

# REPORT ON REMUNERATION

*Report on remuneration in accordance with Articles L. 225-102-1 and L. 225-37 paragraph 9 of the French Commercial Code.*

This chapter contains the reports required by the French Commercial Code and the tables recommended in:

- the AFEP/MEDEF Code of Corporate Governance as revised in June 2013, application of which is overseen by the High Committee on Corporate Governance;
- the AMF Recommendation of December 22, 2008 as amended on December 10, 2009, on directors' remuneration disclosures to be included in the registration documents of listed companies.

## 1. REMUNERATION OF EXECUTIVE AND NON-EXECUTIVE DIRECTORS

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### PRINCIPLES AND RULES FOR DETERMINING THE REMUNERATION OF THE EXECUTIVE DIRECTOR

#### General preliminary remarks

- ✓ The Executive Director holds an employment contract with Bouygues SA.
- ✓ The Board of Directors has not granted the Executive Director any entitlement to compensation for assumption, cessation or change of office, or for any non-competition undertaking in the event that he leaves the company.
- ✓ He has not been granted any deferred annual variable remuneration, multi-year variable remuneration or exceptional remuneration.
- ✓ The total remuneration of the Executive Director takes into account the existence of a capped supplementary pension and the fact that he has not been granted any entitlement to compensation of the type mentioned above.
- ✓ Other than directors' fees (see Table 2 below), the Executive Director does not receive any remuneration from any subsidiary of the Bouygues group.

#### Role of the Board of Directors

The Board of Directors determines the criteria for awarding the variable portion of remuneration, and the overall amount of remuneration, to be paid to the Executive Director of TF1. Before doing so, the Board consults the Remuneration Committee, which takes into account AFEP/MEDEF recommendations on the remuneration of executive directors of listed companies.

The remuneration determined by the Board of Directors is in line with the general interests of the company. Three factors are taken into account:

- the company's performance: the Board took the view that the remuneration should be commensurate with the work done and outcomes achieved in a highly complex economic, regulatory and competitive environment;
- stock market performance: the remuneration should reflect the company's performance on the stock market, in particular trends in its average share price;
- sector and intra-group comparisons: the remuneration is benchmarked against that awarded to other media sector executives in France and the rest of Europe, and is based on rules that are applied consistently across the Bouygues group's business lines.

This remuneration, and the associated social security charges, are paid to the Executive Director by Bouygues (which employs him) and then re-invoiced to TF1. Each year, the TF1 Board of Directors authorises the re-invoicing of this remuneration.



## FIXED REMUNERATION

The Executive Director's fixed remuneration is reviewed annually by the TF1 Board of Directors, in accordance with Article L. 225-53 of the French Commercial Code, after taking advice from the Remuneration Committee. Fixed remuneration is determined in line with the general interests of the company, and takes into account the following factors:

- the level and complexity of the Executive Director's responsibilities;
- his experience in the post;
- his length of service with the Group;
- practices followed by the Group or by companies carrying on comparable businesses.

For 2015, Nonce Paolini's fixed remuneration was €920,000; this amount has been unchanged since 2011.

## BENEFITS IN KIND

Benefits in kind consist of the use of a company car and the part-time assignment of a personal assistant and a chauffeur/bodyguard for the personal needs of the Executive Director.

Those benefits were valued at €5,037 in 2015; this amount has been unchanged since 2008.

## VARIABLE REMUNERATION

### General policy on variable remuneration

The criteria for determining variable remuneration were adjusted by the Board in February 2007, and again in 2010, in light of AFEP/MEDEF recommendations.

The variable component is an integral part of the remuneration not only of the Executive Director, but also of other managers.

Within the TF1 group, employees at and above department head level are also eligible for variable remuneration, which is paid annually in March in respect of the previous year on the basis of collective and individual criteria, both quantitative and qualitative.

The variable remuneration percentage rate, and the weighting attached to collective criteria, increase in line with the employee's level of responsibility.

