NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

The parent company financial statements for the year ended 31 December 2017 have been prepared in accordance with legal and regulatory requirements as currently applicable in France.

They were closed off by the Board of Directors on 15 February 2018, and will be submitted for approval by the shareholders at the forthcoming Annual General Meeting to be held on 19 April 2018.

1 Significant events

- **Sale of 33.5% of Groupe AB to Mediawan SA**

On 31 March 2017, TF1 sold its 33.5% equity interest in Groupe AB to Mediawan SA.

- **Sale of equity interest in Teads to Altice**

On 22 June 2017, TF1 sold its entire equity interest in Teads to Altice.

- **Exclusive discussions between the TF1 group and the Axel Springer group**

On 12 December 2017, the TF1 group submitted a binding offer to the Axel Springer group with a view to acquiring the latter's 78.43% stake in the aufeminin group.

An agreement was signed on 18 January 2018 (see Note 6, "Events after the reporting period").

2 Accounting policies

The accounting policies described below have been applied in compliance with the principles of prudence, lawfulness and fairness in order to represent faithfully the company's assets, liabilities and financial position and the results of its operations, in accordance with the following fundamental concepts:

- going concern;
- consistency of method from one period to the next;
- accrual basis of accounting;

and in accordance with the general rules applicable to the preparation and presentation of annual individual company financial statements in France.

The basic method used for measuring items recorded in the books of account is the historical cost method.

2-1. Comparability of the financial statements

There were no changes in accounting policy during the year ended 31 December 2017.

2-2. Intangible assets

2-2-1. Audiovisual rights

Audiovisual rights comprise:

- television programmes intended for broadcast on the TF1 channel;
- other user rights.

2-2-1-1 Television programmes

In order to secure programming schedules for future years, TF1 SA enters into binding contracts under which it acquires programme production shares and the other party agrees to deliver the programme in question.
Television programmes are recognised as intangible assets at the time of technical acceptance and opening of rights, and are measured at the contractual acquisition price.

Payments made before the conditions for recognition are met are recognised in the balance sheet under "Advance payments".

Programmes acquired for a single transmission are fully amortised on transmission.
Where programmes are acquired for two or more transmissions, they are amortised as follows, according to the type of programme:

Type of programme	Dramas with a running time of at least 52 minutes	Cartoons	Other programmes
- 1st transmission	80%	50%	100%
- 2nd transmission	20%	50%	

"Other programmes" in the table above refers to children's programmes (other than cartoons), light entertainment, and factual/documentary programmes.
A provision for impairment is recorded once it becomes probable that a programme with a co-production share will not be transmitted. Probability of transmission is assessed on the basis of the most recent programming schedules approved by management.
Tax depreciation is charged against television programmes not yet transmitted in accordance with the policies described in note 2-10, "Restricted provisions".

Television programmes break down as follows:

- **Programmes available for initial transmission**
  This line records programmes available for initial transmission on the TF1 channel.

- **Programmes available for retransmission**
  Programmes that are still available for repeat broadcasts are recorded on this line.

- **Programmes in progress**
  This line is used to record screenplays and other texts that have not yet gone into production. The amount reported represents the sums actually paid as at the end of the reporting period. The treatment of future contractual payments is described in the section on intangible assets arising from payments made to secure programming schedules for future years.

  This line also includes programmes where shooting has been completed but technical acceptance and/or opening of rights has yet to occur.

2-2-1-2 Other user rights

In addition to broadcasting rights to certain programmes, TF1 SA also invests in producer shares, so that it can secure ownership of related tangible and intangible assets, in particular user rights to programmes.
Payments for producer shares are definitively recognised as intangible assets when (i) technical acceptance has occurred and (ii) the rights period has opened for the broadcasting rights acquired in parallel with the producer shares.
Payments made for producer shares before the conditions for recognition are met are recognised in the balance sheet as intangible assets in progress.

Producer shares are amortised over their expected useful lives.
A provision for impairment is recognised if expected future revenues are lower than the carrying amount of the asset.

Tax depreciation is charged against production shares in accordance with the policies described in note 2-10, "Restricted provisions".

2-2-2. Other intangible assets

Other intangible assets are measured at acquisition cost (or production cost), net of accumulated amortisation and impairment.

Software and licences are amortised on a straight line basis over their estimated useful lives.

2-3. Property, plant and equipment

Property, plant and equipment is carried at acquisition cost net of accumulated depreciation and impairment losses.

Depreciation periods and methods are summarised below:

Technical facilities	Straight line	3 to 7 years
Other property, plant and equipment	Straight line	3 to 10 years

2-4. Non-current financial assets

Equity investments are measured at acquisition cost, comprising the purchase price and transaction costs.

Annual impairment tests are performed on the basis of revenue and profit projections, primarily derived from business plans, using the discounted cash flow (DCF) method. If the value in use of an investment falls significantly below acquisition cost other than on a temporary basis, a provision for impairment is recorded. If necessary, this provision may be supplemented by a provision for impairment of the current account with the subsidiary or affiliate and a provision for liabilities and charges. Tax depreciation is charged against transaction costs relating to acquisitions of equity interests in accordance with the policies described in note 2-10, "Restricted provisions".

2-5. Inventories and work in progress

2-5-1. General principles

In order to secure programming schedules for future years, TF1 SA enters into binding contracts (in addition to production share acquisition contracts) under which it acquires (and the other party agrees to deliver) programme rights and sports transmission rights.

A programme is recognised in inventory once technical acceptance and opening of rights have occurred. Programme inventory is measured at acquisition cost or total production cost (direct costs plus indirect costs attributable to the production, but excluding borrowing costs which are recognised as an expense).

