



LE GROUPE

Financial Report
2016

Financial Report - 2016

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1. 2016 Financial Information

1.1. Consolidated results

Financial indicators

These key figures are extracted from TF1 group consolidated financial data.

(€ million)	2016	2015
Revenue	2,062.7	2,004.3
Group advertising revenue	1,530.1	1,554.2
Revenue from other activities	532.6	450.1
Current operating profit/(loss)	129.4	158.0*
Operating profit/(loss)	45.7	141.2*
Net profit/(loss) attributable to the Group from continuing operations	41.7	99.9
Operating cash flow before cost of net debt and income taxes	267.5	164.0
Basic earnings per share from continuing operations (€)	0.20	0.47
Diluted earnings per share from continuing operations (€)	0.20	0.47
Shareholders' equity attributable to the Group	1,493.4	1,741.7
Net surplus cash of continuing operations	186.7	700.8

* Includes the €33.7 million gain arising on the deconsolidation of Eurosport France.

	2016	2015
Weighted average number of ordinary shares outstanding (in '000)	209,444	210,786
Closing share price at end of year (€)	9.45	10.25
Market capitalisation at end of year (€bn)	1.98	2.16

Full-year revenue and current operating profit

The results shown below are presented using the new segmental reporting structure adopted by the TF1 group. Definitions of the segments, and historical revenue and operating profit data, are available on our corporate website: www.groupe-tf1.fr/en.

Contribution to revenue

(€ million)	2016	2015
Broadcasting	1,669.9	1,736.1
- Free platforms	1,517.1	1,569.0
Studios & Entertainment	392.8	268.2
REVENUE	2,062.7	2,004.3

Contribution to current operating profit

(€ million)	2016	2015
Broadcasting	87.5	134.6
- Free platforms	45.2	71.1
Studios & Entertainment	41.9	23.4
CURRENT OPERATING PROFIT	129.4	158.0

Analysis of cost of programmes on free platforms

(€ million)	2016	2015
Total cost of programmes	1,006.6	956.2
<i>Major sporting events</i>	<i>46.1</i>	<i>26.8</i>
Total excluding major sporting events	960.5	929.4
Variety/Game shows/Magazines	269.5	285.5
Drama*/TV movies/Series/Plays	312.1	316.7
Sport (excluding major sporting events)	49.0	45.0
News	140.7	107.3
Films	174.1	159.9
Children's programmes	15.1	15.0

* Excludes €25.4 million of non-current expenses relating to the co-existence of two different accounting treatments for French drama depending on whether it was produced before or after the decree of 27 April 2015 that allows broadcasters to own co-production shares in respect of their investments in independent productions.

The cost of programmes on free platforms includes the cost of LCI programmes with effect from that channel's switchover to freeview in April 2016.

Cost of programmes – analysis by type from the income statement

(€ million)	2016	2015
Purchases consumed and changes in inventory	(819.9)	(873.3)
Staff costs	(78.3)	(68.3)
External expenses	(21.7)	(20.8)
Depreciation, amortisation, impairment and provisions, net	(90.0)	(0.4)
Other IFRS income statement line items	3.3	6.6
Amount recognised in current operating profit	(1,006.6)	(956.2)

Quarterly revenue and current operating profit/(loss)

€m	Q1 2016	Q1 2015	Q2 2016	Q2 2015	Q3 2016	Q3 2015	Q4 2016	Q4 2015
Broadcasting	389.4	418.0	448.7	445.2	323.3	355.8	508.5	517.1
- Free platforms	353.5	366.3	408.7	414.1	290.2	311.5	464.7	477.1
- TV advertising on free platforms	341.3	343.6	394.9	389.7	279.7	292.2	439.4	444.4
Studios & Entertainment	92.5	57.1	94.6	60.4	78.2	63.5	127.5	87.2
Revenue	481.9	475.1	543.3	505.6	401.5	419.3	636.0	604.3
Broadcasting	4.9	22.6 *	33.1	65.2	(16.5)	1.5	66.0	45.3
- Free platforms	(3.5)	(18.6)	21.6	57.2	(25.6)	(5.1)	52.7	37.6
- cost of programmes (incl. major sporting events)	(232.4) **	(243.5)	(265.4) **	(216.7)	(218.7) **	(212.9)	(290.1) **	(283.1)
Studios & Entertainment	9.9	5.5	9.6	4.0	5.6	8.0	16.8	5.9
Current operating profit/(loss)	14.8	28.1	42.7	69.2	(10.9)	9.5	82.8	51.2

* Includes the €33.7 million gain arising on the deconsolidation of Eurosport France.

** Excludes €25.4 million of non-current expenses (€15.3 million in Q1, €4.4 million in Q2, €1.2 million in Q3 and €4.5 million in Q4) relating to the co-existence of two different accounting treatments for French drama depending on whether it was produced before or after the decree of 27 April 2015 that allows broadcasters to own co-production shares in respect of their investments in independent productions.

1.2. Significant events of 2016

January

14 January 2016

The TF1 group acquired from FIFA a package of media rights for the next four major world football competitions.

The Group will offer exclusive, free-to-air broadcasts on TF1 of the top 28 matches from the 2018 FIFA World Cup™ in Russia and the 2022 FIFA World Cup™ in Qatar.

The TF1 group also acquired full rights to the 2019 FIFA Women's World Cup™ in France and the 2017 FIFA Confederations Cup in Russia.

15 January 2016

For the second year running, the Group's head office hosted the #TCDF 2015 awards, organised jointly by TF1 and Labcom to recognise initiatives taken by women active in various areas of the digital industry.

26 January 2016

Having obtained the necessary clearances from the regulatory authorities, FLCP (the holding company of the Newen group) and TF1 completed the acquisition by TF1 of a 70% equity interest in FLCP. At the same time, FLCP was renamed Newen Studios, bringing together Newen and Neweb. The existing shareholders, including the management team, retain a 30% interest.

February

For the third consecutive year the Group's Purchasing Department retained its "Responsible Supplier Relations" accreditation, until January 2017.

Awarded by the French mediation agency *Médiation Nationale Interentreprises* and the French national federation of managers and buyers (CDAF), this accreditation reflects TF1's overall supplier relations policy and attests to the commitments made by the Group's purchasing managers in areas such as financial fair dealing, ethical standards, and the promotion of balanced long-term relationships with suppliers.

17 February 2016

Gilles Pélisson was appointed Chairman and Chief Executive Officer, to take office on 19 February 2016. Prior to that date, Gilles Pélisson had been preparing for his new role, with support from Nonce Paolini.

A 58-year-old graduate of ESSEC and Harvard business schools, Gilles Pélisson has run Eurodisney and Accor, which are major listed companies providing services to consumers. He has also run Noos and Bouygues Telecom, both of which operate in a regulated sector undergoing significant technological changes. Gilles Pélisson has extensive international experience and a track record of good staff relations. He knows TF1 well, having served on its Board of Directors since 2009.

24 February 2016

The Newen Studios group acquired 100% of the equity capital of Rendez Vous Production Série. This subsidiary is also fully consolidated in the TF1 group consolidated financial statements with effect from 1 January 2016.

March

The TF1 group's licensing agent was selected by IMPS to represent the iconic *Schtroumpfs* (Smurfs) brand in France.

22 March 2016

e-TF1 announced that it had taken a 51% majority equity interest in the digital marketing company Bonzai Digital.

April

The TF1 group announced a three-year deal, in partnership with France Galop and LeTROT, to broadcast a daily horse-racing show on LCI. The deal includes the prestigious Qatar Prix de l'Arc de Triomphe and Prix d'Amérique Opodo races.

5 April 2016

The LCI news channel switched to freeview on DTT channel 26.

May

12 May 2016

The first two episodes of the brand new drama series *Marseille*, produced by Netflix, were shown on TF1.

