of rights to the 2010 FIFA World Cup). Current operating profit was €201.3m in 2010, €112.4m higher than in 2009. Current operating margin was 9.5%, versus 4.7% in 2009.

1.1. TF1 channel

The recovery in the advertising market during 2010 helped the TF1 channel to post revenue of €1,561.3m (up €117.4m year-on-year) and a current operating profit of €143.3m (up €99.3m, even after the €77.6m of programming costs incurred on the 2010 FIFA World Cup). The channel achieved an operating margin of 9.2%, a year-on-year improvement of 6.2 points.

The channel's advertising revenue rose by 8.4% to €1,549.8m.

The channel's fourth-quarter advertising revenue was 2.1% higher at €480.8m, while current operating profit rose by €44.5m to €87.2m. Operating margin for the fourth quarter of 2010 was 18.1%.

TF1 channel²

A market still in flux

French people spent more time watching television in 2010 than in 2009. Daily average viewing times were:

- 3 hours, 32 minutes (up 7 minutes year-on-year) for individuals aged 4 and over;
- 3 hours, 42 minutes (up 8 minutes year-on-year) for "women aged under 50 purchasing decision-makers".

In a market where 97% of French people (11% more than in 2009) have access to 19 or more channels, TF1 attracted 97 of the top 100 audience figures in 2010 (versus 96 in 2009), and all of the top 63. This confirms the channel's unique position as a popular, must-see channel, and the only French broadcaster to attract (i) more than 9 million viewers, which it did on 32 occasions (versus 23 in 2009) and (ii) more than 10 million viewers, which it did on 10 occasions (versus 5 in 2009).

Since 2008, the TF1 Group has been involved in the massive project to switch off the analogue signal and go digital. The Group has been working closely with government agencies and the France Télé Numérique public interest body, which was set up to implement support measures that will allow for the analogue switch-off and continuity of reception for analogue channels, within the framework established by the Prime Minister and the audiovisual industry regulator (CSA). France Télé Numérique is responsible for providing viewers with information, and with technical and financial support; its members are the French state, France Télévisions, Arte France, TF1, M6 and Canal+. TF1 contributes 10% of the budget. The TF1 Group has also

² Source: Médiamétrie – Market leadership in TF1 prime time slots

Source: eStat streaming TV data

devoted plenty of its own resources to the project, including a dedicated team that closely monitors technical matters related to DTT and the progress being made by France Télé Numérique.

Market leadership confirmed

Over 2010 as a whole, the TF1 channel enjoyed an audience share of 24.5% among individuals aged 4 and over (down 6% year-on-year), and a share of 28.1% among the target audience of “women aged under 50 purchasing decision-makers”, against a backdrop of intensifying competition: the overall market share of free-to-air digital terrestrial television (DTT) channels rose by 30% and 27% respectively for these two audience segments in 2010.

TF1 also has a unique position among European broadcasters, enjoying not only the largest audience share in its home market but also the greatest lead over its closest rival.

The French TV market is undergoing structural change, with the discontinuation of advertising on France Télévisions channels after 8 p.m., an increase in the number of players, and the switchover from analogue to digital (which is broadening the range of free-to-air TV available to French viewers). TF1 has responded by adapting its market positioning strategy.

First and foremost, TF1 is committed to being a star performer in the 7 p.m. to 1 a.m. band. These are times with high audience potential, and therefore high monetisation potential. Over this time band, TF1 has a higher audience than over the day as a whole (27.3% of individuals aged 4 and over), and a bigger lead over its nearest rival (12.2 points, versus 8.4 points over the day as a whole). The effect is more marked for the target audience of “women aged under 50 purchasing decision-makers”, with a 31.8% audience share and a gap of 13.2 points over the channel’s closest competitor.

Secondly, the channel is using innovation to refresh its strongest brands and strengthen its regular must-see programmes. The TF1 editorial policy, built on popular, must-see programming, enabled the channel to achieve the no.1 spot across all its genres and maintain a big lead over its main rival in the key target audience for advertisers in 2010.

Prime time audiences on the increase

TF1 was the only major French channel to increase its audience in 2010. The channel attracted an average of 6.3 million viewers in prime time, a year-on-year increase of 100,000. The gap over the channel’s nearest rival (France 2) stretched to 2.7 million viewers, versus 2.5 million in 2009. TF1 is proving highly resilient in a tougher competitive environment.

Within TF1’s prime time slots, the channel attracted 91% of the largest audiences, versus 93% in 2009.

Unchallenged market leader in sports broadcasting

TF1 attracted the highest viewing figures of the year with the 2010 FIFA World Cup match between France and Mexico, which was seen by 15.2 million people. For a separate section on the 2010 FIFA World Cup coverage, see page 13.

The Champions League season attracted an average of 6.7 million viewers, while the Euro 2012 qualifier between France and Luxembourg was seen by 9.4 million.

Quality news coverage rewarded

TF1 confirmed its position as market leader in daily news, with an unrivalled capacity for bringing the nation together and deploying exceptional resources in response to major news stories.

Audiences for the regular news bulletins peaked at 8.2 million on January 9 for the lunchtime news (*Journal de 13h*) and 10.4 million viewers on May 11 for the evening news (*Journal de 20h*). Other highlights were:

- an excellent performance by *Paroles de Français*, which attracted 8.6 million viewers in prime time;
- a 6.1 million audience peak for *Reportages*;
- a 6.9 million audience peak for *Sept à Huit*.
- good ratings for the new late-evening magazine show hosted by Harry Roselmack (1.6 million viewers for *Harry Roselmack avec les SDF*).

Revitalised entertainment and reality TV programming

With a combination of major live events, reality TV, game-shows, and magazine programmes, TF1 proved a big hit with viewers, attracting 19 of the 20 highest audience ratings in the genre. Highlights included:

- prime time:
 - *Les Enfoirés, la Crise de Nerfs* with 11.6 million viewers, and the live broadcast of *La dernière de Gad Elmaleh* with 6.8 million viewers;
 - *Koh Lanta*, which drew up to 8.3 million viewers;
 - *Masterchef*, TF1's new show, which attracted up to 5.9 million viewers and proved especially popular among target audiences for advertisers (average 32% audience share among "women aged under 50 purchasing decision-makers").
- access prime time
 - *Le Juste Prix*, with 5.1 million viewers on average and a peak of 6.3 million;
 - *La Roue de la Fortune* and *Une famille en Or*, each of which averaged 3.9 million viewers.
- late evening:
 - the *Secret Story 4* reality show, which attracted 2.9 million viewers and was particularly popular with younger audiences (53% share of the 15-24 age bracket). 179 million video hits were recorded on the internet, vindicating the channel/web rebound strategy..
 - *Opération Tambacounda*, a new format, seen by 2.3 million viewers.

TF1: home to France's top 5 American series

Mentalist led the way, with 8.6 million viewers for the two all-new seasons and a peak of 10.0 million viewers. *Criminal Minds* (French title: *Esprits Criminels*) attracted an average of 7.7 million viewers and a peak of 8.5 million, while *House* (French title: *Dr House*) scored very high ratings, peaking at 9.1 million. *CSI: Crime Scene Investigation* and *CSI: Miami* (French titles: *Les Experts* and *Les Experts Miami*) attracted peak audiences of 8.3 million and 8.2 million respectively during the year.