### General description of the method used to determine the Executive Director's variable remuneration

An objective is defined for each criterion.

Those objectives are precisely defined, but are not disclosed for confidentiality reasons.

When an objective is attained, a variable portion corresponding to a percentage of fixed remuneration is awarded. If all five objectives are attained, the sum total of the five variable portions equals the overall ceiling of 150%, which the variable remuneration of the Executive Director cannot exceed.

If an objective is exceeded or not attained, the variable portion is adjusted on a straight line basis within a specified range: the variable portion is subject to an upper limit, and is reduced to zero below a specified threshold. In any event, the sum total of the five variable portions calculated on this basis cannot under any circumstances exceed the overall ceiling, which for the Executive Director is set at 150% of his fixed remuneration.

No deferred annual or multi-year variable remuneration is awarded to the Executive Director.

### The five criteria used to determine the variable portion

On the advice of the Remuneration Committee, since 2010 a greater weight has been attached to qualitative criteria in the case of the Executive Director, on the grounds that his performance must be measured by more than just financial results.



In accordance with the principles and rules for determining the remuneration paid to salaried directors of Bouygues, the Executive Director's gross variable remuneration for 2015 is based on the performances of the TF1 and Bouygues groups, measured on the basis of significant economic indicators that are stable and relevant over the long term:

- Quantitative:
  - Criterion P1: change in "consolidated net profit attributable to the Group" for Bouygues (30% of fixed remuneration when the target is met; captures the financial performances of the entire Bouygues group).
  - Criterion P2: variance in TF1 current operating margin relative to the business plan (10% of fixed remuneration when the target is met; gives the Executive Director an incentive to improve the financial performances of the TF1 group).
  - Criterion P3: variance in "consolidated net profit attributable to the Group" for TF1 relative to the business plan (25% of fixed remuneration when the target is met; rewards the Executive Director for meeting budget commitments).
  - Criterion P4: year-on-year change in "consolidated net profit attributable to the Group" for TF1 (35% of fixed remuneration when the target is met; captures growth performance relative to the previous financial year).
- Qualitative:
  - Criterion P5: this criterion comprises four qualitative sub-criteria (50% of fixed remuneration when the targets are met).

In 2014, the Remuneration Committee decided that a Corporate Social Responsibility (CSR) criterion would be added to the qualitative criteria.

This criterion was applied again in 2015, but was extended; it now requires that TF1 retain its place in four non-financial CSR indices, as opposed to three previously. During 2015, the TF1 group retained its place in all the indices in which it had been included in previous years.

#### Overall ceiling

The overall ceiling for variable remuneration is set at 150% of fixed remuneration.

The total variable portion awarded to the Executive Director for 2015 was €1,092,500, or 119% of his fixed remuneration.

Nonce Paolini's annual variable remuneration in past years has been as follows:

- in 2009, 73% of his fixed remuneration;
- in 2010, 150% of his fixed remuneration;
- in 2011, 102% of his fixed remuneration;
- in 2012, 50% of his fixed remuneration;
- in 2013, 111% of his fixed remuneration;
- in 2014, 150% of his fixed remuneration;
- in 2015, 119% of his fixed remuneration.

#### **EXCEPTIONAL REMUNERATION**

In exceptional circumstances, the Board of Directors reserves the right, after taking advice from the Remuneration Committee, to award an exceptional bonus.

No exceptional remuneration was awarded to Nonce Paolini for 2015.

#### **DIRECTORS' FEES**

The Executive Director receives and retains directors' fees paid by Bouygues, Bouygues Telecom and TF1.

#### **STOCK OPTIONS AND PERFORMANCE SHARES**

The Bouygues Board of Directors may award the Executive Director, in connection with the office he holds at Bouygues, options giving entitlement to subscribe for new Bouygues shares.

Nonce Paolini has not been awarded any options to purchase or subscribe for TF1 shares since 2010.