24 May 2016

The TF1 group signed a new partnership deal with the professional bodies representing French programme producers and distributors (SATEV, SEDPA, SPECT, SPFA, SPI and USPA), designed to promote creativity in the French audiovisual industry. For the first time ever, the TF1 group and all the trade bodies representing producers and distributors reached agreement on the following points:

- The TF1 group renewed its commitment to devote 12.5% of its net broadcasting advertising revenue over the next four years to original drama, documentaries, cartoons, live shows and music videos.
- The proportion of the TF1 group's total spend invested in content from "dependent" producers was raised to 36%, split into two tranches:
 - a tranche capped at 26% reserved for subsidiaries of the TF1 group;
 - a further 10% tranche, representing "room for manoeuvre" enabling TF1 to obtain – on terms specified in the agreement – broader rights (linear and non-linear) from production companies in which the TF1 group does not own an equity interest.
- The proportion of the TF1 group's total spend invested in content from "independent" producers is 64%.
- In addition, the TF1 group will be entitled – subject to certain conditions – to more favourable access to co-production shares and revenue rights over and above those stipulated in the 2015 agreements.
- The TF1 group's support for creativity is also demonstrated by the guarantee that 75% of its spend will be invested in original productions, and by the commitment to bear a greater share of writing and development costs.

24 May 2016

The France Télévisions and TF1 groups signed an industry-wide agreement with the professional bodies representing French producers and distributors of audiovisual programmes (SATEV, SEDPA, SPECT, SPFA, SPI and USPA). The

agreement relates to the negotiation of distribution mandates for audiovisual works co-produced by broadcasters that count towards their obligations to invest in independent production, as required by Article 6 of Decree no. 2015-483 of 27 April 2015.

- If an executive producer has no distribution capability or master distribution contract, or decides to opt out of distribution in a specific case, the new agreement specifies a "fair, transparent and non-discriminatory" competitive tendering mechanism for the awarding of distribution mandates to the broadcasters' distribution subsidiaries or to independent producers.
- The agreement lays down the basis on which an executive producer may opt out of using its in-house distribution capacity or a distributor with whom it has a master distribution contract, and the control exercised by the CSA (the French broadcasting industry regulator) over the terms of such an opt-out.
- The agreement establishes effective terms for the exercise of distribution mandates applicable to all distributors of audiovisual content, so as to guarantee the circulation of programmes.

June

9 June 2016

TF1 became a partner of Viva Technology, organiser of France's first world-scale event dedicated to innovation and the economy of tomorrow.

9 June 2016

TF1 became the 100% owner of the capital of TMC, France's benchmark free-to-air DTT channel, following the buyout of the 20% equity interest in TMC held by the Principality of Monaco. The transaction was carried out via a share exchange, enabling the Principality of Monaco – as a shareholder of TF1, with a 1.1% stake – to retain an interest in the success of TMC and of the TF1 group.

July

26 July 2016

Ahead of the launch of the new digital news platform under the LCI brand, the TF1 group selected the text-to-video solution offered by Wibbitz.

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29 July 2016

In connection with the acquisition of ITAS by TDF, TF1 and TDF signed an agreement definitively unwinding the sale of OneCast to ITAS by TF1 that took place at the end of 2014.

September

22 September 2016

The TF1 group acknowledged the order issued by the CSA to LCI requiring it to discontinue so-called “cross-promotion” of the LCI channel on the TF1 core channel, and is complying with that decision.

Nevertheless, the TF1 group is keen to open dialogue with the CSA on changes in the landscape of French rolling news channels arising from the arrival of France Info, and the consequences for the undertakings made by the TF1 group.

October

5 October 2016

At the 7th annual awards in early October 2016, the TF1 group was awarded the overall *Grand Prix de la Transparence* for the third consecutive year. This prize is awarded to the best performer across all categories, and recognises excellence in published financial information.

26 October 2016

Gilles Pélisson, Chairman and Chief Executive Officer of the TF1 group, was appointed as Chairman of the ACP (the French private-sector broadcasters’ association), for a two-year term.

November

8 November 2016

Eight start-ups, selected to develop interesting solutions with business potential in the fields where the TF1 group operates, have received support over a 12-month period, with more than 50 TF1 employees helping them build fruitful synergies in fields of interest to the Group. Over the period of the programme, TF1 piloted no fewer than 13 experiments with the selected start-ups. Of these, seven developed into partnerships, including three in eSport, data, and News 2.0.

15 November 2016

The TF1 group was a multiple winner at the 5th Social Media Awards with three prizes and a special mention, vindicating its four-screen strategy and rewarding its use of innovative digital solutions to build a special relationship with the public.

30 November 2016

TF1, NBCUniversal International Studios and Mediengruppe RTL Deutschland began production on *Gone*, a new crime series that TF1 will distribute and broadcast in France.

December

1 December 2016

The TF1 group announced the acquisition of a majority interest in the capital of MinuteBuzz, French millennials’ favourite social platform with 9 million subscribers and 2 billion video views since the start of the year.

5 December 2016

The TF1 group organised “Women experts to the Fore”, an event aimed at increasing the proportion of female experts appearing on TV news bulletins..

31 December 2016

TF1 achieved 90 of the top 100 audience ratings in 2016.

1.3. Analysis of consolidated results

New segments

The results shown below are presented using the new segmental reporting structure adopted by the TF1 group. For definitions of those segments, see the notes to the consolidated financial statements. Historical revenue and operating profit data are available on our corporate website: www.groupe-tf1.fr/en. For details of how consolidated entities are allocated between the operating segments, refer to our corporate website or to Note 9 (“Detailed list of companies included in the consolidation”) to the consolidated financial statements.

Revenue

Consolidated revenue for the year ended 31 December 2016 was €2,062.7 million, a year-on-year rise of €58.4 million.

This mainly reflects two contrasting factors:

- the consolidation of the Newen Studios group with effect from 1 January 2016;
- the effect of the deconsolidation from 31 March 2015 of Eurosport France (which contributed €17.8 million of revenue in the first quarter of 2015) and the resale of sports rights (€13 million for the Rugby World Cup in the third quarter of 2015).

Advertising revenue

Group advertising revenue eased by 1.6% (or €24.1 million) to €1,530.1 million. It comprised:

- €1,455.3 million of advertising revenue from the five free-to-air channels, down 1.0% year-on-year in the absence of any marked recovery in the TV advertising market. With effect from 1 January 2016 this figure includes revenue from the LCI channel.
- €74.8 million of revenue generated by advertising on other Group media, €9.5 million less than in 2015. This fall reflects a reduction in advertising revenue from *Metronews*, the print edition of which was discontinued in July 2015, and the non-renewal of airtime sales contracts for beIN SPORTS and the Discovery group.

Revenue from other activities

Revenue from the Group's other activities for 2016 reached €532.6 million, up €82.5 million (+18.3%), mainly as a result of:

- the deconsolidation on 31 March 2015 of Eurosport France, which had been included in the first quarter of 2015;
- the consolidation of the Newen Studios group with effect from 1 January 2016;
- the resale of broadcasting rights to the Rugby World Cup in the third quarter of 2015.

Cost of programmes and other current operating income/expenses

Cost of programmes

Following publication of the decree of 27 April 2015 allowing broadcasters to own co-production shares in respect of their investments in independent productions, shares in co-productions financed subsequent to the decree are now acquired and recognised prior to broadcast, at the time of delivery of the production to the channel. The co-existence of two different accounting treatments for productions depending on whether they were financed before or after the decree has resulted in the recognition of an additional expense. Because the co-existence of these two accounting treatments arises for only a limited time, the expense is treated as non-current. The amount of this expense for 2016 was €25.4 million.

The cost of programmes for the Group's five free-to-air channels (including LCI from 5 April 2016, and excluding major sporting events and non-current items) was €960.5 million in 2016, versus €929.4 million for four free-to-air channels a year previously. The cost of screening all the Euro 2016 matches carried on the Group's channels was €46.1 million (or €36.9 million, net of the cost of replacement programmes).

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Other expenses and impairment, provisions, depreciation and amortisation

These items increased by €36.6 million year-on-year in 2016. This was mainly due to the net effect of changes in structure, including the first-time consolidation of Newen Studios but also a fall in expenses due to a reduction in the cost base at Metronews following discontinuation of the print edition and the deconsolidation of Eurosport France.