TF1 drama: popular with all French viewers and attracting ever-larger audiences

TF1 programmes enjoyed the top 20 prime-time viewing figures of the year for this genre. Successes included the Monday-evening drama offering, with one-off dramas like *Clem* (9.4 million viewers, 2.8 million video hits on TF1.fr) and *Au bas de l'Echelle* (7.9 million viewers) and brands like *Joséphine, Ange Gardien* (8.5 million viewers for the 50th episode), *Une Famille Formidable* (up to 8.4 million viewers) and *Camping Paradis* (peak of 7.9 million viewers). Crime dramas also performed well in the Thursday-evening slot, especially *Julie Lescaut* (7.5 million viewers), the second season of *Profilage* (up to 7.1 million viewers), and *Section de Recherche* (7.4 million viewers).

Movies: still a big draw on TF1

TF1 attracted 19 of the top 20 prime time audience ratings in 2010, including a peak of 14.4 million viewers for *Bienvenue chez les Ch'tis*. Other highlights included *Astérix aux Jeux Olympiques* (10.1 million), *Ratatouille* (8.6 million), *National Treasure* (French title: *Benjamin Gates et le Trésor des Templiers*: 7.0 million), and *Enfin Veuve!* (6.9 million).

Throughout the period, TF1 confirmed its status as the must-see French family viewing channel, with a mission to inform, unite, move and entertain.

2010 FIFA World Cup

The second quarter of 2010 was marked by the 2010 FIFA World Cup, a flagship event for the TF1 Group. Throughout the competition, the Group achieved outstanding performances, generating record figures on its various media.

Over the 27 matches shown, TF1 attracted an average audience of 7.1 million, and audience shares of 40% among individuals aged 4 and over and 33% among "women aged under 50 purchasing decision-makers". For matches shown in prime time, the average audience rose to 8.9 million (39% of individuals aged 4 and over). On June 17, TF1 achieved the highest viewing figures of 2010 with the France-Mexico match, watched by 15.2 million viewers and generating audience shares of 56% among individuals aged 4 and over and 51% among "women aged under 50 purchasing decision-makers". This was the 15th largest audience for a football match since the creation of Médiamat in 1989³.

³ Source: Médiamétrie

The FIFA World Cup Final between the Netherlands and Spain attracted 14.1 million viewers, the highest viewing figure for a football match not involving a French team since Médiamat ratings began⁴.

During the 2010 FIFA World Cup, the evening news bulletin (*Journal de 20h*) recorded an average audience of 6.2 million, giving an audience share of 33% among individuals aged 4 and over. The May 11 bulletin, which coincided with the announcement of the French squad for the tournament, was watched by 10.4 million people, representing an audience share of 41% of individuals aged 4 and over.

TF1 also entered into an alliance with various operators to offer a world first: the opportunity for subscribers to watch exclusive live 3D coverage of five 2010 FIFA World Cup matches on TF1 3D, a channel specially created for the occasion. This innovation generated serious interest among operators, and provided a further demonstration of the Group's cutting-edge technological know-how.

On the web, the official 2010 FIFA World Cup – deployed jointly by TF1 and Eurosport – registered 31 million visits and more than 10 million video hits. The video streaming offering proved very popular, especially the highlights packages. The fact that 27 matches were carried, plus the innovative player specially developed by WAT that allowed web users to control live feeds, resulted in unprecedented success with over 150,000 live connections per match (peaking at over 750,000 for the France-South Africa match) and a high of 250,000 simultaneous connections. And the iPhone 2010 FIFA World Cup app, developed specially for the tournament, was downloaded over 250,000 times and recorded 2.7 million visits. The deployment of the TF1 360 strategy around the tournament proved a real success.

Advertising revenue⁴

Plurimedia advertising spend (excluding the internet) rose by 10.0% in 2010.

Television (national and regional channels, DTT, cable and satellite) has been the no.1 medium in terms of advertising spend since the first quarter of 2010, with market share of 36.2% and gross revenue of €8.1bn over the full year. This represents year-on-year growth of 15.2%, fuelled mainly by a resurgence in advertising spend on national TV channels (up by 9.4% or €464.4m, to €5.4bn) and by increased spending on free-to-air DTT (up by 40.0% or €535.0m, to €1.9bn).

Print media slipped back to no.2 in France, with gross advertising revenue of €7.4bn in 2010, a year-on-year increase of 7.4% or €509.5m.

Against this positive backdrop, and after a troubled 2009, TF1 grew its gross advertising revenue by 7.8% in 2010 relative to 2009. TF1 took a 40.3% market share among all free-to-air and pay-TV channels combined, 2.7 points lower than in the previous year.

Virtually all sectors increased their advertising spend during the year, though one exception was Food, which declined by 2.4% in the year on an unfavourable comparative (10.3% growth in gross advertising revenue in 2009). The Publishing sector – currently in a restructuring phase – remained weak throughout the year. Gross advertising revenue for the Auto/Transport sector surged by 28.4%, largely driven by the Paris Motor Show in October 2010. Cosmetics & Beauty and Financial Services recorded growth of 7.1% and 14.6% respectively in 2010.

⁴ Source: Kantar Media Intelligence

Split of TF1 gross advertising spend by sector, and 2010 vs. 2009 growth



The TF1 channel retained its pulling power for advertisers throughout the year. This generated growth in volumes, although the comparatives became ever tougher from the start of the second half.

After focusing on rebuilding volumes during 2009, TF1 shifted its advertising strategy in 2010 to focus on rebuilding value in the wake of an unprecedented economic crisis. Various approaches were used to meet this objective:

- continuing the segmentation strategy adopted in 2009, enabling the channel to increase rates for slots with high monetisation potential (especially the 7 p.m. to 1 a.m. time band and the 2010 FIFA World Cup in the second and third quarters);
- developing Media Way (TNS World Panel), a tool to enable advertisers to track the sales impact of their TV campaigns in real time, making TF1 the most effective advertising medium;
- introducing new pricing terms, such as the *First* offering, which gives advertisers contextual slots with high added value potential.

These initiatives helped push 2010 full-year net advertising revenue up by 8.4% to €1,549.8m, with growth in all four quarters: 13.0% in the first quarter (to €362.8m), 9.9% in the second quarter (to €401.8m), 9.3% in the third quarter (to €306.5m) and 3.5% in the fourth quarter (to €478.7m).

1.2. Home shopping ⁵

After a decline in 2009, the retail sector generally grew by 2.2% year-on-year in 2010. Over the same period, the home shopping market grew by 1.2%, with the strongest growth in Sport/Auto Equipment (up 15.3%), Cosmetics, Beauty & Health (up 9.2%) and kitchenware (up 8.8%). Other sectors were still depressed, including jewellery (down 8.4%) and clothing (down 5.7%).

Sales over the internet rose by 24% to €31bn, compared with €25bn in 2009, confirming the buoyancy of the French e-commerce market. Over 340 million transactions were logged on e-commerce sites during 2010, 60 million more than in 2009.

Overall, there were 27.3 million online shoppers, up 3 million on the previous year. Once again, growth in the number of online shoppers (12%) outstripped growth in the number of internet users (9%) over the period.

⁵ Source: FEVAD (French e-commerce and home shopping federation)

Over the last twelve months, the number of e-commerce sites hit a new record of 81,900 active sites, up 28% on 2009, indicating that 17,800 new sites appeared in 2010.