Payments made before the conditions for recognition are met are recognised in the balance sheet under "Advance payments".

Programmes acquired for a single transmission are regarded as having been consumed in full on transmission.

Where programmes are acquired for two or more transmissions, consumption is calculated as follows:

- Programmes not individually valued in the contract:

Type of programme	Dramas with a running time of at least 52 minutes	Films, TV movies, serials, cartoons	Other programmes
- 1st transmission	80%	50%	100%
- 2nd transmission	20%	50%	

- Programmes individually valued in the contract: consumption reflects the contract price.

"Other programmes" in the table above refers to children's programmes (other than cartoons), light entertainment, plays, factual and documentary programmes, news, and dramas with a running time of less than 52 minutes.

A provision for impairment is recognised:

- once it becomes probable that a programme will not be transmitted (probability of transmission is assessed on the basis of the most recent programming schedules approved by management);
- where it is probable that a programme will be resold, and its carrying value in inventory exceeds the actual or estimated selling price.

Rights acquisition contracts not recognised in inventory at the end of the reporting period are priced at the contractual amount (or the estimated future cash outflow in the case of output deal contracts) less any advance payments made in respect of the contract, which are recognised as an asset in the balance sheet in "Advance payments"; these contracts are discussed in the section on inventories.

2-5-2. Broadcasting rights available for initial transmission

Broadcasting rights are recorded on this line once they are opened for initial transmission on the TF1 channel.

2-5-3. Broadcasting rights available for retransmission

Rights relating to possible repeat broadcasts are recorded on this line.

2-6. Advance payments

This line also includes (i) sums paid to acquire rights to broadcast programmes for which technical acceptance and/or opening of rights has yet to occur and (ii) sums paid for co-production shares in programmes where shooting has not been completed at the end of the reporting period. A provision for impairment may be taken against advance payments where necessary.

Payments made to purchase sports transmission rights are recognised in "Advance payments" until the sporting event takes place. If the rights are resold, a provision is recorded once the sale is probable, to cover any excess of the amount of advance payments over the actual or estimated selling price.

2-7. Trade debtors

Trade debtors are recognised at face value.

Doubtful accounts (comprising customers who are subject to bankruptcy proceedings or whose solvency is questionable) are written down via an impairment provision of between 30% and 100%, depending on the age of the debt and the situation of the debtor.

Disputed accounts with non-doubtful customers are written down via an impairment provision, estimated by reference to the age of the debt as follows:

Age of debt	Write-down
1 to 2 years	25%
2 to 3 years	50%
3 to 4 years	75%
4 to 5 years	100%

2-8. Short-term investments and cash

TF1 SA provides centralised treasury management for the Group. Treasury current account debit balances are classified as cash in order to achieve consistency with the classification of treasury current account credit balances, included in "Other borrowings".
Short-term investments are measured at acquisition cost. A provision for impairment is recorded if the recoverable amount falls below acquisition cost.

2-9. Foreign-currency transactions and unrealised foreign exchange gains/losses

Invoices received and issued in foreign currencies are translated into euros at the rate prevailing on the date of initial recognition, and foreign-currency payables/receivables at the end of the financial year are translated using the exchange rate prevailing as of 31 December. Unrealised foreign exchange losses and gains are recorded on the relevant lines on the assets and liabilities sides of the balance sheet.

The company also recognizes unrealised gains and losses arising on currency hedges associated with payables and receivables carried in its own balance sheet or in the balance sheets of subsidiaries to which it has provided guarantees (see Note 5-2-1).

Any unrealised foreign exchange losses arising as a result are covered by a provision included in "Provisions for liabilities and charges".

2-10. Restricted provisions

This item comprises:
- tax depreciation on production shares for television programmes not yet transmitted and other user rights, calculated from the first day of the month following the end of shooting in accordance with the rules defined by the French tax authorities on 3 July 1970. The monthly percentages used are:

- Month 1	20%
- Month 2	15%
- Months 3 to 9	5%
- Months 10 to 24	2%

- tax depreciation of software and licences acquired on or before 31 December 2016 or developed internally, in addition to the accounting depreciation recognised in the balance sheet;
- tax depreciation on transaction costs on acquisitions of equity interests, calculated over 5 years on a straight line basis.

2-11. Provisions for liabilities and charges

Provisions are recorded when there is a legal or constructive obligation to a third party arising from a past event; the obligation will certainly or probably result in an outflow of resources with no corresponding inflow of resources; and the amount of the outflow can be measured reliably. Provisions are reviewed at the end of each reporting period, and adjusted where necessary to reflect the best estimate of the obligation as of that date.
Contingent liabilities are obligations whose existence will be confirmed only by the occurrence of future events or for which the outflow of resources cannot be measured reliably. No provision is recorded for contingent liabilities.

2-11-1. Retirement benefits

The company's employees are entitled to retirement benefits under defined-contribution and defined-benefit plans, which may be partially managed by pension funds.

TF1 SA employees belong to general and top-up French pension schemes. These are defined-contribution plans, under which the company's obligation is limited to the payment of a periodic contribution based on a specified percentage of staff costs. Those contributions are expensed in profit or loss for the period under "Staff costs".

The pension cost recognised for defined-benefit plans is determined using the projected unit credit method at the expected retirement date, based on final salary, and taking account of:

- vested benefit entitlements under collective agreements for each category of employee based on length of service;
- staff turnover rate, calculated using historical average data for employees leaving the company;
- salaries and wages, including a coefficient for employer's social security charges as currently payable;
- an annual salary inflation rate;
- life expectancy of employees, determined using statistical tables;
- a discount rate, applied to the obligation and reviewed annually.