Current operating profit/(loss)

Full-year current operating profit reached €129.4 million in 2016; this compares with €158.0 million a year earlier, which included the €33.7 million gain on the deconsolidation of Eurosport France.

Current operating margin was 6.3%, down 1.6 points year-on-year.

During Q4, TF1 group achieved €6 million of recurring savings excluding cost of programmes.

Operating profit/loss

The Group made an operating profit of €45.7 million. This includes €83.7 million of non-current expenses, as a result of:

- the negative impact on the cost of programmes of the 27 April 2015 decree on co-production shares, which applies to productions of French drama (€25.4 million);
- non-current expenses associated with the TF1 group transformation plan (€25.3 million);
- amortisation charged against intangible assets identified in the Newen Studios purchase price allocation (€24.8 million);
- the first-quarter operating loss of the LCI channel, which switched to freeview on 5 April 2016 (€8.2 million).

Net profit/(loss)

Cost of net debt was €1.2 million in 2016, following the first-time consolidation of Newen Studios.

Income tax expense for the year was €5.9 million, compared with €42.3 million for the previous year, due to higher tax losses year-on-year.

Joint ventures and associates contributed a net profit of €9.9 million in 2016, a year-on-year improvement of €3.4 million, mainly reflecting stronger results at Groupe AB.

Overall, the net loss attributable to the Group from continuing operations came to €41.7 million, down €58.2 million year-on-year.

Net profit attributable to non-controlling interests amounted to €2.3 million in 2016. This includes the share of profits attributable to (i) the minority shareholders of TMC prior to the buyout of the remaining 20% in June 2016 and (ii) the other shareholders of Newen Studios and its subsidiaries.

Financial position

Shareholders' equity attributable to the Group stood at €1,493.4 million as of 31 December 2016, out of a balance sheet total of €3,215.7 million.

The gross cash position as of 31 December 2016 was €419.3 million, versus €700.8 million a year earlier (a reduction of €281.5 million), after the dividend payout of €167.3 million, the cash outflow on the acquisition of 70% of Newen Studios, and share buybacks of €21.4 million.

The net cash position as of 31 December 2016 was €186.7 million, after taking account of the net debt carried by Newen Studios group and commitments to buy out non-controlling interests.

As of 31 December 2016, the Group had confirmed bilateral credit facilities totalling €985 million with various banks.

Drawdowns under those facilities at that date amounted to €90.7 million, all of which related to the Newen facility. Credit facilities are renewed regularly as each facility reaches its contractual expiry date so that the Group always has sufficient liquidity.

Shareholder returns

To reward investors, the Board of Directors will ask the Annual General Meeting, scheduled for 13 April 2017, to approve a **dividend of €0.28 per share**.

The ex-date will be 28 April, the date of record will be 2 May, and the payment date will be 3 May 2017.

Share ownership

	31 December 2016		
	Number of shares	% of share capital	% of voting rights
Bouygues	91,946,297	43.9%	43.9%
TF1 employees	15,202,469	7.3%	7.3%
via the FCPE TF1 fund (3)	15,043,947	7.2%	7.2%
as registered shareholders	158,522	0.1%	0.1%
Free float	102,268,776	48.8%	48.8%
free float – rest of world (2)	60,290,960	28.8%	28.8%
free float – France (1) (2)	41,977,816	20.0%	20.0%
Treasury shares	0	0.0%	0.0%
Total	209,417,542	100.0%	100.0%

	31 December 2015		
	Number of shares	% of share capital	% of voting rights
Bouygues	91,946,297	43.7%	44.0%
TF1 employees	13,664,440	6.5%	6.5%
via the FCPE TF1 fund (3)	13,490,890	6.4%	6.5%
as registered shareholders	173,550	0.1%	0.1%
Free float	103,423,248	49.1%	49.5%
free float – rest of world (2)	61,922,457	29.4%	29.6%
free float – France (1) (2)	41,500,791	19.7%	19.9%
Treasury shares	1,487,582	0.7%	0.0%
Total	210,521,567	100.0%	100.0%

	31 December 2014		
	Number of shares	% of share capital	% of voting rights
Bouygues	91,946,297	43.5%	43.5%
TF1 employees	14,559,298	6.9%	6.9%
via the FCPE TF1 fund (3)	14,386,411	6.8%	6.8%
as registered shareholders	172,887	0.1%	0.1%
Free float	105,023,169	49.6%	49.6%
free float – rest of world (2)	73,704,536	34.8%	34.8%
free float – France (1) (2)	31,318,633	14.8%	14.8%
Treasury shares	0	0.0%	0.0%
Total	211,528,764	100.0%	100.0%

(1) Includes unidentified holders of bearer shares.

(2) Estimates based on Euroclear statements.

(3) Employee shareholders subscribing to the company savings scheme.

Significant events after the reporting period

European Digital Alliance between TF1, Prosiebensat.1 and Mediaset

On 12 January 2017 the TF1 group announced that it had taken a 6.1% equity stake in Studio71, the no.4 MCN* worldwide with over 6 billion video views per month and 1,100 channels. Studio71 – which has an international footprint, with a presence in Germany, the USA and the UK – is a subsidiary of ProsiebenSat.1, a major media group in Germany.

This partnership forms part of a pan-European alliance, with ProsiebenSat.1 simultaneously

entering into a similar arrangement with Mediaset, the leading private-sector media group in Italy.

For the launch of Studio71 in France the TF1 group will use Finder Studios, of which it is a shareholder alongside Makeover. Studio71 is to become a strategic shareholder of Studio71 France in order to accelerate its development.

Digital video content sourced from the alliance will be commercialised in francophone territories by TF1 Publicité, the TF1 group's advertising airtime sales house.

The transaction is subject to clearance from the German and Austrian competition authorities.

TF1 group takes a majority equity interest in MinuteBuzz

On 23 January 2017 the TF1 group and the shareholders of MinuteBuzz finalised a deal that will see TF1 take a majority equity interest in MinuteBuzz.

Divestment of the equity interest in AB Group

On 30 January 2017, TF1 confirmed that it had accepted – subject to conditions – an offer from Mediawan SA to buy the TF1 group's 33.5% equity interest** in AB Group.

* A Multi-Channel Network (MCN) is a content/influencer aggregator that specialises in managing, promoting and monetising video content and digital creatives on major platforms like YouTube.

** The 33.5% equity interest in AB Group is accounted for as an associate by the equity method in the consolidated financial statements of the TF1 group.

1.4. Segment information

Broadcasting

Revenue (€m)	2016	2015	Chg. %
Free platforms	1,517.1	1,569.0	-3.3%
- TV advertising on free platforms	1,455.3	1,469.9	-1.0%
- other revenue	61.8	99.1	-37.6%
Other platforms and related activities	152.8	167.1	-8.6%
Broadcasting	1,669.9	1,736.1	-3.8%

Broadcasting segment revenue was €1,669.9 million in 2016, down €66.2 million or 3.8%. The 2015 figure included €17.8 million of revenue generated by Eurosport France, 100% of which was sold to Eurosport SAS on 31 March 2015.

Current operating profit for the segment was €87.5 million, down €47.1 million year-on-year. After stripping out the effects of changes in structure and the deconsolidation of Eurosport France, current operating profit was €13.4 million lower year-on-year, due mainly to trends in the cost of programmes for the free-to-air channels in 2016.

Free platforms

The Group's free platforms generated revenue of €1,517.1 million in 2016, down 3.3% year-on-year, and comprising:

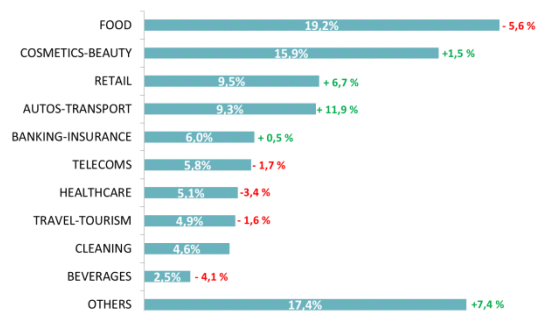
- TV advertising revenue of €1,455.3 million, down 1.0% year-on-year. The figure for 2016 includes advertising revenue generated by the LCI channel;
- revenue from other activities of €61.8 million, down €37.3 million year-on-year.