Against this backdrop of recovery, revenue for the Group's Home Shopping business grew by 3.0% in 2010 to €101.9m. While the established Téléshopping brand reported a slight fall in revenue, this was more than offset by good results from the Infomercials business and the Place des Tendances e-commerce site. Revenue figures for the Home Shopping business for the year ended December 31, 2010 no longer include 1001 Listes, which has been reclassified to the Other Activities segment. In 2009, 1001 Listes reported revenue of €4.7m.

Revenue at the Infomercials business was boosted by new distribution contracts with DTT and cable/satellite channels (in particular Direct 8, RTL9, NT1, AB3 and AB4).

The *placedestendances.com* site reported strong revenue growth thanks to an increase in the number of shoppers and order volumes.

The site attracted 7.8 million cumulative unique visitors during 2010, compared with 507,000 in 2009⁶.

Current operating profit for the Home Shopping business was down €1.2m in 2010 at €3.9m, as benefits from cost structure optimisation failed to offset the effect of lower revenues for the principal brand.

The current operating profit reported for the Home Shopping business no longer includes 1001 Listes, which has been reclassified to the Other Activities segment (and which made a loss of €1.1m in 2009).

1.3. Theme channels⁷

At end December 2010, 98% of French households had access to at least 18 channels, an increase of 11% over one year (88% at end 2009) and of 26% over two years. Free-to-air digital terrestrial TV (DTT) channels took a total audience share of 19.7% in 2010, versus 15.2% in 2009 and 11.1% in 2008.

Also at end December 2010, 29% of French people were cable, ADSL or satellite subscribers, unchanged from 2009 and 2008. Other TV channels had a 12.2% audience share among individuals aged 4 and over in 2010, compared with 12.7% in 2009.

The TF1 Group's theme channels generated revenue of €252.5m in 2010, up 30.0%, largely driven by the 100% consolidation of TMC and NT1 from July 1, 2010. On a constant structure basis, the theme channels would have recorded growth of 9.5%.

Pay-TV subscription revenue rose by 6.2%, and advertising revenue was up 64.6% (14.3% on a comparable structure basis); excellent performances at TMC, NT1 and TV Breizh more than offset the decline in advertising on the division's other channels now that the cable/satellite channels are in direct competition with free-to-air DTT.

The division reported a current operating profit of €27.5m, up 82.1%, driven by the reorganisation of the News unit to focus on LCI, tight cost control at the Découverte channels (Ushuaïa TV, Histoire and Styliia), and good performances from TMC, NT1 and TV Breizh.

Following the acquisition of control over TMC and NT1, the previously-held equity interests in these entities were remeasured at fair value as estimated by an independent expert. In accordance with the applicable accounting standards, the gain arising from this remeasurement was recognised in profit for the period, in "Non-current operating income".

⁶ Source: Eulerian

⁷ Source: Médiamat / Médiaplanning and MédiaCabSat / MédiamatThématik. "Initialised base" means people receiving the channel, or a bouquet of channels. Prime time slot: 8.45 p.m. to 10.30 p.m.

Channel	Number of households receiving the channel at December 31, 2010 (million)	Number of households receiving the channel at December 31, 2009 (million)	Change	2010 audience share ⁽¹⁾
Eurosport France	7.6	7.5	+ 1.3%	0.9%
TV Breizh	5.6	5.6	-	1.2%
LCI	7.3	7.2	+ 1.4%	0.6%
Ushuaïa TV	2.6	2.3	+ 13.0%	0.1%
Histoire	4.2	4.3	- 2.3%	0.1%
Stylia	3.1	2.8	+ 10.7%	<0.1%
Série Club	4.5	4.7	- 4.3%	0.5%
TF6	5.9	5.9	-	0.6%

(1) Source: Médiamat and MédiaCabsat Vague 19 for the Group's other channels – Extended Offering, Initialised Base – Individuals aged 4 and over.

Source: returns filed by operators

TMC

TMC attracted a 3.2% audience share in December 2010 among individuals aged 4 and over, rising to 3.8% for the advertising target audience of “women aged under 50 purchasing decision-makers”.

On average over 2010 as a whole, TMC attracted 3.3% of individuals aged 4 and over (up 0.7 of a point year-on-year) and 3.6% of “women aged under 50 purchasing decision-makers” (up 0.8 of a point year-on-year). TMC is enjoying consistent audience growth, especially in advertising target markets. This success has helped the general-interest channel become the no.1 DTT channel in France for the fourth year running, and the fifth most-watched national TV channel in France.

TMC has enhanced its image as an entertaining, family-oriented national general-interest channel thanks to its new visual identity and logo, and stronger programming.

The fifth most-watched channel in France, TMC offers an appealing mix, with prime-time offerings such as the current affairs programme *90' Enquêtes*, *Law and Order* (French title: *New York Police Judiciaire*) and movie nights. On average, TMC attracts 800,000 viewers in prime time, significantly more than a year ago (200,000 extra viewers). TMC drew over 1 million viewers on 64 occasions in 2010 (versus 9 in 2009).

TMC's highest audience in 2010 was 1.7 million for *The Ice Age 2* (French title: *L'âge de Glace 2*).

On June 11, 2010, the AB Group and TF1 finalised the acquisition by TF1 of direct ownership of the 100% interest in the NT1 channel and the 40% interest in the TMC channel held by the AB Group (see Note 1 to the financial statements, “Significant Events of 2010”). TMC and NT1 have been fully consolidated by the TF1 Group since July 1, 2010.

The acquisition of control over TMC and NT1 by TF1 had received clearance from the French Competition Authority on January 26, 2010 and from the CSA (the French audiovisual regulator) on March 23, subject to undertakings on future conduct and guarantees on the pluralism and diversity of programming⁸.

Métropole Télévision (M6 Group) lodged appeals against the French Competition Authority and CSA rulings, both under the urgent appeals procedure and to the *Conseil d'Etat*. The *Conseil d'Etat* rejected the urgent appeal on April 22, 2010, and the appeal on the merits on December 30, 2010.

These decisions definitively validated the acquisition of TMC and NT1 by the TF1 Group. The airtime buying agencies are continuing to operate, and TF1 has put in place – starting January 26, 2010 – the training programmes and procedures necessary to ensure compliance with all of the undertakings made to the Competition Authority.

NT1

NT1 achieved a 1.5% audience share among individuals aged 4 and over in December 2010. Among target groups for advertisers, NT1's share was 1.7% for “women aged under 50 purchasing decision-makers” and 2.0% for the 25-49 age bracket.

⁸ For details of the undertakings given by TF1, see page 52 of the 2009 Annual Report.

Over 2010 as a whole, NT1 had a 1.6% audience share among individuals and among “women aged under 50 purchasing decision-makers”, up by 0.2 of a point and 0.1 of a point respectively year-on-year. The audience share has grown faster since September 2010 thanks to the introduction of a new programming schedule. In November 2010, NT1 achieved its best-ever viewing figures (1.9% of “women aged under 50 purchasing decision-makers” and 2.4% in the 15-34 age bracket).

In terms of audience share among individuals, NT1 ranked 12th in France in 2010.

The channel attracted over 800,000 viewers on 17 occasions in 2010 (versus 3 in 2009), and attracted over one million viewers on three occasions.