The Group's obligation is partially covered by an insurance contract. The provision for retirement benefits recognised in the balance sheet represents the total obligation less the value of this contract.

Actuarial gains and losses arise on defined-benefit post-employment benefit plans as a result of changes in the actuarial assumptions used to measure the obligation and plan assets from one period to the next, and of differences between actual market conditions and the expected market conditions used in the assumptions. These actuarial gains and losses are recognised in the income statement, as charges to or reversals of provisions for liabilities and charges.

2-11-2. Other provisions for liabilities and charges

These mainly comprise provisions for litigation and claims. The provision is measured as the probable outflow of resources resulting from ongoing litigation or claims arising from an event prior to the end of the reporting period. They include provisions for tax and social security disputes. The amount shown on reassessment notices issued by the authorities is provided for unless the company regards it as highly probable that it will successfully defend its position against the authorities. The undisputed portion of reassessment notices is recognised as a liability as soon as the amount is known.

2-12. Advertising revenue

Sales of advertising airtime are recognised as revenue on transmission of the advertisement or commercial. The revenue recognised is the amount invoiced by advertising sales agencies (primarily TF1 Publicité) to the advertiser for the airtime, less the agency commission.

TF1 makes marginal use of barter transactions involving advertising with media other than television, such as radio or print media. Such transactions are reported on a non-netted basis in "Revenue" and in "External charges".

2-13. Off balance sheet commitments

Image transmission commitments represent fees payable to transmission service operators until the expiry date of their contracts.
Caution money and guarantees paid under commercial contracts are disclosed as off balance sheet commitments.

2-14. Financial instruments

TF1 uses financial instruments to hedge its exposure to fluctuations in interest rates and exchange rates. That exposure arises from transactions carried out by TF1 SA itself, and from foreign exchange guarantees provided to subsidiaries as part of the Group's centralised foreign exchange risk management policy.
Group policy is to trade on the financial markets solely for hedging purposes related to its business activities, and not to trade for speculative purposes.
Gains and losses on financial instruments used for hedging purposes are measured and recognised symmetrically with the recognition of gains and losses on the hedged item.

3 Notes to the balance sheet

3-1. Intangible assets

3-1-1. Audiovisual rights

Audiovisual rights break down as follows:

(€m) Gross value	01/01/2017	Increases	Decreases	Transfers	31/12/2017
Television programmes	10.3	6.4	(9.9)		6.8
Other user rights (1)	56.0	53.3		12.0	121.3
Other user rights in progress (1)	12.0	15.7		(12.0)	15.7
TOTAL	**78.3**	**75.4**	**(9.9)**	**0.0**	**143.8**
Amortisation & impairment	**01/01/2017**	**Increases**	**Decreases**		**31/12/2017**
Television programmes	0.5	5.8	(6.2)		0.1
Other user rights (1)	53.4	77.0	(14.5)		115.9
TOTAL	**53.9**	**82.8**	**(20.7)**	**0.0**	**116.0**
Net value	**24.4**				**27.8**

(1) Since the introduction in 2016 of new regulations on producer shares in French drama, movements relating to such shares are now presented on these lines.

Commitments relating to user rights for future years break down as follows:

(€m)	Less than 1 year	1 to 5 years	More than 5 years	Total 2017	Total 2016
Other user rights	14.2	1.0	0.0	15.2	25.1

Television programmes break down as follows:

(€m)	2017	2016
Programmes in progress	2.0	2.4
Programmes available for initial transmission	2.8	3.4
Programmes available for retransmission	5.5	5.8
VALUE OF PROGRAMMES AT 1 JANUARY	**10.3**	**11.6**
Acquisitions	**6.4**	**6.7**
Consumption on initial transmission	(4.5)	(4.1)
Consumption on retransmission	(1.2)	(0.3)
Total consumption on transmission	**(5.7)**	**(4.4)**
Rights expired	0.0	0.0
Retired or abandoned	(1.5)	(3.3)
Resold (net book value)	(2.7)	(0.3)
Decreases	**(9.9)**	**(8.0)**
VALUE OF PROGRAMMES AT 31 DECEMBER	**6.8**	**10.3**
Programmes in progress	1.9	2.0
Programmes available for initial transmission	2.8	2.8
Programmes available for retransmission	2.1	5.5
TOTAL	**6.8**	**10.3**
PROVISIONS FOR IMPAIRMENT		
1 January	**0.4**	**0.7**
Charges	0.1	0.4
Reversals	(0.4)	(0.7)
31 December	**0.1**	**0.4**

As of 31 December 2017, the risk of non-transmission for co-produced programmes was €4.5 million, of which:

- €0.1 million was covered by provisions for impairment;
- €4.4 million was covered by restricted provisions previously established in accordance with the policy described in note 2.10.

The table below shows the maturity of television programme acquisition contracts entered into by TF1 to secure future programming schedules:

(€m)	Less than 1 year	1 to 5 years	More than 5 years	Total 2017	Total 2016
Television programmes	7.4	19.1	0.1	26.6	30.1

3.1.2. Other intangible assets

Movements in other intangible assets are shown below:

(€m) Gross value	01/01/2017	Increases	Decreases	Transfers	31/12/2017
Software	24.5	0.2		0.9	25.6
Other intangible assets	1.6				1.6
Intangible assets in progress	0.9			(0.9)	0.0
TOTAL	**27.0**	**0.2**	**0.0**	**0.0**	**27.2**
Amortisation & impairment	**01/01/2017**	**Increases**	**Decreases**		**31/12/2017**
Software	13.5	3.2			16.7
Other intangible assets	1.1	0.3			1.4
TOTAL	**14.6**	**3.5**			**18.1**
Net value	**12.4**				**9.1**