Advertising revenue¹

Over 2016 as a whole, the TF1 group's free-to-air channels reported a 1.9% year-on-year increase in gross revenue.

Trends in gross advertising spend for those channels (excluding LCI) during 2016 are shown below.

¹ 2016 plurimedia spend excluding sponsorship and internet (5 media)



Source: Kantar Média, 2016 vs. 2015.

Advertising revenue from the TF1 group's free-to-air channels amounted to €1,455.3 million (down 1.0% year-on-year), in the absence of any marked recovery in the TV advertising market. From 2016 onward these figures include advertising revenue from the LCI channel, though such revenue was only minimal during the first quarter as the channel was not available in freeview until 5 April 2016. Advertising revenue for the free-to-air TV channels fell by 1.1% in the fourth quarter of 2016 relative to the comparable period of 2015.

The Group's DTT channels saw further growth thanks to strong audience ratings among target viewers, but this only partly offset lower revenue for the TF1 core channel.

Other revenue

Other revenue from free platforms fell by €37.3 million year-on-year, reflecting:

- the discontinuation of the print version of the *Metronews* newspaper between the two periods;
- the absence of cable operator revenue for LCI from 1 January 2016;
- the ending of airtime sales contracts for the beINSPORTS and Discovery channels.
- Bear in mind also that 2015 revenue was boosted by the inclusion of Eurosport France in the consolidation during the first quarter, and by the resale of sports rights in the third quarter.

Current operating profit

Over 2016 as a whole the free platforms made a current operating profit of €45.2 million, down €25.9 million year-on-year. The main factors in this were the drop in revenue for the free-to-air channels, the cost of screening the Euro 2016 football tournament, and a loss at LCI (where advertising revenue failed to offset the ending of distribution revenue), although the effect was

mitigated by an improved cost base at *Metronews* following discontinuation of the print edition.

- **Free-to-air channels¹**

Market

Consumption of television by individuals aged 4 and over has broadly stabilised over the last two years, and the average daily viewing time is currently 3 hours 43 minutes (-1 minute over 1 year, but +2 minutes over 2 years).

Non-live viewing (catch-up TV and recording) averaged 10 minutes a day in 2016, 4 minutes more than in 2015. This increase almost entirely compensated for a 5-minute fall in live viewing year-on-year.

Among “women aged under 50 purchasing decision-makers” (W<50PDM), average daily viewing time was 3 hours 39 minutes, and has been on a slight uptrend during the last two years (+1 minute over 1 year, +2 minutes over 2 years).

These figures do not include time spent watching live or catch-up television on other devices (e.g. computers, tablets and smartphones), or outside the home on any device.

The six HD DTT channels launched in December 2012 have now achieved a 100% initialisation rate. Since the switch-off on 5 April 2016 their audience share among individuals aged 4 and over has reached 7.8%, an increase of 2.3 points.

2016 audience ratings

In this highly competitive environment the TF1 group is forging ahead with its multi-channel strategy, focusing on target markets for advertisers and on strategic slots. In 2016 the Group attracted an average prime-time audience of 7.1 million² while limiting the cost of programmes.

The TF1 group, France’s leading private-sector television group in 2016, slightly increased its audience share of the target market of W<50PDM by 0.1 of a point to 32.1%, and held its share of the 25-49 age bracket steady at 28.9%.

The Group’s five free-to-air channels had a combined audience share of 27.4% among individuals aged 4 and over in 2016, down slightly year-on-year (-0.3 of a point).

Fourth-quarter 2016 audience ratings

In the fourth quarter of 2016, the five free-to-air channels had a combined audience share of 33.7% among W<50PDM, an improvement of 1.8 points on the fourth quarter of 2015, driven by a 2.5-point rise for the DTT channels (including TMC, following a repositioning spearheaded by the *Quotidien* show which boosted the channel’s audience share by 1.2 points to 4.9%). Both NT1 and HD1 increased their share of the audience, by 0.5 of a point (to 3.8%) and 0.6 of a point (to 2.4%) respectively. LCI had an audience share of 0.2%.

TF1

With a 22.4% share of the target W<50PDM audience and 20.4% of individuals aged 4 and over, the TF1 core channel confirmed its market leadership in 2016 with its usual range of must-see and general-interest programmes.

The TF1 channel attracted an average prime-time audience of 5.3 million over the year as a whole.

TF1 core channel performing well across all genres

The channel achieved 90 of the top 100 audience ratings of 2016, with successes across all programme genres.

French drama proved particularly popular, scoring its best ratings since 2006. French drama occupied 36 of the top 100 places, 4 more than in 2015, reflecting TF1’s ability to reinvent itself with a combination of new programmes (*Sam, Le secret d’Elise, La vengeance aux yeux clairs*) and flagship brands (*Sections de recherches, Profilage*); each of these dramas attracted over 7 million viewers.

¹ Source: Médiamétrie – Médiamat. LCI: excludes pay-TV figures

² Source: Médiamétrie-Médiamat/Prime time slots, 9pm-10.45pm

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News: news bulletins and current affairs programmes are an ongoing success story with up to 7.4 million viewers for the lunchtime bulletin, up to 8 million for the evening bulletin, up to 5.1 million for *Reportages* and 5.2 million for *Sept à Huit*.

TF1's news output also played a major role in the national debate, with 35 politicians appearing as guests on the channel's news bulletins during the year. In an encouraging sign ahead of the 2017 presidential elections, TF1 recorded the highest viewing figures for a political programme in 2016 with the first of the presidential primary debates (5.7 million viewers, 26% audience share among individuals aged 4 and over).

Sport: TF1 was the lead free-to-air broadcaster for the Euro 2016 football tournament, screening 21 matches. The channel's coverage of the tournament included 9 matches that featured in the year's top 100 (4 of them featuring the French national team), and peaked at 19.3 million viewers for the semi-final. Over the year as a whole, football coverage performed exceptionally well on TF1, with the 14 matches involving the French national team attracting an average of 8.6 million viewers.

Light entertainment shows accounted for 29 of the year's top 100 ratings. *Les Enfoirés* pulled in 11.6 million viewers, the biggest audience apart from Euro 2016. *C'est Canteloup* (up to 8.5 million viewers), *The Voice* (8.1 million), *Miss France* (7.6 million) and *Koh Lanta* (7.4 million) also featured in the top 100.

In the lunchtime slot, *Les 12 coups de midi* had its best year ever with up to 4.7 million viewers and a peak audience share of 40%.

In the access prime time slot between 6pm and 9pm, TF1 is the most-watched channel among the public generally with a 20.6% audience share, and among the target audience of W<50PDM with a 19.6% share. In the 7pm slot, *Money Drop* attracted up to 4.3 million viewers.

French movies performed exceptionally well. Ciné Dimanche, the Sunday-night movie slot, confirmed its success, including a number of TF1 co-productions: *Qu'est-ce qu'on a fait au bon Dieu?* (best movie audience of the year with 10.8 million viewers), *Les Tuche* (8.8 million) and *Eyjafjallajökull* (7.6 million). Over the year as a whole, TF1's movie slot included 6 films that made it into the top 100.

DTT channels

Over 2016 as a whole the TF1 group's DTT arm, comprising the TMC, NT1, HD1 and LCI channels, maintained its market leadership and achieved the strongest growth among target audiences. It had a combined audience share of 9.7% among W<50PDM (+1.1 points year-on-year) and 8.4%

among individuals aged 25 to 49 (+1.0 point year-on-year).

In the fourth quarter of 2016, the Group's DTT channels were the undisputed market leader, posting the strongest growth among W<50PDM with an audience share of 11.3% (up 2.5 points on the fourth quarter of 2015).

TMC

Over 2016 as a whole, TMC had an audience share of 3.8% among W<50PDM (+0.2 of a point year-on-year) and 3.6% among individuals aged 25 to 49 (+0.2 of a point year-on-year).