NT1 is a general-interest channel primarily aimed at the 15-49 age bracket with a mix of magazine programmes, previously unscreened American series, movies, adventure documentaries and sport.

NT1⁹ has been fully consolidated by the TF1 Group since July 1, 2010.

Eurosport France

The paying subscriber base at end December 2010 was 7.6 million, in line with the end-2009 figure; higher subscriber numbers in French-speaking Belgium cancelled out a slight fall in the French subscriber base. Subscription revenue rose year-on-year. The success of the HD offering illustrates Eurosport France’s ability to build customer loyalty and master cutting-edge technology.

The channel’s audience fell from 29,000 per average quarter hour in 2009 to 23,000 in 2010, reflecting factors such as:

- a generally less favourable sporting environment, after a record 2009 for all established sports;
- mounting competition from rival channels operating in the French market.

Against this backdrop, the channel’s advertising revenue fell slightly during 2010.

However, internet advertising revenue was up year-on-year. The site attracted 3.5 million unique visitors in December 2010, 59% more than in the comparable period of 2009, and the French-language version of the site ranks second among sports websites in France. The rise in traffic was due to a more favourable sporting events calendar, and to the appeal of tie-ins with the Free (AliceADSL) and La Poste portals.

In terms of rights, Eurosport France renewed its contracts for the “Ligue 2” and “Coupe de France” football competitions.

Current operating profit was down in 2010 on a slight rise in programming costs, due to the screening of the Vancouver Olympics and the 2010 FIFA World Cup. However, the impact was partly offset by a continuation of the tight cost control policy introduced in 2009.

LCI

As part of the ongoing reorganisation of the TF1 Group’s News division launched in 2008, LCI switched over to PNS2 (Process News and Sports 2) software at the start of 2010.

LCI has bolstered its news programmes and launched new shows in a bid to develop more attractive schedules to compete with free-to-air DTT channels. At December 31, 2010, the channel was available in 7.3 million households (versus 7.2 million at December 31, 2009). LCI had an audience share of 0.6% of the initialised base (aged 4 and over) in 2010, versus 0.8% in 2009.

LCI saw a fall in advertising revenue during the period, but the effect was cushioned by stronger subscription revenue. Despite the operating cost savings achieved since the start of 2010, current operating profit fell.

TV Breizh

TV Breizh is France’s no.1 general-interest pay-TV mini-channel among individuals aged 4 and over and among “women aged under 50 purchasing decision-makers”. The channel achieved good results in terms of both advertising and subscription revenue.

⁹ See the section on TMC for the timeline of the acquisition.

The channel recorded excellent audience ratings thanks to programming schedules designed to build loyalty among target audiences for advertisers across most genres:

- movies, such as *In the Line of Fire* (French title: *Dans la ligne de mire*), *US Marshals*, *Les visiteurs 2* and *Bewitched* (French title: *Ma Sorcière bien aimée*);
- premium American serials, such as *Crossing Jordan* (French title: *Preuve à l'appui*) and *Law & Order: Trial by Jury* (French title: *New York, Cour de Justice*);
- well-loved American serials like *Murder, She Wrote* (French title: *Arabesque*), *Columbo*, and *Monk*;
- French drama.

TV Breizh is a strong brand that celebrated its 10th anniversary in 2010. With 8.3 million viewers every month, its offering is clearly focused on relaxing, feel-good family viewing.

The channel was available in 5.6 million households at December 31, 2010, unchanged from a year earlier, and had an audience share of 1.2% of the initialised base (aged 4 and over) in 2010, also unchanged from 2009.

Découverte division

The **Découverte division** channels continued to build their editorial positioning as genuine affinity channels in a tough competitive environment.

The **Histoire** channel pursued its dynamic creative policy during 2010, focused on discussion programmes and commemorations of historical events.

At December 31, 2010, Histoire was available in 4.2 million households (versus 4.3 million at December 31, 2009). The channel had an audience share of 0.2% of the initialised base (aged 4 and over) in 2010, unchanged from 2009.

On October 2, Odysée was relaunched as **Stylia**, a new lifestyle, luxury and fashion channel. Stylia aims to become a trendy urban channel with a definite feminine slant. Following a review of its policy on co-production and on buying in new exclusive programming, first-time broadcasts now account for 90% of the channel's output. The new schedules are built around seven core themes: style & fashion, art & design, fine dining, excellence (French luxury goods know-how), first-class travel (with a focus on dream hotels), celebrities, and lifestyle.

Stylia is a pay-TV channel distributed on satellite, cable and ADSL, and is also available in catch-up on new platforms.

At December 31, 2010, Stylia was available in 3.1 million households (versus 2.8 million at December 31, 2009). The channel had an audience share of less than 0.1% of the initialised base (aged 4 and over) in 2010, unchanged from 2009.

Ushuaïa TV, the sustainable development channel, continued to broadcast magazine programmes and special editions focused on protecting the planet, along with exclusive documentaries in HD.

At December 31, 2010, Ushuaïa TV was available in 2.6 million households (versus 2.3 million at December 31, 2009). The channel had an audience share of 0.1% of the initialised base (aged 4 and over) in 2010, unchanged from 2009.

TF6

The TF6 channel, owned 50/50 with M6, was available in 5.9 million households at December 31, 2010 (unchanged from December 31, 2009). The channel had an audience share of 0.6% of the initialised base (aged 4 and over) in 2010 (versus 0.7% in 2009).

TF6 recorded an average audience share of 0.7% among the 15-34 target age bracket capable of receiving the channel (versus 1.0% in 2009).

During 2010, TF6 continued to refocus on the 15-34 advertising target age bracket by broadcasting more must-see shows, such as *Dawson* and *One Tree Hill* (French title: *Les Frères Scott*), exclusive series such as *Legend of the Seeker*, sitcoms like *Scrubs* and *How I met your Mother*, and classic series such as *The Pretender* (French title: *Le Caméléon*). TF6 also screens the best cinema and TV action movies.

Faced with tougher competition, and with the decline in advertising revenue not wholly offset by the increase in subscription revenue, the channel reported an overall year-on-year fall in revenue. However, TF6 managed to protect its margin by reducing operating costs.

Série Club

The Série Club channel, owned 50/50 with M6, was available in 4.5 million households at end December 2010 (versus 4.7 million at end December 2009). The channel had an audience share of 0.5% of the initialised base (aged 4 and over) in 2010 (versus 0.6% in 2009).

Série Club attracted a 0.9% share of the target audience of “women aged under 50 purchasing decision-makers” in 2010, at a time when cable and satellite channels are facing increased competition from the rise of DTT. However, Série Club is showing good resilience in both audience ratings and advertising revenue.

In 2010, Série Club – the channel dedicated to series – continued to modernise, and now offers 100% of its programming in digital and 16/9. The offering takes in previously unscreened series like *Mad Men*, *Damages* and *Life is Wild*, seminal series such as *Lost* and *Prison Break*, must-sees like *Stargate SG-14*, and classics like *Commissaire Valence*.

With mounting competition, and with the drop in advertising revenue not fully offset by increased subscription revenue, the channel reported an overall year-on-year fall in revenue.

1.4. TF1 Entreprises

TF1 Entreprises brings together a range of businesses directly or indirectly linked to the TF1 channel, such as games, music, licences, live shows, and publishing.