3-2. Property, plant and equipment

The table below shows movements in property, plant and equipment during the year:

(€m) Gross value	01/01/2017	Increases	Decreases	Transfers	31/12/2017
Technical facilities	80.3	1.3	(6.0)		75.6
Other property, plant and equipment	93.0	6.5	(0.1)		99.4
Property, plant & equipment under construction	0.0	0.9	(0.0)		0.9
TOTAL	**173.3**	**8.7**	**(6.1)**		**175.9**
Depreciation & impairment	**01/01/2017**	**Increases** *(1)*	**Decreases**		**31/12/2017**
Technical facilities	72.5	2.9	(6.0)		69.4
Other property, plant and equipment	75.6	5.7	(0.1)		81.2
TOTAL	**148.1**	**8.6**	**(6.1)**		**150.6**
Net value	**25.2**				**25.3**

(1) included in "Amortisation and depreciation of other non-current assets" in the income statement

3-3. Non-current financial assets

This item breaks down as follows:

(€m)	Equity investments	Other long-term investment securities	Loans receivable	Other	Total
GROSS VALUE AT 1 JANUARY 2017	**946.9**	**0.0**	**0.0**	**0.2**	**947.1**
Increases					
- TF1 Management: increase in share capital	0.1				0.1
Decreases					
- TF1 Events: intragroup disposal	(0.6)				(0.6)
- Groupe AB: sold	(74.6)				(74.6)
- Teads: sold	(3.5)				(3.5)
Deposits and caution money				(0.1)	(0.1)
GROSS VALUE AT 31 DECEMBER 2017	**868.3**	**0.0**	**0.0**	**0.1**	**868.4**
Provisions for impairment					
1 January 2017	**78.2**	**0.0**	**0.0**	**0.0**	**78.2**
Charges	0.5				0.5
Reversals	(26.6)				(26.6)
31 December 2017	**52.1**				**52.1**
NET VALUE AT 31 DECEMBER 2017	**816.2**	**0.0**	**0.0**	**0.1**	**816.3**

The €0.5 million of impairment losses recognised during the period, and the €26.6 million of impairment losses reversed during the period, relate to 100% owned subsidiaries.

3-4. Inventories and work in progress

This item mainly comprises broadcasting rights yet to be consumed, and breaks down as follows:

(€m)	Acquired rights	In-house production	Total 2017	Total 2016
Broadcasting rights available for initial transmission	127.3	0.0	127.3	138.9
Broadcasting rights available for retransmission	73.9		73.9	98.3
Broadcasting rights in progress	0.0	1.9	1.9	1.9
INVENTORY AT 1 JANUARY	**201.2**	**1.9**	**203.1**	**239.1**
PURCHASES DURING THE YEAR	**504.4**	**132.5**	**636.9**	**734.0**
Consumption on initial transmission	(506.4)	(132.0)	(638.4)	(695.0)
Consumption on retransmission	(27.4)	0.0	(27.4)	(36.8)
Total consumption on transmission	**(533.8)**	**(132.0)**	**(665.8)**	**(731.8)**
Rights expired	(13.5)		(13.5)	(29.1)
Retired or abandoned	(1.3)	(0.1)	(1.4)	(1.2)
Resold	(14.9)		(14.9)	(7.9)
TOTAL CONSUMPTION	**(563.5)**	**(132.1)**	**(695.6)**	**(770.0)**
INVENTORY AT 31 DECEMBER	**142.1**	**2.3**	**144.4**	**203.1**
CHANGE IN INVENTORY	**(59.1)**	**0.4**	**(58.7)**	**(36.0)**
Closing inventory breaks down as follows:				
Broadcasting rights available for initial transmission	88.3	0.0	88.3	127.3
Broadcasting rights available for retransmission	53.8	0.0	53.8	73.9
Broadcasting rights in progress	0.0	2.3	2.3	1.9
TOTAL	**142.1**	**2.3**	**144.4**	**203.1**
PROVISIONS FOR IMPAIRMENT				
1 January	**24.1**	**0.0**	**24.1**	**34.1**
Transfers	0.0		0.0	0.0
Charges	10.8		10.8	11.5
Reversals	(14.1)		(14.1)	(21.5)
31 December	**20.8**	**0.0**	**20.8**	**24.1**

The table below shows the maturity of broadcasting and sports transmission rights acquisition contracts entered into by TF1 to secure future programming schedules:

(€m)	Less than 1 year	1 to 5 years	More than 5 years	Total 2017	Total 2016
Programmes and broadcasting rights (1)	914.6	740.6	35.0	1,690.2	1,619.0
Sports transmission rights (2)	91.3	130.4		221.7	179.9
TOTAL	**1,005.9**	**871**	**35.0**	**1,911.9**	**1,798.9**

(1) Includes contracts entered into by GIE TF1 Acquisitions de Droits on behalf of TF1 SA and shown in that entity's assets or off balance sheet commitments.
(2) Includes contracts entered into by TF1 DS (the company that acquires rights to sporting events broadcast on TF1), and shown in that entity's assets or off balance sheet commitments

The portion of these contracts expressed in foreign currencies is €79.8 million (all in U.S. dollars).

3-5. Advance payments and debtors

3-5-1. Advance payments

This mainly comprises advance payments for programme broadcasting rights and sports transmission rights, amounting to €115.5 million.

3-5-2. Trade debtors

TF1 Publicité acts as agent for TF1 SA, selling advertising airtime in return for commission indexed to actual revenues. The amount owed by TF1 Publicité to TF1 SA was €262.5 million as of 31 December 2017, compared with €228.6 million as of 31 December 2016.