With a new visual identity, new editorial line and new schedules, TMC's rebranding proved a success, propelling the channel to the no.1 slot among freeview DTT channels. Yann Barthès drew up to 1.5 million viewers with his *Quotidien* show. The most-watched DTT programme in access prime time among ABC1 viewers, it attracted an audience share of up to 15%.

The Euro 2016 tournament enabled TMC to post its best-ever audience when 3.5 million people watched the Slovakia/England match, making the channel the second most-watched in France on the evening of 20 June and setting a record daytime audience share of 5.8% among individuals aged 4 and over.

Some of the channel's best audience ratings were for movies: 2.3 million for *Les Visiteurs 2*, 1.9 million for *Expendables 2* and 1.7 million for *Les Profs*.

Series also performed well, with *Gotham* attracting up to 1.4 million viewers and good ratings for TF1 franchises having their first run on DTT: up to 1.3 million viewers for *Profilage* and 1.2 million for *CSI: Miami (Les Experts Miami)*.

Finally, the serial *Les Mystères de l'amour* achieved its best-ever audience with 1.2 million viewers.

NT1

NT1 also made inroads into its target audiences during the year: +0.3 of a point among W<50PDM to 3.5%, and +0.6 of a point among 15-24 year-olds to 4.2%.

In the back-to-school period, *Secret Story 10* propelled NT1 into the DTT no.1 slot for 15-24 year-olds, with very strong growth among female viewers. The programme drew up to 1 million viewers, with audience shares of up to 29% of 15-24 year-olds and 13% of W<50PDM. During the full run of the programme, NT1 became the leading DTT channel among 15-24 year-olds.

Similarly, *La villa des cœurs brisés* scored highly in access prime time, attracting up to 0.7m viewers, 10% of W<50PDM and 21% of 15-24 year-olds.

NT1 also has a powerful offering in movies for young people and women viewers: *Men in Black 3* (1.7 million viewers) and *The Proposal* (1.2 million viewers).

HD1

Launched in December 2012, the group's movie/drama channel had a record year in 2016, achieving the strongest growth in the French TV market (+0.6 of a point audience share among individuals aged 4 and over) and becoming market leader in 2nd generation DTT (1.8% of individuals aged 4 and over).

The strategy of screening TF1's flagship programmes on HD1 gives the channel a big-hitter look and enables the programmes to find a new audience. For example, HD1 achieved record HD DTT audience figures with *Section de Recherches* (1.2m viewers) and *Alice Nevers* (0.9m).

The channel's movie offering provided some of its best audiences: 1 million viewers for *Jurassic Park III* and 0.9 million for *The Bourne Ultimatum* (French title: *La Vengeance dans la peau*).

LCI

On 17 December 2015, the CSA (the French broadcasting regulator) approved the switchover of LCI to DTT freeview, which took place on 5 April 2016.

LCI's relaunch on 29 August 2016 (new programming, new shows, new faces, new studios) enabled the channel to grow strongly, reaching 0.5% audience share in the fourth quarter among individuals aged 4 and over.

24 heures en questions contributed heavily to this performance, pulling in up to 320,000 viewers (1.8% audience share), as did *LCI Matin* (up to 138,000 viewers and 3.6% audience share).

The channel's all-time record audience was for the US presidential elections, with 1.2% audience share over the day as a whole

The first debate of the French presidential primaries occasioned one of LCI's best performances with the post-debate analysis (275,000 viewers, 3.1% audience share) and the spoof by Nicolas Canteloup (up to 406,000 viewers).

La Médiasphère (up to 101,000 viewers, 2.7% audience share) and *LCI&Vous* (up to 147,000 viewers, 3.1% audience share) also contributed to LCI's strong momentum.

- **Other activities**

Publications Metro France

Since July 2015, Metronews has been a 100% digital news platform, with the print edition discontinued in response to the crisis in the freesheet advertising market.

Over the year as a whole, Metronews saw a sharp fall in revenue. However the operating result progressed thanks to significant improvements in the cost base.

During the third quarter, the Group combined its digital news operations bringing together LCI, Metronews and MyTF1news within LCI.fr. This news platform complements the existing news offering, and is in line with the Group's broader digital transformation strategy.

The dissolution of Publications Metro France and transfer of its net assets to LCI took effect on 1 July 2016.

Consequently, there was no revenue or operating profit from Publications Metro France in the third or fourth quarter of 2016.

TF1 Publicité (third-party airtime sales)

Both revenue and operating profit from third-party advertising airtime sales (for radio stations, and TV channels from outside the Group) fell during 2016 due to the ending of airtime sales for the pay-TV channels of beIN SPORTS and Discovery in France.

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TF1 Films Production

Cinema footfall reached 212.7 million in 2016, up 3.6% year-on-year. Three months of the year saw record levels of cinema-goers: February with 26 million, October with 21 million, and December. This was also the third year running in which cinema footfall broke the 200 million barrier.

During 2016, 20 films co-produced by TF1 Films Production went on general release (versus 14 in 2015), attracting a combined total of 24.2 million box office entries in France (versus 10.7 million a year earlier). Nine of those films attracted more than a million box office entries, including *Les Tuche 2 Le Rêve américain* (4.6 million), *Camping 3* (3.2 million), *Radin!* (2.9 million) and *Les Visiteurs 3* (2.2 million).

The revenue contribution from TF1 Films Production increased during the year, but its current operating profit declined relative to 2015.

TF1 Production

TF1 Production's revenue contribution was lower in 2016 than in 2015, mainly because the prior-year comparative was boosted by live shows.

A total of 450 hours of programmes were delivered in 2016, compared with 500 in 2015, reflecting the non-recurrence of the programme *Meilleur Menu* and a reduced volume of morning drama and reality TV. Programmes delivered by TF1 Production during 2016 included five episodes of *Ninja Warrior*, four editions of *Vie Politique* and the French presidential primary debates for TF1, and episodes of season 3 of *Bachelor* for NT1. TF1 Production also contributed to the broadcasting of Euro 2016 matches and spin-off sport magazine programmes.

Current operating profit increased year-on-year.

Other platforms and related activities

Revenue from other platforms and related activities fell by 8.6% to €152.8 million. The 2015 figure included €17.8 million of revenue generated by Eurosport France, 100% of which was sold to Eurosport SAS on 31 March 2015.

After stripping out the Eurosport France contribution, revenue rose slightly year-on-year, by €3.5 million.

- **e-TF1**

TF1 is pursuing its digital strategy, working closely with the Group's TV channels.

Digital activities recorded strong growth in 2016 thanks to increased levels of interactivity and to advertising revenue from MYTF1. The extra audiences generated by the Group's digital platforms are continuing to grow substantially.

Interactivity enjoyed a very good fourth quarter, with a particularly fine December thanks to favourable programming schedules: the semi-final and final of *Koh Lanta*, the final of *Danse avec les stars*, the election of *Miss France*, *Les 12 Coups de midi* (with the same contestant remaining on the show all month), *Vendredi tout est permis* with Arthur, and *Les 12 Coups de Noël* on Christmas Eve.

The success of the programmes shown on the Group's channels has been backed up by imaginative solutions for showcasing premium content. For example, *La vengeance aux yeux clairs* enjoyed a free-to-air premiere on MYTF1, dual screenings on TF1 and HD1, and a binge watching¹ VoD service featuring the entire saga. This multi-screen approach enabled content like *Le secret d'Élise* to pull in an extra 1.7 million viewers in addition to those who watched it on TV.

In 2016, the MYTF1 catch-up service attracted up to 10.7 million² unique users via ISP set top boxes. During the year, 1.3 billion free videos were watched on MYTF1³, representing a 15% year-on-year increase in usage.

The most popular programmes on MyTF1 in 2016 were *The Voice*, *Secret Story*, *Koh-Lanta* and *Grey's Anatomy*.

¹ Watching several episodes of the same series back to back.

² Source: Médiamétrie-Mediamat/Catch-up viewing on TV sets via ISP set top boxes.