In 2010, TF1 Entreprises reported 12.0% revenue growth to €43.8m. Coupled with tight overhead control, this enabled TF1 Entreprises to generate a current operating profit of €2.4m, compared with an operating loss of €1.6m in 2009. Operating margin was 5.5% in 2010.

TF1 Games-Dujardin ¹⁰

In 2010, the French games market contracted very slightly, by 0.8% in value and 1% in volume (excluding jigsaw puzzles and trading card games). Against this backdrop, TF1 Games saw its market share slip from 8.6% in 2009 to 8.0% in 2010. The withdrawal of the *Cranium* range was offset by the acquisition of the *Le Cochon Qui Rit* game, and by a marketing licence for France Télévisions TV tie-in games. TF1 Games performed well throughout the year, especially in the fourth quarter (in line with usual trends in this highly seasonal business) when 1.7 million boxed sets were sold, including:

- 403,000 for the *1000 Bornes* range;
- 367,000 TV tie-in games;
- 85,000 *Le Cochon Qui Rit* games.

TF1 Licences

TF1 Licences was again one of France's top licensing agencies during 2010. Brands such as *Barbapapa* and *Hello Kitty* went from strength to strength, *Ushuaïa* proved resilient, and the new *Masterchef* licence enjoyed a successful launch. Operating profit improved, with all brands performing well and a favourable comparative in terms of advertising revenue for promotional licensing.

TF1 Musique ¹¹

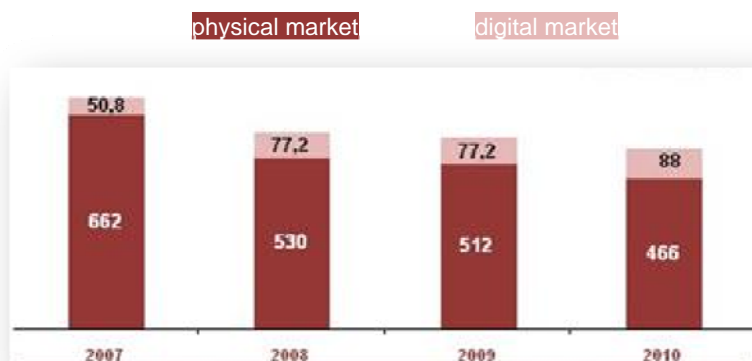
The CD market contracted again in 2010, losing 26.6% by volume and 5.9% by value. Stripping out the 2009 Michael Jackson effect, the market declined by just 2.5%.

The physical market still accounts for some 84% of the total market, with one in five albums sold in the form of downloads.

¹⁰ Source: NPD data

¹¹ Source: SNEP data

Trends in the wholesale music market (€m)



TF1 Musique performed very well in what remains a tough environment:

- The *Spiritus Dei* album was a runaway success: it was the second best-selling album of 2010, and stayed at no.1 in the chart for 9 weeks, with sales of 534,000.
- TF1's partnerships also recorded very strong sales: Christophe Mae shifted 674,000 albums, the Black Eyed Peas sold 439,000, Yannick Noah 464,000, and Mylène Farmer 317,000.
- *Mozart: the Rock Opera* toured the French regions before returning to Paris at the end of the year, attracting a total of 813,000 concert-goers in 2010 and also generating merchandising revenue.

Of the 10 best-selling albums of 2010, 7 were TF1 partnerships.

TF1 Edition

Until 2010, TF1 Publishing published books under the *Editions du Toucan* imprint. During the year, TF1 Entreprises carried out a reorganisation, selling the *Editions du Toucan* imprint and refocusing on TV spin-off books (Ushuaïa coffee-table books, *Criminal Minds* and *Clem* tie-ins etc) and the Ushuaïa magazine.

Other

In September 2010, TF1 Entreprises launched the *Automotocompare.fr* website in association with AutoMoto magazine. The site enables internet users to compare insurance companies (97,000 contacts logged in the last 4 months of 2010) and obtain a wide range of practical tips.

1.5. Production

The Production division, consisting of TF1 Films Production and TF1 Production, posted revenue of €16.7m in 2010, €5.4m less than the 2009 figure of €22.1m.

The division made a current operating loss of €1.9m, compared with an operating profit of €1.8m in the previous year.

TF1 Films Production¹²

French cinema attendances reached 206.5 million in 2010, up 2.7% on 2009. This was ahead of the average for the last 10 years (188.1 million), and was also the highest for any year since 1967 (211.5 million), despite a slowdown during December 2010. Cinema attendances were particularly strong in the first half of 2010 (up 8.1% versus the comparable period of 2009).

During 2010, 24 films were partially screened in 3D (versus 16 in 2009); these films drew over 33 million cinema-goers, or 16% of total attendances.

Attendances at French films slipped by 0.9% to 73.4 million, slightly ahead of the average for the last 10 years (72.4 million). French films had an estimated market share of 36%, compared with 37% in 2009. In all, 19 French films attracted a million or more cinema-goers.

¹²Source: CNC forecasts

In 2010, 13 films co-produced by TF1 Films Production went on general release, 6 of which pulled in at least a million cinema-goers: *La Rafle* (2.9 million), *L'Immortel* (1.1 million), *Adèle Blanc-Sec* (1.6 million), *Camping 2* (3.9 million), and *L'Homme qui voulait vivre sa Vie* (1.2 million). In 2009, 7 of the 20 TF1 films on general release attracted at least a million cinema-goers.

FILM	Release date	Attendance to December 31, 2010
CAMPING 2	April 21, 2010	3,978,114
ARTHUR 3 LA GUERRE DES 2 MONDES	October 13, 2010	3,056,062
LA RAFLE	March 10, 2010	2,851,122
ADELE BLANC-SEC	April 14, 2010	1,621,846
L'HOMME QUI VOULAIT VIVRE SA VIE	November 3, 2010	1,172,783
L'IMMORTEL	March 24, 2010	1,128,275
A BOUT PORTANT *	December 1, 2010	799,901
IL RESTE DU JAMBON ?	October 27, 2010	787,279
IMOGENE MCCARTHERY	May 5, 2010	578,932
UNE PETITE ZONE DE TURBULENCES	January 13, 2010	540,430
DE VRAIS MENSONGES *	December 8, 2010	485,397
ENSEMBLE C'EST TROP	February 17, 2010	335,293
600 KILOS D'OR PUR	August 25, 2010	153,989

* Still being screened as of December 31, 2010

At end December 2010, the subsidiary had committed a total of €41.3m to 19 feature films, thereby fulfilling its commitments.

TF1 Films Production recorded lower revenues in 2010 than in 2009 because fewer films were on general release in the year.

TF1 Production

The subsidiary played a key role in the 2010 FIFA World Cup, providing coverage to all TF1 Group channels.

The TF1 channel magazine programmes produced by TF1 Production were also highly successful. Throughout the tournament, TF1 screened *Coupe du Monde FIFA 2010*, *Le Mag*. The 21 shows attracted excellent audiences, averaging 4.7 million viewers and winning a 29% share of individuals aged 4 and over; viewing figures peaked on June 17 at 7.7 million (40% of individuals aged 4 and over, and 40% of women viewers).

The success of the 2010 FIFA World Cup offset a decline in revenue from Magazines and Drama.

Overall, the drop in revenue reduced the profitability of TF1 Production in 2010.

1.6. e-TF1 ¹³

After numerous developments throughout 2009, e-TF1 reported further growth in 2010. The Group's various sites attracted 19.1 million unique visitors in December 2010, up on December 2009, cementing the Group's position as the leading French media group on the web.