3-5-3. Other debtors

This item mainly comprises VAT recoverable, and balances on current accounts with subsidiaries.

3-5-4. Provisions for impairment of advance payments and debtors

(€m)	01/01/2017	Charges	Reversals	31/12/2017
Advance payments	0.0			0.0
Trade debtors	0.1			0.1
Other debtors	0.3	1.7		2.0
TOTAL	**0.4**	**1.7**	**0.0**	**2.1**

3-5-5. Loans receivable and debtors by due date

(€m)	Less than 1 year	1 to 5 years	More than 5 years	Total
Non-current assets		0.1		0.1
Current assets *(1)*	735.4	0.3		735.7
TOTAL	**735.4**	**0.4**	**0.0**	**735.8**

(1) Includes trade and other debtors, net of impairment provisions

3-6. Short-term investments and cash

This item breaks down as follows:

Gross value *(€m)*	**2017**	**2016**
Short-term investments	**0.0**	**0.0**
Bank deposits (instant access)	4.4	6.7
Treasury current accounts with debit balances (1)	622.4	608.0
Advertising airtime sales	0.2	0.4
Cash	**627.1**	**615.1**
TOTAL	**627.1**	**615.1**
Provisions for impairment of current accounts and short-term investments		
1 January	**12.5**	**33.2**
Charges	0.0	12.5
Reversals	(6.7)	(33.2)
31 December	**5.8**	**12.5**
NET VALUE	**621.3**	**602.6**

As of 31 December 31 2017, €431 million was placed with Bouygues Relais (31 December 2016: €367.5 million), and intragroup current account balances amounted to €191.4 million (31 December 2016: €240.5 million). The impairment reversal of €6.7 million during 2017 relates to the current accounts with the subsidiaries Top Shopping, TFM Distribution and TF1 Vidéo, and the €33.2 million reversal of impairment losses in 2016 relates to the current account with the subsidiary HD1.

3-7. Prepaid expenses

Prepaid expenses amounted to €4.4 million as of 31 December 2017, compared with €2.5 million as of 31 December 2016.

3-8. Shareholders' equity

The share capital is divided into 209,865,742 ordinary shares with a par value of €0.2, all fully paid.

(€m)	**01/01/2017**	**Appropriation of profit (2017 AGM) *(1)***	**Increases**	**Decreases**	**31/12/2017**
Share capital	41.9		0.1		42.0
Share premium	13.6		2.9		16.5
Legal reserve	4.3				4.3
Retained earnings	412.0	72.8			484.8
Other reserves	774.8				774.8
Profits pending appropriation	131.5	(131.5)			0.0
Net profit for the year	0.0	0.0	131.6		131.6
Sub-total	**1,378.1**	**(58.7)**	**134.6**	**0.0**	**1,454.0**
Restricted provisions	19.9		4.4	(7.9)	16.4
TOTAL	**1,398.0**	**(58.7)**	**139.0**	**(7.9)**	**1,470.4**
Number of shares	**209,417,542**		**448,200**		**209,865,742**

(1) Dividends paid from 13 April 2017

Restricted provisions comprise the following items:

(€m)	01/01/2017	Charges	Reversals	31/12/2017
Audiovisual rights	10.8	4.1	(5.6)	9.3
Transaction costs on acquisitions of equity interests	0.3	0.3		0.6
Software and licences	8.8		(2.3)	6.5
TOTAL	**19.9**	**4.4**	**(7.9)**	**16.4**

3-9. Provisions for liabilities and charges

Provisions are established using the methods described in note 2-11. Movements during the year were as follows:

(€m)	01/01/2017	Charges	Reversals (used)	Reversals (unused)	31/12/2017
Provisions for litigation and claims	8.2	2.9	(4.9)	(0.4)	5.8
Provisions for related entities	81.1	63.0	(81.0)		63.1
Provisions for retirement benefit obligations	28.4	3.2	(6.8)		24.8
Provisions for miscellaneous liabilities and charges	5.1		(4.4)	(0.7)	0.0
Provisions for unrealised foreign exchange losses		3.2			3.2
TOTAL	**122.8**	**72.3**	**(97.2)**	**(1.1)**	**96.9**

Provisions for litigation and claims cover risks relating to tax risks, legal risks and employee claims.

Provisions for related entities consist of TF1 SA's share of the losses of subsidiaries, including those established in the form of partnerships, plus provisions for risks relating to subsidiaries.

The €24.8 million provision for retirement benefit obligations represents the present value of the obligation (€29.7 million) minus the fair value of plan assets (€4.9 million). The main assumptions used in calculating the present value of the obligation are:

- discount rate: 1.5035%
- salary inflation rate: 2.00%
- age on retirement: 62 years.

No material contingent liabilities (claims liable to result in an outflow of resources) were identified as of the balance sheet date.

3-10. Liabilities

3-10-1. Bank borrowings

TF1 SA had confirmed credit facilities of €875.0 million with various banks as of 31 December 2017, none of which was drawn down at that date; of that amount, €150.0 million was due to expire within less than one year and €725.0 million after more than one year.

3-10-2. Other borrowings

This item comprises surplus cash invested on behalf of subsidiaries under cash pooling agreements totalling €286.2 million as of 31 December 2017, compared with €308.8 million as of 31 December 2016.

3-10-3. Other liabilities

This item mainly comprises credit notes and accrued discounts in favour of TF1 Publicité amounting to €250.9 million (€207.9 million as of 31 December 2016).