In connection with the office he holds at Bouygues, during 2015 Nonce Paolini received options giving entitlement to subscribe for new Bouygues shares, awarded on May 28, 2015 by a meeting of the Bouygues Board of Directors held on April 23, 2015.

### **COMPENSATION FOR ASSUMPTION, CESSATION OR CHANGE OF OFFICE**

The Executive Director is not entitled to compensation or benefits due or potentially due as a result of cessation or change in office, or to any indemnity relating to a non-competition clause.

The Bouygues group and its subsidiaries have not made any commitment or promise regarding the payment of severance benefits to any salaried director. Although not a severance benefit as such, in the event of termination of the employment contract of a director who is an employee of Bouygues SA, that director would be entitled under the relevant collective agreement (in the case of Bouygues SA, the collective agreement for managers in the building industry in the Paris region) to compensation equal to approximately one year's salary.

The TF1 Board of Directors officially confirmed on February 18, 2014 that any such compensation would be re-invoiced to TF1 on a pro rata basis for the number of years of service as an employee or corporate officer of the TF1 group.

### **SUPPLEMENTARY PENSION**

Under a policy governed by the French Insurance Code, Bouygues offers the members of its Group Management Committee a supplementary pension scheme giving entitlement to an annual pension set at 0.92% of the reference salary (average of the three best years) for each year of service, subject to a cap equal to eight times the upper earnings limit for social security contributions; this means that the cap is currently €308,928 (or about 33% of the Executive Director's fixed remuneration).

This pension scheme is closed, and membership is obligatory. Nonce Paolini is a member of the Bouygues Group Management Committee. Entitlement to this supplementary pension scheme is acquired only after ten years' service with the Bouygues group and is contingent on the beneficiary being with the Group at the date of retirement. The Bouygues group is not required to set aside provisions for this supplementary pension, which takes the form of an insurance policy with an insurer from outside the Group. This annual supplementary pension has been submitted for approval under the procedure on related party agreements.

The supplementary pension expense for 2015, and the associated social security charges, were re-invoiced by Bouygues to TF1 under the related party agreement with Bouygues as authorised by the Board of Directors on October 29, 2014 and approved by the Annual General Meeting on April 16, 2015.

### **DEPARTURE FROM OFFICE OF NONCE PAOLINI**

Nonce Paolini ceased to hold office as Chairman and Chief Executive Officer of TF1 with effect from February 19, 2016.

In accordance with recommendation no. 2012-02 issued by the AMF (the French markets regulator), TF1 is disclosing the financial terms of his departure from the TF1 group.

He will receive remuneration of €360,000 in respect of the 2016 financial year, representing the fixed portion of his remuneration until the end of May 2016. This remuneration will not be supplemented by any variable compensation.

As of today, Nonce Paolini does not hold any options or performance shares awarded by the TF1 Board of Directors.

The Board of Directors did not grant Nonce Paolini any entitlement to severance benefits or non-competition indemnities. Following payment of the retirement benefit specified in the collective agreement that governs the employment contract between Bouygues and Nonce Paolini, Bouygues and TF1 have agreed to split that amount between them in proportion to the time spent by Nonce Paolini working in each of the two companies. Consequently, Bouygues will invoice TF1 the sum of €1,315,000.

Nonce Paolini will also receive a supplementary pension of €186,700 per year. No provision was set aside by TF1 for this supplementary pension, which takes the form of an insurance policy with an insurer from outside the Group.

## ANNUAL GENERAL MEETING OF APRIL 16, 2015 – SAY ON PAY

The Annual General Meeting held on April 16, 2015 expressed a favourable opinion on the remuneration package awarded to Nonce Paolini in respect of the 2014 financial year (15th resolution, passed with 97.62% of votes in favour).

### SUMMARY OF THE EXECUTIVE DIRECTOR'S REMUNERATION IN RESPECT OF THE 2015 FINANCIAL YEAR

No remuneration other than that mentioned in the table below was paid to the Executive Director by the TF1 and Bouygues groups.

