

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

The parent company financial statements for the year ended 31 December 2019 have been prepared in accordance with legal and regulatory requirements as currently applicable in France.

1 Significant events

- **Sale of Téléshopping's distance selling business and stores**

On 11 April 2019, TF1 SA sold Téléshopping's distance selling business and stores to former Téléshopping CEO Jérôme Dillard, an independent entrepreneur and acknowledged specialist in telesales. The TF1 group committed to continue broadcasting teleshopping programmes on its channels for the next five years.

- **Transfer of equity interest in Aufeminin**

On 24 June 2019, TF1 SA transferred its entire equity interest in Aufeminin to its subsidiary Unify, holding company of the Digital division (intragroup transfer).

- **Merger of Holding Newen Studios into TF1 SA**

On 15 November 2019, Holding Newen Studios (owner of a 13.85% equity interest in Newen Studios) was merged into TF1 SA by absorption and transmission of its entire net assets. Following this transaction, TF1 SA has a 100% equity interest in Newen Studios.

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 2019.

2-2. Intangible assets

2-2-1. Audiovisual rights

Audiovisual rights comprise:

- drama co-production shares;
- television programmes intended for broadcast on the TF1 channel.

2-2-1-1 Drama co-production shares

This line item shows acquisitions of drama co-production shares made since the new regulations came into force in 2015, as an add-on to acquisitions of broadcasting rights for certain programmes. Such acquisitions enable TF1 SA to own certain tangible and intangible assets, in particular the exploitation rights for those programmes.

Payments for such co-production 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 co-production share. Payments made for co-production shares before those conditions are met are recognised in the balance sheet as intangible assets in progress. Intangible assets in progress also include advances paid for literary works ahead of co-production contracts.

Co-production shares are amortised over their expected useful lives. A provision for impairment is recognised if expected future revenues are lower than the net book value of the asset.

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

2-2-1-2 Television programmes

This line item shows residual drama co-production shares that pre-date the new regulations, and production shares in other programmes. 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 for rights before those conditions are met are recognised in the balance sheet as intangible assets in progress with effect from the end of shooting.

The amortisation rules applied to capitalised programmes are the same as those for programme inventories (see Note 2-5, "Inventories").

A provision for impairment is recorded once it becomes probable that a programme including a 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".

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 methods and periods 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 investee 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

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 contracts:

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 contracts: consumption reflects the contractual unit 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.

2-6. Advance payments

This line 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 production shares in television 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 or disputed accounts are written down via an impairment provision that reflects the age of the debt and the situation of the debtor.

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 drama co-production shares and television programmes, calculated from the first day of the month following the end of shooting. This tax depreciation is reversed on the date when the asset is definitively recognised as an intangible asset (in the case of co-production shares), or when it is transmitted or written off as no longer transmittable (in the case of television programmes).

The tax depreciation described above is calculated 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 five 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 supplementary 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	01/01/2019	Increases	Decreases	Transfers	31/12/2019
Drama co-production shares	187.0	65.2	(1.0)	14.0	265.2
Drama co-production shares in progress	16.1	14.5		(14.0)	16.6
Television programmes	5.5	5.9	(5.0)		6.4
TOTAL	208.6	85.6	(6.0)	0.0	288.2
Amortisation	01/01/2019	Increases	Decreases		31/12/2019
Drama co-production shares	53.4	47.9			101.3
Television programmes	0.0	4.3	(4.3)		0.0
TOTAL	53.4	52.2	(4.3)	0.0	101.3
Impairment	01/01/2019	Increases	Decreases		31/12/2019
Drama co-production shares	125.3	72.1	(45.0)		152.4
Television programmes	0.0				0.0
TOTAL	125.3	72.1	(45.0)	0.0	152.4
Net	29.9				34.5

Commitments relating to drama co-production shares and television programmes for future years break down as follows:

(€m)	Less than 1 year	1 to 5 years	More than 5 years	Total 2019	Total 2018
Drama co-production shares	38.1	14.1	0.0	52.2	72.9
Television programmes	0.6	0.4	0.1	1.1	2.3

As of 31 December 2019, the risk of non-transmission for programmes with a co-production component was €5.1 million, which was covered by previously-established restricted provisions using the policy described in Note 2-10.