³ Excluding news content, XTRA content and live sessions.

e-TF1 operates the TFOU MAX subscription-based kids' video offering, either as part of a pay-TV bundle or as a stand-alone product.

e-TF1 is also building a digital marketing consultancy business, including the acquisition of an equity stake in Bonzai Digital during the first quarter of 2016.

Overall, e-TF1 achieved strong growth in both revenue and operating profit during 2016.

- **Theme Channels**

French pay-TV channels as a whole attracted an audience share of 10.0% during 2016, versus 9.9% a year earlier.

Pay-TV offerings are facing competition from the continuing growth of the new free-to-air DTT channels.

Revenue for the Group's theme channels (TV Breizh, Ushuaïa, Histoire) fell during 2016 due to a drop in advertising revenue. However, tight cost control helped the three channels to maintain their profitability.

TV Breizh

TV Breizh further consolidated its position as the benchmark pay-TV channel. With an audience share of 0.6% among individuals aged 4 and over¹ in 2016, it is a leading player in the French pay-TV market thanks to a programming policy built around cult series like *Columbo*, *Hercule Poirot*, *Monk* and more recently *Walker*, *Texas Ranger* alongside newer French dramas like *Section de recherches* and *Profilage*.

Histoire and Ushuaïa

Ushuaïa's programming policy is based on adventure and discovery, with a year-round focus on environmental issues.

In the fourth quarter of 2016, the channel launched a science programme, and devoted a month to the oceans presented by Guillaume Nery as a tie-in to *L'odyssée*, a biopic on Jacques Cousteau for which Ushuaïa is the media partner.

Histoire is continuing with its programming policy, focusing on showcasing its brand as the gold standard history channel on cable, satellite and ADSL.

Both channels reported lower revenue but improved profitability during 2016.

Studios & Entertainment

Revenue (€m)	2016	2015	Chg. %
Studios & Entertainment	392.8	268.2	46.5%

Current operating profit/(loss) (€m)	2016	2015	Chg. %
Studios & Entertainment	41.9	23.4	79.1%

Revenue for the Studios & Entertainment segment rose by €124.6 million in 2016 to €392.8 million. Current operating profit reached €41.9 million, up €18.5 million year-on-year.

Following the acquisition of Newen Studios on 26 January 2016, its contribution is included in the consolidated financial statements retrospectively from 1 January 2016.

- **Newen Studios**

Founded in 2008, Newen Studios is a major player in audiovisual production and distribution in France.

During the fourth quarter of 2016, Newen Studios shot episodes of *Candice Renoir* (season 5), *Nina* (season 3), *Plus Belle la Vie* (including a special), *Les Origines du Mal*, and *Hippocrate aux enfers* (a documentary adopted from the book by Michel Cymès).

Season 4 of *Candice Renoir* was nominated at the Cognac crime film festival (14 to 16 October 2016) in the "Best Francophone Series" category. Season 2 of the series *Nina* attracted good audiences, averaging 3.6 million viewers.

In cinemas, the movie *Ma Vie de Courgette* went on general release on 19 October 2016 and has had over 670,000 box office entries in France. The movie has been sold in over 30 countries and has been nominated for the Césars, the Oscars, the Annie Awards, the Golden Globes, the Lumières Award and the Trophées du Film Français.

- **TF1 Droits Audiovisuels – TF1 International**

Six movies went on general release in the fourth quarter of 2016: *Tamara*, *Polina*, *Sing Street*, *Rupture pour tous*, *Père fils Thérapie* and *American Pastoral*, compared with three in the fourth quarter of 2015. The stand-out performer was *Tamara* with 785,000 box office entries.

¹ Source: Médiamétrie/MédiamatThématik

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Over 2016 as a whole, TF1 Droits Audiovisuels and TF1 International increased their contribution to revenue and operating profit relative to 2015.

- **TF1 Vidéo**

The physical video market contracted 12% by value to end November 2016 relative to the same period in 2015¹.

The digital market grew 12% by value to end November 2016, mainly driven by 23% growth in SVoD.

In a challenging physical video market, and with fewer top-selling releases than in 2015 (when Florence Foresti and Jeff Panacloc both released titles), TF1 Vidéo saw a decline in both revenue and current operating profit in 2016.

- **Home Shopping**

The Home Shopping business reported a drop in both revenue and current operating profit in 2016. This was largely due to a significant fall in the number of orders during the period, the business having suffered from supply chain problems in the first half of the year.

- **TF1 Entertainment**

The games business was boosted by international sales of *Chrono Bomb* and *Trésor Detector*.

The best sellers in the run-up to the festive season were *Chrono Bomb*, *Trésor Detector*, *Power Quest*, the *Mille Bornes* range, *Money Drop* and *Le Cochon Qui Rit*.

The collection of Tintin figurines has also been selling well internationally, and the Eiffel Tower collection is performing strongly. 2016 also saw the launch of the Tutankhamen collection.

The licensing business performed well during 2016 in a challenging market, thanks largely to promotional licences such as the Française des jeux *The Voice* scratchcard and product licences including Barbapapa, the All Blacks and Nickelodeon.

Over 2016 as a whole, TF1 Entertainment saw a fall in both revenue and current operating profit.

¹ Source: GFK, end November 2016 for physical and digital.

1.5. Corporate social responsibility

Diversity and solidarity

Fighting illiteracy: round 4 of the “B'A'ba Solidarité” campaign

The TF1 group continues to fight illiteracy in the workplace, with the fourth round of the “B'A'ba Solidarité” campaign kicking off on 17 October 2016.

This is the third consecutive year that TF1 - a founder member of the campaign, alongside L'Oréal, SNCF, Orange, Publicis, Manpower and La Poste - has offered this tutorial programme. A total of 14 employees from SAMSIC (the Group's cleaning contractor) will receive weekly one-hour literacy classes until May 2017, provided by 41 volunteers from among the Group's staff.

Solidarity at Christmas

On 29 November 2016, TF1 once again organised its “Christmas Solidarity” day. The event was a great success, attracting a wide range of high-quality donations. Volunteers from among our staff sorted through the donations and packed up 350 boxes, for distribution to around 40 charities throughout France.

Staff were generous with their donations, mainly giving items for children such as clothes, toys, books, CDs and DVDs. Téléshopping, TF1 Publicité, TF1 Entreprises and TF1 Vidéo also contributed brand new items, and the TF1 logistics department helped distribute the gifts to the chosen charities.

Gender parity

TF1 the no.1 media group for women in executive roles

The TF1 group took 25th place in the 2016 rankings published by Ethics & Boards Governance Analytics, a jump of 35 places from 2015, and is now the highest ranking media group among SBF 120 listed companies.

The 2016 award, handed out in the presence of Laurence Rossignol, the Minister for Families, Children and Women's Rights, recognises the Group's achievements in increasing the proportion of women on the Board of Directors and the Executive Committee, and in setting up a group-wide network to promote gender balance.

“Women experts to the Fore”: an event intended to get more women experts on TV news bulletins

On 5 December 2016 TF1 hosted this one-day event in the presence of Laurence Rossignol, the Minister for Families, Children and Women's Rights. It was attended by over 180 women experts in various fields such as economics, education, police, science and healthcare, and aimed to increase the proportion of female experts appearing on TV news bulletins. There were three key sessions:

- A conference on the topic of “Experts on TV news bulletins: what role for women?”, during which representatives from the TF1 group and media experts debated how well represented women experts are on TV news bulletins.
- Media training workshops to build confidence speaking in public and to camera.
- Meetings between experts attending the event and TF1 and LCI news journalists, to discuss which fields of expertise women experts are still under-represented in on television.

Awards for our financial and non-financial communication

TF1 ranked as Gold Class in the DJSI 2017 Sustainability Yearbook

Every year, the RobecoSam ratings agency evaluates companies' non-financial performance. This year, 2,500 companies from 42 countries and 60 sectors were invited to take part in the survey:

<http://yearbook.robecosam.com/companies/>.

Only 10% of those companies make it into the Dow Jones Sustainability Index (DJSI). Particularly outstanding performers are awarded Bronze, Silver or Gold status.