3-10-4. Liabilities by maturity

(€ million)	Less than 1 year	1 to 5 years	More than 5 years	Total
Other borrowings	286.2			286.2
Trade creditors	209.5			209.5
Tax and employee-related liabilities	149.7			149.7
Amounts payable in respect of non-current assets	4.9			4.9
Other liabilities	259.9	0.3		260.2
TOTAL	**910.2**	**0.3**	**0.0**	**910.5**

3-10-5. Accrued income and expenses

(€m)			
Accrued income included in:		**Accrued expenses included in:**	
Trade debtors	4.7	Trade creditors	40.3
Other debtors	46.6	Tax and employee-related liabilities	80.9
		Amounts payable in respect of non-current assets	2.1
		Other liabilities	250.9

3-11. Deferred income

Deferred income (€4.7 million) relates to the subsidiary TF1 Publicité, and represents commitments to provide advertising slots to customers free of charge. The corresponding amount as of 31 December 2016 was €3.2 million.

4 Notes to the income statement

4-1. Revenue

Advertising revenue of €1,150.2 million was recognised in 2017 (including €15.2 million with non-French customers), compared with €1,188.5 million in 2016 (including €15.3 million with non-French customers).

4-2. Cost transfers

This item (€86.4 million in 2017, versus €85.8 million in 2016) mainly comprises reimbursements of costs incurred by TF1 SA on behalf of its subsidiaries.

4-3. Purchases of raw materials and other supplies and changes in inventory

These items relate to broadcasting rights consumed during the period, amounting to €563.5 million (2016: €586.4 million). See Note 3-4.

4-4. Other purchases and external charges

This item includes costs of €42 million relating to sports transmission rights in 2017, compared with €78.5 million in 2016.

It also includes transmission costs of €9.6 million (including occasional provision of circuits), of which €0.9 million were recharged to other entities within the TF1 group. The net amount was therefore €8.8 million in 2017, compared with €13.4 million in 2016.

4-5. Taxes other than income taxes

The main item included on this line is the contribution to the French cinematographic industry support fund (€64 million in 2017, compared with €68.2 million in 2016). It also includes €5 million in respect of the tax on broadcast advertising for 2017 (versus €5.3 million in 2016).

4-6. Wages, salaries and social security charges

For 2017, this item includes an accrued expense of €9.1 million for the voluntary profit-sharing scheme.

4-7. Other expenses

This item includes payments to copyright-holders and holders of related rights, amounting to €49.2 million in 2017 (versus €50.7 million in 2016).

4-8. Net financial income/expense

The components of net financial income/expense are as follows:

(€m)	2017	2016
Dividends and transfers of profits/losses from partnerships	39.0	191.2
Net interest paid or received	1.5	1.5
Provisions for impairment of equity investments (1)	26.1	157.8
Provisions for impairment of current accounts	6.7	20.7
Provisions for risks relating to shares of partnership losses	(66.1)	(80.9)
Foreign exchange differences	5.4	1.5
Net	**12.6**	**291.8**

(1) See Note 3.3

Interest received from related companies in 2017 was €1.5 million, compared with €1.1 million in 2016.

4-9. Exceptional items

Exceptional items break down as follows:

(€m)	2017	2016
Retirements and losses on disposals of production shares	(3.7)	(3.3)
Net change in provisions (including tax depreciation)	7.1	3.8
Gains/(losses) on disposals of non-current financial assets	26.1	(211.7)
Loss on exchange of own shares for shares in TMC	0.0	(2.6)
Various	8.8	(0.1)
Net	**38.3**	**(213.9)**

The net change in provisions during 2017 comprises net reversals of provisions for claims and litigation of €3.6 million, and a net reversal of tax depreciation of €3.5 million. The net change in provisions during 2016 related to reversals of provisions for impairment of treasury shares of €4.4 million; a charge to provisions for claims and litigation of €1.1 million; and a net reversal of tax depreciation of €0.4 million.

The net gain on disposals of non-current financial assets in 2017 (€26.1 million) comprised €26.6 million of gains on disposals of equity holdings, net of €0.5 million for a loss on an intragroup transfer.

The net loss on disposal of non-current financial assets in 2016 (€211.7 million) comprised €9.5 million of gains on disposals of equity holdings, net of €221.2 million of losses on intragroup transfers of equity holdings (Publications Metro France, HD1 and TF1 Thématiques).

4-10. Income taxes

This item breaks down as follows:

(€m)	2017	2016
Income tax expense incurred by the tax group	(53.3)	(1.5)
Income tax credit receivable from companies entitled to tax credits	35.3	28.7
Prior-year income tax expense	0.0	0.6
Reversal of provision for income taxes	0.2	
Tax on dividends	19.7	(5.0)
Income taxes	**1.9**	**22.8**
Profit before tax and profit-sharing	129.7	108.7
Effective tax rate	-1.50%	-21.0%

Exceptional items generated a tax charge of €6.8 million.

TF1 made a group tax election on 1 January 1989. Under the group tax election agreement, the tax liability borne by each company included in the election is the same as it would have borne had there been no group tax election. The group tax election included 30 companies as of 31 December 2017.

The tax group had no tax losses available for carry-forward as of 31 December 2017.

The difference between the standard French tax rate and the effective tax rate, in both 2017 and 2016, is due to deductions relating to income not taxed at the full rate (dividends, long-term capital gains) and adjustments related to the tax group (tax savings arising from the losses of tax group member companies, and eliminations/reinstatements of intragroup transactions). In 2017, a net gain of €19.7 million relating to the levy on dividends was also recognised in "Income taxes", compared with an expense of €5.0 million in 2016.

The total amount of tax losses of subsidiaries that generated savings for the tax group in 2017 and may generate a tax liability in the future is €12.2 million.