3.1.2. Other intangible assets

Movements in other intangible assets are shown below:

<i>(€m)</i>					
Gross value	01/01/2019	Increases	Decreases	Transfers	31/12/2019
Software	25.7	0.3	(0.3)		25.7
Other intangible assets	1.6				1.6
Intangible assets in progress	1.0	3.2			4.2
TOTAL	28.3	3.5	(0.3)	0.0	31.5
Amortisation	01/01/2019	Increases	Decreases		31/12/2019
Software	19.8	2.7	(0.3)		22.2
Other intangible assets	1.6				1.6
TOTAL	21.4	2.7	(0.3)	0.0	23.8
Net	6.9				7.7

3-2. Property, plant and equipment

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

<i>(€m)</i>					
Gross value	01/01/2019	Increases	Decreases	Transfers	31/12/2019
Technical facilities	77.1	3.6	(3.9)	1.2	78.0
Other property, plant and equipment	97.7	15.1	(0.3)	0.9	113.4
Property, plant and equipment in progress	4.6	2.7		(2.1)	5.2
TOTAL	179.4	21.4	(4.2)	0.0	196.6
Depreciation	01/01/2019	Increases	Decreases		31/12/2019
Technical facilities	69.9	2.7	(3.9)		68.7
Other property, plant and equipment	72.7	4.7	(0.4)		77.0
TOTAL	142.6	7.4	(4.3)		145.7
Net	36.8				50.8

3-3. Non-current financial assets

This item breaks down as follows:

(€m)	Equity investments	Other non- current financial assets	Loans receivable	Other	Total
GROSS VALUE AT 1 JANUARY 2019	1,416.7	0.0	0.0	0.2	1,416.9
Increases					
- Unify: capital increases	262.7		120.0		382.7
- Aufeminin: buyout of performance shares	1.2				1.2
- Newen Studios: absorption of Holding Newen Studios	28.1	16.2 (*)			28.1
- Prefas 26-27-28-29: subscription to share capital	0.2				0.2
- SPV: subscription to share capital	1.0				1.0
- Treasury shares		3.5			3.5
Decreases					
- Aufeminin: intragroup transfer	(388.0)				(388.0)
- Holding Newen Studios	(44.6)				(28.4)
- Muzeek One: intragroup transfer	(0.1)				(0.1)
- Télésopping: divestment	(5.1)				(5.1)
- Capital reduction through cancellation of own shares		(3.5)			(3.5)
GROSS VALUE AT 31 DECEMBER 2019	1,272.1	16.2	120.0	0.2	1,408.5
Provisions for impairment					
1 January 2019	35.2	0.0	0.0	0.0	35.2
Charges	41.2				41.2
Reversals					0.0
31 December 2019	76.4	0.0	0.0	0.0	76.4
NET VALUE AT 31 DECEMBER 2019	1,195.7	16.2	120.0	0.2	1,332.1

(*) Negative merger premium

The €41.2 million of impairment losses recognised during the period relate to 100% owned subsidiaries (see Note 2-4).

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 2019	Total 2018
INVENTORY AT 1 JANUARY	108.6	2.2	110.8	144.4
- PURCHASES DURING THE YEAR				
- Consumption on transmission	(510.2)	(146.0)	(656.2)	(695.4)
- Expired, retired and resold rights	(67.9)	(2.8)	(70.7)	(46.1)
- TOTAL CONSUMPTION	(578.1)	(148.8)	(726.9)	(741.5)
INVENTORY AT 31 DECEMBER	109.7	2.5	112.2	110.8
CHANGE IN INVENTORY	1.1	0.3	1.4	(33.6)
PROVISIONS FOR IMPAIRMENT				
1 January	18.8	0.0	18.8	20.8
Charges	5.7		5.7	6.6
Reversals	(9.9)		(9.9)	(8.6)
31 December	14.6	0.0	14.6	18.8

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 2019	Total 2018
Programmes and broadcasting rights ⁽¹⁾	858.3	575.0	2.5	1,435.8	1,745.2
Sports transmission rights ⁽²⁾	55.1	112.4		167.5	153.4
TOTAL	913.4	687.4	2.5	1,603.3	1,898.6

(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 €44.2 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 €100.5 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 €192.7 million as of 31 December 2019, compared with €181.4 million as of 31 December 2018.