The TF1 group, which first joined the DJSI World and Europe in 2003 and has been rising up the rankings ever since, was awarded Gold Class status in the media sector in the 2016 assessment.

The analytics used by RobecoSam become more demanding and stringent year by year, and are used by investors who look beyond financial performance to take a broader and more long-term view of how companies create value for their employees, customers and suppliers, and for society in general.

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Assessments look at how willing a company is to enter into dialogue with stakeholders, to measure the impact of its activities, and to innovate. They also provide a resource to help measure the impact of economic activity on our planet and on society, and to point the way towards genuinely sustainable development.

This award vindicates the TF1 group's strategy on social engagement:

- an approach designed to address important challenges, both for programme output and for corporate affairs generally;
- dedicated organisational structures and action plans focusing on ethics;
- commitment to gender balance in the workplace, including at Board and Executive Committee level;
- impact assessments, including in 2016 studies of the visible presence of women and minorities in news programmes and a follow-up action plan);
- a sharp focus on professional development, with employees following a highly ambitious and innovative three-year training plan;
- The award also confirms the validity of the TF1 group's business-based approach to CSR, which is embedded right across the organisation, driving change that combines financial performance with meeting societal expectations.

Finance meets sustainable development

On 12 December 2016, TF1 hosted a conference on "Finance meets sustainability", in association with C3D (the French association of sustainable development managers) and Ernst & Young.

The event, attended by 150 professionals from CSR and finance, discussed how to bring the two fields closer together.

The participants - from fund managers and analysts, to CFOs and CSR managers from major companies - stressed the growing importance of building ecosystem sustainability issues into business practices.

1.6. Human resources update

As of 31 December 2016 the TF1 group had 2,801⁹ employees on permanent contracts.

1.7. Stock market performance

On 31 December 2016, TF1 shares closed at a price of €9.45; this represents a fall of 7.8% over the calendar year.

Over the same period, the CAC 40 rose by 4.9% and the SBF 120 by 4.7%.

The market capitalisation of the TF1 group as of 31 December 2016 was €1.98 billion, 8.3% lower than a year earlier.

1.8. Outlook

2016 was a year of transformation, in which the TF1 group set new operational priorities and implemented a new organisational structure. In 2017, we will push ahead with a resolutely multi-channel, multi-media and multi-activity strategy, combining pulling power with targeted reach on each channel and developing growth areas in DTT, digital and production.

To meet these challenges, the Group will strive to:

- Develop attractive and distinctive content with a competitive cost base, in particular by expanding our production activities.
- Broaden the distribution of content by multiplying the number of distribution channels and strengthening the bond with the viewer/consumer.
- Improve the monetisation of both linear and non-linear content.

This strategy should help us improve our profitability: we are targeting double-digit current operating margin in 2019, with growth in non-advertising revenue for the five free-to-air channels expected to account for at least one-third of our consolidated revenue in that year.

On the production side, taking a stake in Newen Studios has opened many new opportunities in the creation and distribution of content, both in

France and internationally. Our ongoing expansion in digital, across all devices and networks, is intended to help us reach new targets with rejuvenated content, and better monetise user activity.

We will continue to apply our rigorous management approach, which from 2017 onwards will enable us to:

- Limit the cost of programmes by optimising our investment in content. This will involve an overhaul of our rights buying policy, increasing in-house production, and developing content for digital devices. Over the next three years, this policy should enable the Group to hold the average annual cost of programmes (excluding major sporting events) for our five free-to-air channels at €980 million.
- Achieve €25 million to €30 million of recurring savings (excluding cost of programmes) under the “Recover” plan.
- Maintain our share of the advertising market by extracting maximum value from our premium inventories, and growing our DTT channels and digital content.
- Take new initiatives in distribution so as to maximise the value of our services, both in France and internationally.

Our ambition is to strengthen our leadership in television, innovate in services to advertisers, accelerate our growth in production and digital, and showcase our brands across all platforms.

1.9. Movements in share capital

Since the start of 2016, a total of 316,693 shares have been issued as the result of the exercise of stock options. Over the same period, following purchases of TF1 shares on the stock market under the share buyback programme, the Board of Directors approved the cancellation of 1,420,718 treasury shares.

After taking into account those issues and buybacks, the number of shares and voting rights as of 31 December 2016 was 209,417,542. The share capital as of that date was €41,883,508.40.

⁹ People employed on permanent contracts at Newen are included in TF1 group consolidated headcount with effect from the third quarter of 2016.

1.10. Corporate governance

Renewal of the terms of office of two non-employee representative directors

Acting on the recommendations of the Director Selection Committee, the Board of Directors will ask the Annual General Meeting of 13 April 2017 to renew the terms of office of Catherine Dussart and Olivier Bouygues as directors for a further three years.

If these proposals are approved, it will maintain the proportion of both independent directors and women directors on the Board at 44% (not counting the employee representative directors, both of whom are women).

1.11. Diary dates

- **13 April 2017:** Annual General Meeting
- **28 April 2017:** 2017 first-quarter revenue and financial statements
- **28 April 2017:** 2016 dividend ex-date
- **2 May 2017:** date of record for dividend payments
- **3 May 2017:** payment of dividend
- **21 July 2017:** 2017 first-half revenue and financial statements
- **30 October 2017:** 2017 9-month revenue and financial statements

These dates may be subject to change.

2. 2016 Consolidated Financial Statements

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

Consolidated income statement

(€ million)	<i>Note</i>	2016	2015
Advertising revenue		1,530.1	1,554.2
Other revenue		532.6	450.1
Revenue	4.3	2,062.7	2,004.3
Other income from operations		14.1	-
Purchases consumed and changes in inventory	4.4	(923.2)	(1,017.6)
Staff costs	5.1	(403.9)	(327.4)
External expenses	5.2	(369.9)	(341.0)
Taxes other than income taxes	5.3	(127.2)	(124.0)
Depreciation and amortisation, net		(177.6)	(56.5)
Provisions and impairment, net		(80.6)	11.7
Other current operating income	5.4	242.6	106.3
Other current operating expenses	5.4	(107.6)	(97.8)
Current operating profit/(loss)		129.4	158.0
Non-current operating income		-	-
Non-current operating expenses	5.5	(83.7)	(16.8)
Operating profit/(loss)		45.7	141.2
Income associated with net debt		0.6	1.2
Expenses associated with net debt		(1.8)	(0.1)
Cost of net debt	5.6	(1.2)	1.1
Other financial income	5.7	4.3	0.8
Other financial expenses	5.7	(8.8)	(4.0)
Income tax expense	5.9	(5.9)	(42.3)
Share of profits/(losses) of joint ventures and associates	7.3.4	9.9	6.5
Net profit/(loss) from continuing operations		44.0	103.3
Net profit/(loss) from discontinued or held-for-sale operations	5.10	-	-
Net profit/(loss)		44.0	103.3
attributable to the Group:		41.7	99.9
<i>Net profit/(loss) from continuing operations</i>		41.7	99.9
attributable to non-controlling interests:		2.3	3.4
<i>Net profit/(loss) from continuing operations</i>		2.3	3.4
Weighted average number of shares outstanding (in '000)		209,444	210,786
Basic earnings per share from continuing operations (€)	7.4.2	0.20	0.47
Diluted earnings per share from continuing operations (€)	7.4.2	0.20	0.47

Statement of recognised income and expense

(€ million)

	2016	2015
Consolidated net profit/(loss) for period	44.0	103.3
Items not reclassifiable to profit or loss		
Actuarial gains and losses on employee benefits	(3.7)	(3.5)
Net tax effect of equity items not reclassifiable to profit or loss	1.3	1.2
Share of non-reclassifiable income and expense of joint ventures and associates recognised in equity		-
Items reclassifiable to profit or loss		
Remeasurement of hedging instruments ⁽¹⁾	0.8	(2.2)
Remeasurement of available-for-sale financial assets		-
Change in cumulative translation adjustment of controlled entities		-
Net tax effect of equity items reclassifiable to profit or loss	(0.3)	0.8
Share of reclassifiable income and expense of joint ventures and associates recognised in equity		0.6
Income and expense recognised directly in equity	(1.9)	(3.1)
Total recognised income and expense	42.1	100.2
<i>attributable to the Group</i>	39.7	96.8
<i>attributable to non-controlling interests</i>	2.4	3.4