4-11. Deferred tax position

The table below shows future tax effects that have not yet been recognised by TF1 SA but will be recognised when the underlying transactions are recognised in the income statement, calculated using a tax rate of 34.43%.

(€m)	Future increases in tax liability	Future reductions in tax liability
Restricted provisions	5.4	-
Accrued employee profit-sharing, holiday pay entitlement and social solidarity contributions, unrealised foreign exchange gains and losses, and other non-deductible expenses	-	5.5

4-12. Utilisation of competitiveness and employment tax credit

For the year ended 31 December 2017, TF1 SA recognised a competitiveness and employment tax credit (*crédit d'impôt compétitivité et emploi* – CICE) of €0.7 million, as a deduction from staff costs. A further tax gain of €0.3 million relating to the CICE of LCI (a tax-transparent entity) was also recognised.

The CICE enabled various expenditures to be incurred in 2017 that helped improve competitiveness. In particular, the company invested €8.7 million in property, plant and equipment, mainly technical video equipment.

5 Other information

5-1. Off balance sheet commitments

The tables below show off balance sheet commitments by type and maturity:

(€m)

Commitments given	Less than 1 year	1 to 5 years	More than 5 years	Total 2017	Total 2016
Operating leases	25.7	40.1	9.6	75.4	93.5
Image transmission contracts	5.9	13.1	0.1	19.1	23.4
Guarantees (1)	2.8		11.2	14.0	15.7
Commitments relating to equity interests (2)	365.0	104.0		469.0	118.0
Other commitments (3)	6.8			6.8	0.0
TOTAL	**406.2**	**157.2**	**20.9**	**584.3**	**250.6**

(€m)

Commitments received	Less than 1 year	1 to 5 years	More than 5 years	Total 2017	Total 2016
Operating leases	25.7	40.1	9.6	75.4	93.5
Image transmission contracts	5.9	13.1	0.1	19.1	23.4
Commitments relating to equity interests (2)	365.0	104.0		469.0	118.0
Other commitments (3)	0.0			0.0	4.9
TOTAL	**396.6**	**157.2**	**9.7**	**563.5**	**239.8**

(1) This item relates to guarantees provided by TF1 SA against default by its subsidiaries.
(2) This item comprises firm or optional commitments to deliver or receive securities.
(3) Other commitments given and received mainly comprise the fair value of currency instruments (see Note 5-2-1).

Other reciprocal commitments relating to the operating cycle are reported in the notes relating to the relevant balance sheet item (in particular, commitments to secure future programming schedules) and to the financing of those items (see note 3-10-1).

TF1 SA had not contracted any complex commitments as of 31 December 2017.

5-2. Use of hedging instruments

5-2-1. Hedging of foreign exchange risk

TF1 is exposed to fluctuations in exchange rates as a result of:

- making and receiving commercial payments in foreign currencies;
- providing subsidiaries with a guaranteed annual exchange rate per currency, applied to annual projections of their foreign-currency cash needs or surpluses.

At the end of each reporting period, TF1 recognises:

- the foreign exchange loss or gain arising from the application of the foreign exchange guarantees described above;
- unrealised foreign exchange gains and losses arising on payables and receivables carried in its own balance sheet or in the balance sheets of subsidiaries to which it has provided guarantees.

Periodically, TF1 updates its consolidated net exposure and reassesses its foreign exchange risk. The strategy applied is to lock in or guarantee a maximum exchange rate on its net long position and a minimum exchange rate on its net short position in each of the currencies used, over a rolling 12-to-18-month period depending on market opportunities.

TF1 buys and sells currency forward and contracts swaps to protect itself against exchange rate fluctuations.

As of 31 December 2017, the equivalent value of such hedging instruments contracted with banks was €91.5 million:

- €77.8 million of forward purchases (all in U.S. dollars, valued at the closing exchange rate);
- €13.7 million of currency swaps (all in U.S. dollars).

5-3. Employees

The average headcount of TF1 SA is as follows:

	2017	2016
Clerical and administrative	70	74
Supervisory	261	296
Managerial	957	983
Journalists	235	242
Interns	35	31
Intermittent employees	65	87
TOTAL	**1,624**	**1,713**

5-4. Executive remuneration

Total remuneration paid during 2017 to key executives of the TF1 Group (i.e. the ten members of the TF1 Management Committee mentioned in the Annual Report) was €7.5 million.
The portion of the total obligation in respect of retirement and other post-employment benefits relating to those key executives was €0.2 million.
The Bouygues group offers the members of its Executive Committee, who include Gilles Pélisson, a supplementary pension capped at 0.92% of the reference salary for each year's membership of the scheme, which represents a post-employment benefit. An expense of €0.4 million (invoiced to TF1 by Bouygues) was booked in 2017 for the contribution paid in the year to the investment fund of the insurance company which manages the scheme.
Apart from loans of shares made to key executives who are also members of the Board of Directors in connection with their duties, no material loans or guarantees were extended to key executives or members of the Board of Directors.

5-5. Stock options and performance share plans

Disclosures about stock options and performance shares awarded to employees is provided in the "Report on stock options and performance shares for 2017" in the Registration Document.

5-6. Directors fees

The amount of directors' fees paid in 2017 was €0.3 million.

5-7. Auditors' fees

The amount of fees paid by TF1 SA to its auditors for the 2017 financial year was €0.4 million. The amount paid for other audit services and for services other than statutory audit for 2017 was €0.1 million (CSR report, and assurance and advisory work in connection with corporate actions during the period).

5-8. Consolidation

TF1 SA is consolidated in the financial statements of the Bouygues group, using the full consolidation method.