3-5-3. Other debtors

This item mainly comprises taxes recoverable (VAT and income taxes), and balances on current accounts with subsidiaries.

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

(€m)	01/01/2019	Charges	Reversals	31/12/2019
Advance payments	0.0			0.0
Trade debtors	0.1			0.1
Other debtors	0.0			0.0
TOTAL	0.1	0.0	0.0	0.1

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	15.0	60.2	45.0	120.2
Current assets (1)	582.5	7.5		590.0
Total	597.5	67.7	45.0	710.2

(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)	2019	2018
Short-term investments	0.0	0.0
Bank deposits (instant access)	9.6	6.0
Treasury current accounts with debit balances (1)	134.0	190.2
Advertising airtime sales	0.2	0.2
Cash	143.8	196.4
TOTAL	143.8	196.4
Provisions for impairment of current accounts and short-term investments		
1 January	0.0	5.8
Charges	0.0	0.0
Reversals	0.0	(5.8)
31 December	0.0	0.0
NET VALUE	143.8	196.4

(1) As of 31 December 2019, €54.0 million was placed with Bouygues Relais (31 December 2018: €73.0 million), and intragroup current account balances amounted to €80.0 million (31 December 2018: €117.2 million).

3-7. Prepaid expenses

Prepaid expenses amounted to €6.5 million as of 31 December 2019, compared with €3.7 million as of 31 December 2018.

3-8. Shareholders' equity

The share capital is divided into 210,242,074 ordinary shares with a par value of €0.20, all fully paid.

(€m)	01/01/2019	Appropriation of profit (2019 AGM) (1)	Increases	Decreases (2)	31/12/2019
Share capital	42.0		0.1	(0.1)	42.0
Share premium	16.8		3.4		20.2
Legal reserve	4.3				4.3
Retained earnings	543.0	8.0			551.0
Other reserves	774.8			(3.5)	771.3
Profits pending appropriation	91.7	(91.7)			0.0
Net profit for the year	0.0	0.0	18.3		18.3
Sub-total	1,472.6	(83.7)	21.8	(3.6)	1,407.1
Restricted provisions	15.8		6.0	(8.7)	13.1
TOTAL	1,488.4	(83.7)	27.8	(12.3)	1,420.2
Number of shares	209,928,940		728,385	(415,251)	210,242,074

(1) Dividends paid from 2 May 2019

(2) Capital reduction through cancellation of own shares

Restricted provisions comprise the following items:

(€m)	01/01/2019	Charges	Reversals	31/12/2019
Audiovisual rights	10.0	5.1	(5.4)	9.7
Transaction costs on acquisitions of equity interests	1.6	0.9	(1.3)	1.2
Software and licences	4.2		(2.0)	2.2
TOTAL	15.8	6.0	(8.7)	13.1

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)	01/01/2019	Charges	Reversals (used)	Reversals (unused)	31/12/2019
Provisions for litigation and claims	9.4	1.0	(5.8)		4.6
Provisions for related entities	50.1	27.0	(50.1)		27.0
Provisions for retirement benefit obligations	25.9	6.5	(1.3)	(1.2)	29.9
Provisions for miscellaneous liabilities and charges	5.0		(5.0)		0.0
Provisions for unrealised foreign exchange losses	0.0				0.0
TOTAL	90.4	34.5	(62.2)	(1.2)	61.5

Provisions for litigation and claims cover risks relating to tax and legal exposures, and employment tribunal 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.

In 2018, the provision for miscellaneous liabilities and charges related to the risk of an unrealised loss on a purchase commitment.