The TF1.fr site attracted 7.9 million unique visitors per month to end December 2010.

Video is performing particularly well on TF1.fr. Over 2010 as a whole, 1.4 billion free videos were viewed on the Group's sites, including 700 million catch-up videos. This is a remarkable performance, with the number of catch-up video views far outstripping the 400 million videos watched in 2009.

The pure player sites confirmed their success: WAT.tv drew 7.4 million unique visitors, and the women's interest site *Plurielles.fr* attracted 3.3 million unique visitors. Overblog retained its no.1 ranking with 10.7 million unique visitors (December 2010).

¹³ Source: Médiamétrie NNR panel, December 2010
Source: eStat, streaming TV data

The rollout of MyTF1 continued. Following the initial distribution alliance with Bouygues Telecom's Bbox platform, announced in November 2009, TF1's free interactive service has also been available via Orange decoders since June 2010.

Interactivity eased up slightly at the start of the year, due to fewer game-shows being broadcast on the TF1 channel than in the previous year. However, the overall performance was satisfactory following successes at the end of the year, including the selection of Miss France 2011 and the daily show *Les 12 Coups de Midi*.

Advertising revenue recovered strongly at e-TF1 in 2010, surging by 73%, thanks largely to video formats tied in to strong brands such as *Secret Story* and *Masterchef*.

On November 11, 2010, TF1 transferred its 40% equity interest in Overblog to the Wikio Group, in exchange for shares representing a 13.2% interest in the new Wikio Group.

This merger between the Wikio news portal and the Overblog blogging platform has created a new model for content production, not just in France but in Europe.

The principle is to study internet users' preferences by analysing their most frequent internet searches, and then create new content to respond to the demand. Unlike the traditional top-down model, which pushes editorially-selected content at internet users, the on-demand content model is driven by users' needs.

2010 full-year revenue at e-TF1 was €78.2m, an improvement of €5.4m (7.4%) relative to 2009.

Strong topline performances coupled with the non-recurrence of the website makeover charges incurred in 2009 led to a €5.9m improvement at current operating profit level. The e-TF1 subsidiary reported a current operating profit of €2.5m in 2010, against a loss of €3.4m in 2009, even after the €1.5m effect of the new tax on interactive services.

1.7. Other activities

Revenue from other activities amounted to €55.2m in 2010, versus €17.1m in 2009, mainly due to the resale of 2010 FIFA World Cup rights to France Télévisions and Canal+ for €33m in the second quarter of 2010.

Current operating profit for the year was €23.6m, versus €27.9m for 2009; the year-on-year fall of €4.3m reflects the reversal in the fourth quarter of 2009 of a provision for litigation.

Les Indés Radios (formerly Les Indépendants)

During 2010, TF1 Publicité sold advertising airtime for 128 local, regional and special-interest radio stations in the **Indés Radios** federation. This leading national offering (18.8% commercial share among individuals aged 25-49¹⁴), backed up by Sud Radio and Wit FM, provides a mix of pulling power and local coverage that is ideal for delivering more effective advertising.

While gross advertising spend¹⁵ on national radio rose by 6.9% in 2010, the radio offering sold through TF1 Publicité reported 25.8% growth in gross spend. With market share of 10.7%, TF1 Publicité is now a major player in the radio advertising sector.

The contribution to consolidated revenue (in the form of agency commission) amounted to €12.6m in 2010, compared with €9.9m in 2009.

Third-party advertising airtime sales

TF1 Publicité also sells airtime for a dozen themed, add-on and branded channels, including the Disney and Cartoon channels.

The contribution to consolidated revenue (in the form of agency commission) was stable year-on-year.

¹⁴ Source: Médiamétrie – 126,000 Radio – November-December 2010 – Monday/Friday – 5 a.m. to midnight – commercial market share based on average quarter-hour periods for TF1 Publicité Radios, NRJ Global, IP Radio, Lagardère Publicité, RMC, Skyrock and Radio Classique.

¹⁵ Source: Kantar Média – Gross advertising spend – National Radio – All sectors – Full Year 2010 (vs Full Year 2009)

1.8. Investment in associate

AB Group

The AB Group produces and broadcasts TV channels: RTL9 (65%) and AB1 in France, and AB3 and AB4 in Belgium. The Group also owns one of the biggest catalogues of French-language audiovisual rights, with over 1,500 titles representing 44,000 hours of programming (including episodes of serials like *Navarro* and *Femme d'Honneur*); these rights are distributed in France and internationally.

On June 11, 2010, the AB Group and TF1 finalised the purchase by TF1 of direct ownership of the 100% interest in the NT1 channel and the 40% interest in the TMC channel owned by the AB Group. Under the terms of the agreement, the AB Group management team was granted a call option over TF1's minority stake, exercisable at any time during a two-year period at a price of €155m.

The other activities of the AB Group are now held by a new company, in which TF1 holds the same equity interest (33.5%) as it previously held in the AB Group. The TF1 Group also raised its equity interest in WB Télévision (a holding company owned by Claude Berda, which controls Belgian French-language channels AB3, AB4 and Videoclick) from 33.5% to 49%.

The TF1 Group's 33.5% equity interest in the other activities of the AB Group is valued at €155m. A call option has been granted over this interest, exercisable at any time up to and including June 12, 2012 at a price of €155m.

In accordance with IAS 27 (Consolidated and Separate Financial Statements), because the TF1 Group has granted a call option that is exercisable at any time this interest is no longer accounted for as an associate by the equity method, but instead has been recognised as a non-current financial asset in the balance sheet at fair value since July 1, 2010.

2. Audiovisual Rights

Revenue from the Audiovisual Rights division was down €8.1m at €142.9m in 2010, 5.4% lower than in the previous year.

The division made a current operating loss of €5.2m, compared with a loss of €22.5m in the previous year, an improvement of €17.3m.

2.1. Catalogue

French cinema attendances reached an estimated 206.5 million in 2010 (up 2.7% on 2009); see the section on TF1 Films Production above for market data.

2010 was the year in which French cinemas embraced digital, as the number of digital screens doubled. Over 1,800 cinemas now have digital projectors, representing one-third of all French cinemas, compared with 17% a year ago¹⁶

During 2010, TF1's catalogue business continued the alliance with UGC that began in 2009. Eight films went on general release in 2010, four fewer than in 2009, the most successful being *Les Invités de mon Père* (840,000 cinema-goers), *Elle s'appelait Sarah* (800,000) and *Le nom des gens* (700,000).

A total of 14 films were co-financed by TF1 and UGC in 2010 and 2011 will be the first year in which films acquired jointly by the two companies will be screened.

Revenue from the **Catalogue** business fell by €3.5m to €54.1m. Good performances by some films and by the catalogue sales business could not make up for the fact that fewer films were released than in 2009. Despite this fall in revenue, there was an improvement of €13.7m at current operating profit level, as the business moved from a loss of €9.4m in 2009 to a profit of €4.3m in 2010.

2.2. Video

During 2010, French consumers spent a total of €1.39bn on DVDs and Blu-Ray HD disks. For the second year in a row, consumer spending on physical video media was flat (0.1% growth).