5-9. List of subsidiaries, affiliates and other equity investments

Company/Group	Currency	Share capital	Equity other than share capital and profit/loss	Share of capital held	Gross book value of investment (1)	Net book value of investment (1)	Outstanding loans and advances	Guarantees provided (2)	Revenues for most recent financial year	Profit/(loss) for most recent financial year	Dividends received during the year
		In thousands of euros (or other currency as specified)			*In thousands of euros*						
I. Subsidiaries (at least 50% of the capital held by TF1 SA)											
- TF1 PUBLICITE		2,400	6,116	100.00%	3,038	3,038	44,469	-	1,618,129	14,834	10,500
- TF1 FILMS PRODUCTION		2,550	34,368	100.00%	1,768	1,768	52,080	-	41,038	(736)	
- TÉLÉSHOPPING		5,127	4,384	100.00%	5,130	5,130	-	-	67,851	(1,753)	1,026
- TF1 ENTERTAINMENT		3,000	921	100.00%	3,049	3,049	-	-	37,593	8,510	4,000
- E-TF1		1,000	293	100.00%	1,000	1,000	-	-	111,023	23,289	10,850
- TF1 VIDEO		3,000	(5,127)	100.00%	8,100	0	5,807	-	47,988	(3,074)	-
- TF1 EXPANSION		269	195,047	100.00%	291,291	291,291	-	-	0	(66)	7,051
- TF1 DROITS AUDIOVISUELS		15,000	1,523	100.00%	138,431	128,859	-	-	64,228	5,556	4,950
- LA CHAINE INFO		4,500	1,383	100.00%	2,059	0	23,344	-	22,829	(34,035)	-
- OUEST INFO		40	185	100.00%	2,617	17	-	-	1,636	(369)	-
- TF1 PRODUCTION		10,080	5,345	100.00%	39,052	22,097	-	-	73,174	3,290	-
- TF1 MANAGEMENT		40	(1)	100.00%	80	40	-	-	0	(9)	-
- PREFAS 20		40	(14)	100.00%	40	40	-	-	0	(4)	-
- PREFAS 23		40	0	100.00%	40	40	-	-	0	(4)	-
- PREFAS 24		40	0	100.00%	40	40	-	-	0	(4)	-
- PREFAS 25		40	0	100.00%	40	40	-	-	0	(7)	-
- TF1 DISTRIBUTION		40	226	100.00%	40	40	1,721	-	49,735	(600)	-
- TF1 DS		100	0	100.00%	100	100	-	-	46,244	(71)	-
- NEWEN STUDIOS		27,822	(3,377)	70.00%	145,565	145,565	-	-	1,963	(176)	-
- MONTE CARLO PARTICIPATION		33,700	5,519	100.00%	213,827	213,827	130,000	-	209	44,256	-
- GIE ACQUISITION DE DROITS		0	0	93.00%	0	0	248,019	-	259,207	(30,377)	-

Company/Group	Currency	Share capital	Equity other than share capital and profit/loss	Share of capital held	Gross book value of investment (1)	Net book value of investment (1)	Outstanding loans and advances	Guarantees provided (2)	Revenues for most recent financial year	Profit/(loss) for most recent financial year	Dividends received during the year
		In thousands of euros (or other currency as specified)			*In thousands of euros*						
II Affiliates (10% to 50% of the capital held by TF1 SA)											
- MEDIAMETRIE (*)		14,880	18,532	10.80%	44	44	-	-	88,529	3,649	100
- A1 INTERNATIONAL (**)		20	5,015	50.00%	12,809	0	-	-	0	(3,779)	-
- SMR6		75	(26)	20.00%	15	15	5	-	114	37	-
Company/Group	**Currency**	**Share capital**	**Equity other than share capital and profit/loss**	**Share of capital held**	**Gross book value of investment (1)**	**Net book value of investment (1)**	**Outstanding loans and advances**	**Guarantees provided (2)**	**Revenues for most recent financial year**	**Profit/(loss) for most recent financial year**	**Dividends received during the year**
		In thousands of euros (or other currency as specified)			*In thousands of euros*						
III. Other equity investments (less than 10% of the capital held by TF1 SA)											
- MEDIAMETRIE EXPANSION (*)		843	86	5.00%	91	0	-	-	0	(43)	-
- SERIE CLUB		50	1,692	0.004%	2	2	-	-	13,111	2,189	-
- APHELIE		2	79,692	0.05%	0	0	5,822	-	17,076	15,023	-
- DUJARDIN		463	4,949	0.01%	0	0	45	-	23,127	2,257	-
TOTAL SUBSIDIARIES, AFFILIATES & EQUITY INVESTMENTS					**868,268**	**816,042**	**511,312**	**0**	**-**	**-**	**38,477**

(1) Includes transaction costs where relevant.

(2) “Guarantees provided” represent guarantees given by TF1 SA to cover possible default by a subsidiary and disclosed in off balance sheet commitments.

(*) “Share capital”, “Equity other than share capital and profit/loss”, revenues, and profit/loss all relate to the 2016 financial year.

(**) “Share capital”, “Equity other than share capital and profit/loss”, revenues, and profit/loss all relate to the 2009 financial year.

6- Events after the reporting period

Further to the binding offer made by the TF1 group to the Axel Springer group on 12 December 2017, the two groups signed an agreement for the acquisition by the TF1 group of the Axel Springer group's majority equity interest of approximately 78% in the aufeminin group at a price of €38.74 per share (subject to customary adjustments at the completion date).

Completion of this deal is subject to clearance from the regulatory authorities in France and Austria.

Once this acquisition has been completed, the TF1 group will file a mandatory simplified tender offer for the remaining shares at the same price.