The €29.9 million provision for retirement benefit obligations represents the present value of the obligation (€35.1 million) minus the fair value of plan assets (€5.2 million). The main assumptions used in calculating the present value of the obligations are:

- discount rate: 0.9221%
- 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. Creditors

3-10-1. Bank borrowings

TF1 SA had confirmed credit facilities of €870 million with various banks as of 31 December 2019, none of which was drawn down at that date; of that amount, €305 million was due to expire within less than one year and €565 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 €376.5 million as of 31 December 2019 and €419.8 million as of 31 December 2018.

3-10-3. Other liabilities

This item mainly comprises credit notes and accrued discounts in favour of TF1 Publicité amounting to €129.1 million (€148.7 million as of 31 December 2018).

3-10-4. Liabilities by maturity

<i>(€m)</i>	Less than 1 year	1 to 5 years	More than 5 years	Total
Other borrowings	376.5			376.5
Trade creditors	218.3			218.3
Tax and employee-related liabilities	123.0			123.0
Amounts payable in respect of non-current assets	7.6			7.6
Other liabilities	155.7	0.5		156.2
TOTAL	881.1	0.5	0.0	881.6

3-10-5. Accrued income and expenses

<i>(€m)</i>			
Accrued income included in:		Accrued expenses included in:	
Trade debtors	3.5	Trade creditors	71.4
Other debtors	29.6	Tax and employee-related liabilities	56.9
		Amounts payable in respect of non-current assets	3.5
		Other liabilities	129.1

3-11. Deferred income

Deferred income (€2.6 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 2018 was €1.8 million.

4 Notes to the income statement

4-1. Revenue

Advertising revenue of €1,117.0 million was recognised in 2019 (including €19.3 million with non-French customers), compared with €1,156.3 million in 2018 (including €17.6 million with non-French customers).

4-2. Cost transfers

This item (€83.9 million in 2019, versus €90.2 million in 2018) 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 €578.1 million (2018: €555.8 million). See Note 3-4.

4-4. Other purchases and external charges

This item includes costs of €59.1 million relating to sports transmission rights in 2019, compared with €95.7 million in 2018. The year-on-year decrease relates mainly to transmission rights for the Football World Cup in 2018.

It also includes transmission costs of €8.7 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 €7.8 million in 2019, compared with €7.5 million in 2018.

4-5. Taxes other than income taxes

The main item included on this line is the contribution to the French cinematographic industry support fund (€62 million in 2019, compared with €67.8 million in 2018). It also includes €4.3 million in respect of the tax on broadcast advertising for 2019 (versus €5.2 million in 2018).

4-6. Wages, salaries and social security charges

For 2019, this does not include any accrued expense for the voluntary profit-sharing scheme, compared with an amount of €6.8 million in 2018.

4-7. Other expenses

This item includes payments to copyright-holders and holders of related rights, amounting to €46.7 million in 2019 (versus €50.2 million in 2018).

4-8. Net financial income/expense

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

(€m)	2019	2018
Dividends and transfers of profits/losses from partnerships	47.7	53.6
Net interest paid or received	1.9	1.5
Provision for impairment of equity investments (1)	(41.2)	16.9
Provisions for impairment of current accounts	0.0	5.8
Provisions for risks relating to shares of partnership losses	(26.9)	(50.1)
Foreign exchange losses and provisions for unrealised foreign exchange losses	1.9	(1.7)
Net	(16.6)	26.0

(1) See Note 3.3

Interest received from related companies in 2019 was €1.9 million, compared with €1.5 million in 2018.

4-9. Exceptional items

Exceptional items break down as follows:

(€m)	2019	2018
Retirement/expiration of rights and gains/losses on disposals of intangible assets	(1.5)	(1.7)
Retirement and gains/losses on disposals of property, plant and equipment	0.0	(0.7)
Net change in provisions (including tax depreciation)	5.0	(0.3)
Gains/(losses) on disposals of non-current financial assets	(0.1)	4.1
Miscellaneous income/(expenses)	(4.5)	11.7
Net	(1.1)	13.1

The net change in provisions during 2019 comprises net reversals of provisions for claims and litigation of €2.3 million, and a net reversal of tax depreciation of €2.7 million. The net change in provisions during 2018 comprises a net charge to provisions for claims and litigation of €0.9 million, and a net reversal of tax depreciation of €0.6 million.