¹⁶ Source: CNC-GFK

HD media continued to grow: Blu-Ray sales were up 61.6% year-on-year, reaching €173.41m (9.7 million units). Blu-Ray accounted for 12.5% of French video sales in 2010, versus 7.8% in 2009.

DVDs represented 87.5% of the market by value (vs. 92.2% in 2009). French consumers bought almost as many DVDs as in the previous year (0.4% fall). A total of 135.3 million DVDs were sold in 2010¹⁷.

Purchases of video media in 2010

	Units (million)	Change 2010 vs 2009	Sales (€m)	Change 2010 vs 2009
DVD	135.27	-0.4%	1,211.89	-5.1%
Blu-Ray	9.66	+82.8%	173.41	+61.6%
Total	144.93	+2.7%	1,385.30	+0.1%

Source: CNC – GFK

Revenue for TF1's Video business fell by 4.9% to €88.8m. The business scored some notable successes during the year, including *The White Ribbon* (French title: *Le Ruban blanc*, winner of the Palme d'Or at the 2009 Cannes Film Festival and the Golden Globe for best foreign-language film) and *Un Prophète* (winner of 9 César awards, Oscar-nominated for best foreign-language film). The end of the year saw impressive DVD sales for *Motherfucker* (the Florence Foresti show), *Mozart: The Rock Opera*, and the animated movie *Dora the Explorer* (French title: *Dora l'Exploratrice*). But despite these successes, volumes fell below the previous year's level due to a limited line-up of new videos and a tough 2009 comparative boosted by strong titles, in a market facing structural price erosion.

Despite tight cost control, the slippage in revenue resulted in a current operating loss of €9.5m, compared with a loss of €13.1m in the previous year.

After an 18-month tie-up, TF1 Vidéo and SPHE (Sony Pictures Home Entertainment) have decided to end their alliance in physical video distribution with effect from July 1, 2011.

3. Broadcasting International

The Broadcasting International segment generated revenue of €364.4m in 2010 compared with €319.2m in 2009, an increase of 14.1%.

Current operating profit was up 35.2% at €59.9m.

In 2009, Broadcasting International's current operating profit included a €2m gain on the sale of France 24.

Eurosport International¹⁸

Eurosport channels recorded lower audiences in 2010 than in 2009: the average audience per average quarter hour was 573,000, including 508,000 (down 10%) for the Eurosport channel itself. This fall was due to tougher competition from channels that screened 2010 FIFA World Cup matches, even though Eurosport offered attractive programming with the Vancouver Olympics (120 million viewers over the period) and the African Cup of Nations.

In 2010, Eurosport was received by 123.0 million households in Europe, up 4.9 million year-on-year. The ongoing spread of cable and ADSL boosted all the Group's channels, as did expansion into new territories and technological developments. An alliance with Panasonic enabled Eurosport to show the French Open tennis tournament in 3D in more than 3,000 hi-fi stores across Europe. Backed by targeted print media campaigns, these 3D screenings were a great success and confirmed Eurosport's ability to innovate.

The paying subscriber base increased by 7% (or 5.6 million) year-on-year, mainly in Eastern and Central Europe, Asia-Pacific and the Mediterranean basin.

¹⁷ Source: CNC-GFK

¹⁸ Source: comScore Networks, no. 1 site in Europe with average of 11.3 million unique visitors, January-December 2010
Source: NedStat unique visitor cookies

The Eurosport 2 channel subscriber base rose to 47.9 million (up 7.8 million year-on-year), with growth driven by Eastern Europe and by the April 2010 launch of a Swedish-language version in Scandinavia. The channel's offering has now been further enhanced by the German Bundesliga, which is available in HD.

The Eurosport HD channel now has 11.7 million subscribers (up 6.5 million year-on-year), and is performing very well in the United Kingdom, the Mediterranean countries of Europe, and Scandinavia. This channel has significantly strengthened the market positioning of the Eurosport group.

EurosportNews also continues to expand, and now has 6.2 million subscribers, virtually all of them paying.

The rollout of Eurosport into the Asia-Pacific region under alliance deals with Australian platforms is gathering pace, helping to secure the channel's position in the region over the longer term.

This expansion in the subscriber base generated robust 16.4% year-on-year growth in subscription revenue.

Eurosport International also reported robust growth in advertising revenue (up 10.6% at €78.1m) in 2010, thanks to events with strong appeal for advertisers, a better economic climate, and a soft comparative.

Internet audiences remained high during 2010, with the number of unique visitors per day hitting 2.3 million (December 2010). On these figures, Eurosport ranks as the leading European sports website.

At end June 2010, English-language sites aimed at Australia and South-East Asia were launched as part of the accelerated expansion programme in the region.

In early December 2010, Eurosport launched a Turkish version of the site, which is now available in 14 local versions and 11 language versions.

Since March 2007, the Eurosport channel has been capitalising on its strong internet audiences to distribute content directly to web users via a Player function. Originally limited to certain countries, this service is now available across the whole of Europe (apart from Italy and Russia), over the internet and via iPhone apps.

Revenue from other activities advanced year-on-year, driven by the Eurosport Player, the launch of Eurosport Arabia, and free iPhone apps (nearly 3.1 million downloads to end December 2010) and Eurosport SmartPhone apps (launched on BlackBerry and iPad in May 2010, and on Android in June 2010). In December 2010, 338,000 people a day were using the Eurosport app.

Eurosport International posted 2010 fourth-quarter revenue of €90.2m, an improvement of €5.7m (6.7%) on the fourth quarter of 2009.

Quarterly operating profit at Eurosport International was €16.4m, giving operating margin of 18.2%, against 7.8% in the fourth quarter of 2009.

Full-year revenue at Eurosport International was €364.4m, an increase of €45.2m (14.2%) on 2009.

Eurosport International reported full-year current operating profit of €59.9m, giving operating margin of 16.4%, versus 13.3% in 2009. Generating this level of margin in a year of big sporting events is a remarkable achievement; it reflects rigorous control of overheads, cost optimisation, and a good balance between rights acquisition costs (the key to building audiences and securing the channel's reputation) and associated revenue streams.

4. Other Activities

In 2009, the Other Activities segment consisted of Top Ticket.s (Pilipili)

At end 2010, the segment consisted of SPS and 1001 Listes.

The segment generated revenue of €5.5m in 2010, and made a current operating loss of €25.6m.

4.1. SPS

On June 8, 2010, the French Online Gaming Regulatory Authority (ARJEL) granted two licences to SPS, allowing it to operate in the French online sports betting and poker markets. On the same day, the EurosportBET.fr site was launched.

In the United Kingdom, the site has been up and running since June 2009, but is not earmarked for further development because the market is mature and highly competitive.

The offering in France was extended when the EurosportPOKER.fr site went online on June 30, 2010.

On September 23, 2010, EurosportBET obtained an operating licence for betting on horse-racing in France, and is now one of only three sites licensed to provide all three types of online gaming allowed in France (sporting bets, horse-racing bets, and online poker).

SPS generated revenue of €1.6m in 2010, compared with an immaterial amount of revenue in 2009. The business made a current operating loss of €23.6m in 2010; this compares with the €3.0m share of SPS costs booked in the previous year.

On March 8, 2010, TF1 agreed to buy out the remaining 50% equity interest in SPS held by the Serendipity investment fund for €6.4m.

Following this transaction, the TF1 Group holds a 100% equity interest in SPS.