Consolidated cash flow statement

(€ million)	Note	2016	2015
Net profit/(loss) from continuing operations (including non-controlling interests)		44.0	103.3
Depreciation, amortisation, provisions & impairment (excluding current assets)	6.2.1	242.9	54.1
Net (gain)/loss on asset disposals		0.5	(32.4)
Share of (profits)/losses and dividends of joint ventures and associates		(8.4)	7.9
Other non-cash income and expenses	6.2.2	(18.6)	(10.1)
Sub-total		260.4	122.8
Cost of net debt		1.2	(1.1)
Income tax expense (including deferred taxes)		5.9	42.3
Operating cash flow		267.5	164.0
Income taxes (paid)/reimbursed		(53.4)	(35.1)
Change in operating working capital needs		14.5	8.4
Net cash generated by/(used in) operating activities		228.6	137.3
Cash outflows on acquisitions of property, plant & equipment and intangible assets		(205.4)	(57.6)
Cash inflows from disposals of property, plant & equipment and intangible assets		0.3	0.2
Cash outflows on acquisitions of financial assets		(7.3)	(6.2)
Cash inflows from disposals of financial assets		2.5	-
Effect of changes in scope of consolidation	6.3.1	(104.9)	494.5
<i>Purchase price of investments in consolidated activities</i>		(186.5)	-
<i>Proceeds from disposals of consolidated activities</i>		9.5	526.9
<i>Net liabilities related to consolidated activities</i>		-	-
<i>Other cash effects of changes in scope of consolidation</i>		72.1	(32.4)
Dividends received	6.3.2	-	0.2
Other cash flows from investing activities	6.3.3	(0.8)	1.7
Net cash generated by/(used in) investing activities		(315.6)	432.8
Cash received on exercise of stock options	7.4.6	1.9	4.5
Purchases and sales of treasury shares	6.4.1	(21.4)	(40.0)
Other transactions between shareholders	6.4.2	(0.8)	(14.6)
Dividends paid during the period	7.4.5	(167.3)	(317.3)
Cash inflows from new debt contracted		85.7	0.1
Repayment of debt (including finance leases)		(91.4)	(1.3)
Net interest paid (including finance leases)		(1.2)	1.1
Net cash generated by/(used in) financing activities		(194.5)	(367.5)
CHANGE IN CASH POSITION – CONTINUING OPERATIONS		(281.5)	202.6
Cash position at start of period – continuing operations		700.8	498.2
Change in cash position during the period – continuing operations		(281.5)	202.6
Cash position at end of period – continuing operations		419.3	700.8

Consolidated balance sheet

ASSETS (€m)	Note	31/12/2016	31/12/2015
Goodwill	7.3.1	560.9	431.6
Intangible assets		237.2	125.2
Audiovisual rights	7.1.1	174.4	65.0
Other intangible assets	7.3.2	62.8	60.2
Property, plant and equipment	7.3.3	174.0	170.1
Investments in joint ventures and associates	7.3.4	89.3	84.8
Non-current financial assets	7.3.5	31.7	30.1
Non-current tax assets		-	-
Total non-current assets		1,093.1	841.8
Inventories		677.5	726.9
Programmes and broadcasting rights	7.1.2	661.9	713.4
Other inventories		15.6	13.5
Trade and other debtors	7.2.1	979.8	937.4
Current tax assets		40.2	-
Other current financial assets		4.9	4.5
Cash and cash equivalents	7.5.1	420.2	703.1
Total current assets		2,122.6	2,371.9
Assets of held-for-sale operations		-	-
TOTAL ASSETS		3,215.7	3,213.7
Net surplus cash (+) / Net debt (-)	7.5.1	186.7	700.8

Consolidated balance sheet (continued)

SHAREHOLDERS' EQUITY AND LIABILITIES (€m)	<i>Note</i>	31/12/2016	31/12/2015
Share capital	7.4.1	41.9	42.1
Share premium and reserves		1,409.8	1,599.7
Net profit/(loss) for the period attributable to the Group		41.7	99.9
Shareholders' equity attributable to the Group		1,493.4	1,741.7
Non-controlling interests		(0.8)	20.1
Total shareholders' equity		1,492.6	1,761.8
Non-current debt		224.9	-
Non-current provisions	7.3.6	54.2	51.3
Non-current tax liabilities	5.9.2	42.9	11.8
Total non-current liabilities		322.0	63.1
Current debt	7.5.1	8.6	2.3
Trade and other creditors	7.2.2	1,368.0	1,339.7
Current provisions	7.2.3	24.5	36.6
Current tax liabilities		-	10.2
Other current financial liabilities		-	-
Total current liabilities		1,401.1	1,388.8
Liabilities of held-for-sale operations		-	-
TOTAL SHAREHOLDERS' EQUITY & LIABILITIES		3,215.7	3,213.7

Consolidated statement of changes in shareholders' equity

(€ million)	Share capital	Share premium	Treasury shares	Reserves	Income & expense recognised directly in equity	Shareholders' equity attributable to the Group	Non-controlling interests	Consolidated shareholders' equity
BALANCE AT 31 DECEMBER 2014	42.3	7.3	-	1,958.6	(4.8)	2,003.4	36.5	2,039.9
Capital increase (stock options exercised)	0.1	4.4	-	-	-	4.5	-	4.5
Share-based payment	-	-	-	1.3	-	1.3	-	1.3
Purchase of treasury shares	-	-	(40.0)	-	-	(40.0)	-	(40.0)
Cancellation of treasury shares	(0.3)	-	20.0	(20.0)	-	(0.3)	-	(0.3)
Dividends paid	-	-	-	(317.3)	-	(317.3)	-	(317.3)
Other transactions with shareholders	-	-	-	(9.6)	-	(9.6)	(5.0)	(14.6)
Total transactions with shareholders	(0.2)	4.4	(20.0)	(345.6)	-	(361.4)	(5.0)	(366.4)
Consolidated net profit/(loss) for period	-	-	-	99.9	-	99.9	3.4	103.3
Income and expense recognised directly in equity	-	-	-	-	(3.1)	(3.1)	-	(3.1)
Other movements (changes in accounting policy and scope of consolidation, other items)	-	-	-	2.9	-	2.9	(14.8)	(11.9)
BALANCE AT 31 DECEMBER 2015	42.1	11.7	(20.0)	1,715.8	(7.9)	1,741.7	20.1	1,761.8
Capital increase (stock options exercised)	0.1	1.8	-	-	-	1.9	-	1.9
Share-based payment	-	-	-	2.5	-	2.5	-	2.5
Purchase of treasury shares	-	-	(21.4)	-	-	(21.4)	-	(21.4)
Cancellation of treasury shares	(0.3)	-	13.2	(12.9)	-	(0.0)	-	(0.0)
Dividends paid	-	-	-	(167.2)	-	(167.2)	(0.1)	(167.3)
Other transactions with shareholders	-	-	28.2	(3.4)	-	24.8	(23.8)	1.0
Total transactions with shareholders	(0.2)	1.8	20.0	(181.0)	-	(159.4)	(23.9)	(183.3)
Consolidated net profit/(loss) for period	-	-	-	41.7	-	41.7	2.3	44.0
Income and expense recognised directly in equity	-	-	-	-	(2.0)	(2.0)	0.1	(1.9)
Other movements (changes in accounting policy and scope of consolidation, other items)	-	-	-	(128.6)	-	(128.6)	0.6	(128.0)
BALANCE AT 31 DECEMBER 2016	41.9	13.5	-	1,447.9	(9.9)	1,493.4	(0.8)	1,492.6

Notes to the consolidated financial statements

For the notes to the consolidated financial statements, refer to the full set of consolidated financial statements, available on our corporate website at: <http://www.groupe-tf1.fr/en/investisseurs/resultats-et-publications/rapports-annuels>.

Télévision Française 1

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