The net gain on disposals of non-current financial assets in 2019 (€0.1 million) arose from a sale of equity interests to a non-group company, and a loss on a transfer of equity interests to a group company. The net gain on disposals of non-current financial assets in 2018 (€4.1 million) arose from a sale of equity holdings to a non-group company.

Miscellaneous expenses for 2019 mainly comprise a tax reassessment of €3.3 million (cancelled out by a reversal of a provision of the same amount). In 2018, miscellaneous income mainly comprised tax reliefs.

4-10. Income taxes

This item breaks down as follows:

(€m)	2019	2018
Income tax expense incurred by the tax group (net of tax credits)	(44.7)	(45.3)
Income tax credit/(expense) receivable from companies entitled to tax credits	31.2	37.6
Income tax credit/(expense) from prior periods	(1.2)	0.7
Net change in provision for income taxes	1.4	(1.4)
Income taxes	(13.3)	(8.4)
Profit before tax and profit-sharing	31.6	100.1
Effective tax rate	42.09%	8.39%

Exceptional items generated a tax gain of €1.3 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 58 companies as of 31 December 2019.

The tax group had no tax losses available for carry-forward as of 31 December 2019.

The difference between the standard French tax rate and the effective tax rate, in both 2019 and 2018, 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).

The total amount of tax losses of subsidiaries that generated savings for the tax group in 2019 and may generate a tax liability in the future is €11.5 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 32.02%.

(€m)	Future increases in tax liability	Future reductions in tax liability
Restricted provisions outstanding (balance)	3.8	-
Provision for risks (balance)		0.7
Accrued employee profit-sharing, holiday pay entitlement and social solidarity contributions, unrealised foreign exchange gains and losses (for the period)	-	3.5

5 Other information

5-1. Off balance sheet commitments

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

(€m)	Less than 1 year	1 to 5 years	More than 5 years	Total 2019	Total 2018
Commitments given					
Operating leases	26.9	99.3	45.5	171.7	88.7
Image transmission contracts	4.9	2.3	0.0	7.2	12.5
Guarantees (1)	5.4		11.2	16.6	14.0
Commitments relating to equity interests (2)	0.0			0.0	2.8
Other commitments (3)	0.1			0.1	0.1
TOTAL	37.3	101.6	56.7	195.6	118.1

(€m)	Less than 1 year	1 to 5 years	More than 5 years	Total 2019	Total 2018
Commitments received					
Operating leases	26.9	99.3	45.5	171.7	88.7
Image transmission contracts	4.9	2.3	0.0	7.2	12.5
Commitments relating to equity interests (2)	0.0			0.0	2.8
Other commitments (3)	0.3			0.3	2.2
TOTAL	32.1	101.6	45.5	179.2	106.2

(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 2019.

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 2019, the equivalent value of such hedging instruments contracted with banks was €15 million:

- €2.2 million of forward purchases (all in U.S. dollars, valued at the closing exchange rate);
- plus €12.8 million of currency swaps (all in U.S. dollars, valued at the closing exchange rate).

5-3. Employees

The average headcount of TF1 SA is as follows:

	2019	2018
Clerical and administrative	80	70
Supervisory	207	228
Managerial	854	883
Journalists	237	234
Interns	24	37
Intermittent employees	86	77
TOTAL	1,489	1,529

5-4. Executive remuneration

Total remuneration paid during 2019 to key executives of the TF1 Group (i.e. the ten members of the TF1 Management Committee mentioned in the Annual Report) was €7.9 million.

The portion of the total obligation in respect of retirement and other post-employment benefits relating to those key executives was €2.5 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. The expense (invoiced to TF1 by Bouygues) relating to the contribution paid in 2019 to the investment fund of the insurance company which manages the scheme was €0.6 million.

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 are provided in the "Report on stock options and performance shares" in the TF1 Universal Registration Document.

5-6. Remuneration of corporate officers for serving as directors (ex-Directors' fees)

The amount of remuneration paid to corporate officers for serving as directors in 2019 was €0.3 million.