Consequently, the SPS online gaming and betting business was consolidated proportionately at 50% during the first quarter of 2010 and fully consolidated within the Broadcasting International segment for the second and third quarters of 2010, before being reclassified to the Other Activities segment for the fourth quarter of 2010 and for full year 2010.

The acquisition was accounted for in accordance with the revised IFRS 3 (Business Combinations), leading to the recognition of (i) provisional goodwill of €12.2m in the balance sheet and (ii) the €6.1m gain arising on the fair value remeasurement of the previously-held equity interest in the income statement. This gain was classified in "Other operating income" in the 2010 interim financial statements and reclassified to "Non-current operating income" in the fourth quarter of 2010.

Changes in the regulatory environment and market conditions in the online gaming and betting industry since March 8, 2010 have led TF1 to review its strategy for this business.

The impact of this review on the valuation of SPS has been recognised in the consolidated financial statements for the year ended December 31, 2010, in the form of a €12.2m impairment loss taken against the goodwill and reported in "Non-current operating expenses".

4.2. 1001 Listes

1001 Listes was reclassified from Home Shopping to Other Activities in the fourth quarter of 2010.

On February 4, 2011, TF1 sold its entire equity interest in 1001 Listes to the Galeries Lafayette group.

1001 Listes generated revenue of €3.9m in the year ended December 31, 2010, compared with €4.7m in the previous year.

The business made a current operating loss of €2.0m in 2010, compared with a loss of €1.1m in 2009.

Based on the terms of the sale agreement, an impairment loss of €7.0m was charged against the 1001 Listes goodwill to reflect the sale price; this loss was recognised in "Non-current operating expenses".

4.3. Metro France (associate)

Publications Metro France, in which TF1 has a 34% equity interest, distributed an average of 675,000 copies of its freesheets a day in 10 French cities during 2010. The earnings contribution of Publications Metro France in the TF1 2010 financial statements was not material.

5. 2011 Outlook

In 2011, as in 2010, we will be faced with an economic environment in flux, characterised by continuing uncertainty and poor visibility.

We are working on the assumption that consolidated revenue will remain stable in 2011. Consolidation of the revenue contribution from the acquired equity interests in TMC and NT1 over the full year will be offset by the non-recurrence of the resale of 2010 FIFA World Cup rights.

We are confident in our ability to leverage growth in advertising revenue, not just for the TF1 channel but across all our media (digital terrestrial TV channels, digital media and Eurosport). Most of our diversification activities are likely to see further growth, though against less favourable comparatives.

We are also reiterating our objective of improving profitability and stabilising TF1 channel programming costs; we expect these costs to average in the region of €950m in 2011 and 2012.

The divestments and restructuring carried out in 2010, and the new organisational structures we have put in place, are expected to have a positive impact on our operating expenses.

During 2011, we will redouble our efforts to strengthen our market position and accelerate our progress, actively pursuing the strategy implemented three years ago by:

- continuing to offer strong content, with a mission to inform, unite, move and entertain, across all of our distribution channels (free-to-air and Pay TV, and the internet) while keeping costs under control;
- using technological advances to find opportunities to reach and interact with every audience group, through affinity channels, VOD and SVOD offerings, music, games, and e-commerce.

Our ability to combine mass media effectiveness with the intimacy of personal digital media makes us well placed to consolidate our position as market leader in our core business: delivering entertainment and information in all their forms, thereby offering advertisers the broadest possible scope to get their message across.

We will also pursue our corporate citizenship and corporate responsibility initiatives, playing our part in promoting social cohesion and diversity.

Secure in our very sound financial position, we have many strengths to help us meet the challenges of the year ahead.

6. Post balance sheet events

On February 4, 2011, TF1 sold its entire equity interest in 1001 Listes to the Galeries Lafayette group.

7. Share ownership

	December 31, 2010			December 31, 2009			December 31, 2008		
	Number of shares	% of capital	% of voting rights	Number of shares	% of capital	% of voting rights	Number of shares	% of capital	% of voting rights
Bouygues	91,946,297	43.1%	43.1%	91,806,565	43.0%	43.0%	91,806,565	43.0%	43.0%
Treasury shares	14,625	0.0%	0.0%	14,625	0.0%	0.0%	14,625	0.0%	0.0%
TF1 employees	12,149,695	5.7%	5.7%	11,466,260	5.4%	5.4%	9,174,435	4.3%	4.3%
<i>via the FCPE TF1 fund</i>	<i>12,025,780</i>	<i>5.6%</i>	<i>5.6%</i>	<i>11,341,320</i>	<i>5.3%</i>	<i>5.3%</i>	<i>9,045,380</i>	<i>4.2%</i>	<i>4.2%</i>
<i>as registered shares</i>	<i>123,915</i>	<i>0.1%</i>	<i>0.1%</i>	<i>124,940</i>	<i>0.1%</i>	<i>0.1%</i>	<i>129,055</i>	<i>0.1%</i>	<i>0.1%</i>
Free float – France (1) (2)	34,833,010	16.3%	16.3%	37,348,254	17.5%	17.5%	44,763,959	21.0%	21.0%
Free float – rest of world (2)	74,466,865	34.9%	34.9%	72,774,788	34.1%	34.1%	67,650,908	31.7%	31.7%
Total	213,410,492	100.0%	100.0%	213,410,492	100.0%	100.0%	213,410,492	100.0%	100.0%

(1) Includes unidentified holders of bearer shares

(2) Estimated based on Euroclear statement

Consolidated income statement in management accounting format

€m	2010	2009
TF1 channel		
Advertising revenue	1,549.8	1,429.4
Advertising costs	(75.9)	(71.7)
NET BROADCASTING REVENUE	1,473.9	1,357.7
Royalties and compulsory contributions		
- Royalties	(58.5)	(54.8)
- CNC	(84.2)	(77.6)
- Tax on broadcast advertising	(6.1)	(9.3)
Broadcasting costs		
- TDF, satellites, transmission costs	(44.9)	(51.5)
Programming costs (excl. non-recurring sporting events)	(873.6)	(926.9)
Non-recurring sporting events	(77.6)	-
GROSS PROFIT	329.0	237.6
Diversification revenue and other revenue from operations	1,070.9	933.2
Other operating expenses	(1,064.5)	(955.6)
Depreciation, amortisation and provisions, net	(105.0)	(113.9)
CURRENT OPERATING PROFIT	230.4	101.3
Non-current operating income and expenses	82.8	-
OPERATING PROFIT	313.2	101.3
Cost of net debt	(18.2)	(22.3)
Other financial income/(expenses)	(2.5)	36.2
Income tax expense	(68.9)	(15.3)
Share of profits/(losses) of associates	5.7	14.6
NET PROFIT	229.3	114.5
Attributable to minority interests	1.0	0.1
NET PROFIT ATTRIBUTABLE TO THE GROUP	228.3	114.4

Diary dates for 2011

February 17, 2011: Revenue and financial statements for 2010, Analyst Meeting

April 14, 2011: Shareholders' Annual General Meeting

April 19, 2011: 2010 dividend ex-date

April 26, 2011: 2010 dividend payment date

May 12, 2011: Revenue and financial statements for the first quarter of 2011

July 26, 2011: Revenue and financial statements for the first half of 2011, Analyst Meeting

November 10, 2011: Revenue and financial statements for the first nine months of 2011

These dates may be subject to change.

Télévision Française 1

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