5-7. Auditors' fees

The amount of fees paid by TF1 SA to its auditors for the financial year was €0.5 million.

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
<i>In thousands of euros (or other currency as specified)</i>				<i>In thousands of euros</i>							
I. Subsidiaries (at least 50% of the capital held by TF1 SA)											
- TF1 PUBLICITE		2,400	22,551	100.00%	3,038	3,038	30,671	-	1,643,936	14,241	
- TF1 FILMS PRODUCTION		2,550	30,315	100.00%	1,768	1,768	3,097	-	42,746	3,994	
- TF1 ENTERTAINMENT		3,000	2,809	100.00%	3,049	3,049	-	-	34,243	7,318	6,000
- E-TF1		1,000	1,242	100.00%	1,000	1,000	-	-	126,950	30,388	34,000
- TF1 VIDEO		3,000	(528)	100.00%	23,100	1,611	-	-	27,998	1,958	-
- TF1 EXPANSION		269	188,871	100.00%	291,291	291,291	-	-	0	(6,640)	
- TF1 DROITS AUDIOVISUELS		15,000	2,020	100.00%	138,431	101,033	-	-	48,503	4,123	1,290
- LA CHAINE INFO		4,500	1,383	100.00%	2,059	59	13,695	-	28,054	(26,944)	-
- OUEST INFO		40	(970)	100.00%	2,617	17	1,258	-	255	(292)	-
- TF1 PRODUCTION		10,080	5,311	100.00%	39,052	39,052	-	-	87,100	4,644	5,000
- TF1 MANAGEMENT		40	(14)	100.00%	80	80	-	-	0	(5)	-
- PREFAS 20		40	(22)	100.00%	40	40	-	-	0	(4)	-
- UNIFY		312,697	589	100.00%	312,697	312,697	-	-	1,571	(110,391)	-
- PREFAS 25		40	(11)	100.00%	40	40	-	-	0	(4)	-
- PREFAS 26		40	0	100.00%	40	40	-	-	0	(3)	-
- PREFAS 27		40	0	100.00%	40	40	-	-	0	(3)	-
- PREFAS 28		40	0	100.00%	40	40	-	-	0	(3)	-
- PREFAS 29		40	0	100.00%	40	40	-	-	0	(3)	-
- TF1 DISTRIBUTION		40	80	100.00%	40	40	3,382	-	119,513	744	-
- TF1 DS		100	0	100.00%	100	100	-	-	80,918	137	-
- NEWEN STUDIOS		27,822	(20,009)	100.00%	225,773	225,773	-	-	864	(403)	-
- SPV		1,003	0	100.00%	1,003	1,003	1	-	0	(567)	-
- MONTE CARLO PARTICIPATION		33,700	112,727	100.00%	213,827	213,827	76,000	-	52	44,199	-
- GIE ACQUISITION DE DROITS		0	0	92.00%	0	0	192,618	-	323,077	14,305	-

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
<i>In thousands of euros (or other currency as specified)</i>				<i>In thousands of euros</i>							
II Affiliates (10% to 50% of the capital held by TF1 SA)											
- MEDIAMETRIE (*)		14,880	23,764	10.80%	44	44	-	-	92,713	2,626	100
- A1 INTERNATIONAL		N/D (**)	N/D (**)	50.00%	12,809	N/D (**)	-	-	N/D (**)	N/D (**)	-
SMR6		75	14	20.00%	15	15	5	-	78	1	-
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
<i>In thousands of euros (or other currency as specified)</i>				<i>In thousands of euros</i>							
III Other equity investments (less than 10% of the capital held by TF1 SA)											
- MEDIAMETRIE EXPANSION (*)		843	(26)	2.42%	91	0	-	-	0	(422)	-
- SERIE CLUB		50	1,251	0.004%	2	2	-	-	11,321	973	-
- APHELIE		2	104,767	0.05%	0	0	-	-	18,988	15,067	-
TOTAL SUBSIDIARIES, AFFILIATES & EQUITY INVESTMENTS					1,272,126	1,195,739	320,727	0	-	-	46,390

(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 2018 financial year.

(**) N/D: not disclosed.

6- Events after the reporting period

None.