**TABLE 1 – SUMMARY OF REMUNERATION, OPTIONS AND SHARES AWARDED TO THE EXECUTIVE DIRECTOR**

Nonce Paolini – Chairman and CEO since August 1, 2008 (€)	2015	2014
Remuneration paid for the year (details in Table 2)	2,072,644	2,361,037
Value of options awarded during the year (details in Table 4)	431,906	163,760
Value of performance shares awarded during the year (details in Table 6)	-	-
<b>TOTAL</b>	<b>2,504,550</b>	<b>2,524,797</b>
Change	-0.8%	+21.0%

**TABLE 2 – REMUNERATION OF THE EXECUTIVE DIRECTOR**

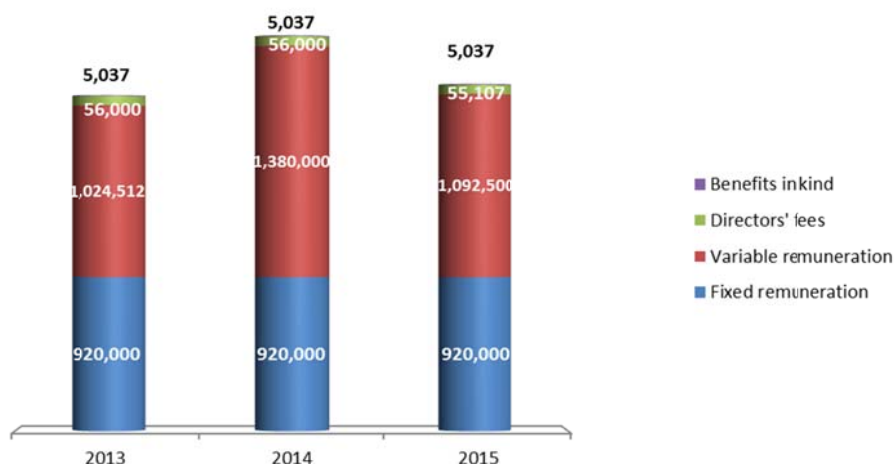
Nonce Paolini – Chairman and CEO since August 1, 2008 (€)	2015		2014	
	Gross amounts due before taxes	Gross amounts paid before taxes	Gross amounts due before taxes	Gross amounts paid before taxes
Fixed remuneration	920,000	920,000	920,000	920,000
Change	=	=	=	=
Variable remuneration	1,092,500	1,380,000	1,380,000	1,024,512
Change	-20.8%		+34.7%	
% Variable/Fixed	119%		150%	
Ceiling	150%		150%	
Other remuneration <sup>(1)</sup>	-	-	-	-
Directors' fees <sup>(2)</sup>	55,107	56,000	56,000	56,000
Benefits in kind	5,037	5,037	5,037	5,037
<b>TOTAL</b>	<b>2,072,644</b>	<b>2,361,037</b>	<b>2,361,037</b>	<b>2,005,549</b>

(1) Nonce Paolini received no additional remuneration whether from TF1, Bouygues, or subsidiaries of TF1.

(2) In 2015 : €18,500 for TF1, €25,000 for Bouygues, and €11,607 for Bouygues Telecom.

In 2014: €18,500 for TF1, €25,000 for Bouygues, and €12,500 for Bouygues Telecom.

## TRENDS IN THE REMUNERATION OF THE EXECUTIVE DIRECTOR OVER THE PAST THREE YEARS



The fixed and variable remuneration of the Executive Director is reviewed annually by TF1's Board of Directors, in line with Article L. 225-53 of the French Commercial Code, after taking advice from the Remuneration Committee. This remuneration is in line with the general interests of the company.

For 2015, Nonce Paolini's fixed remuneration was €920,000; this amount has been unchanged since 2011.

The total variable portion awarded to Nonce Paolini for 2015 was €1,092,500, equivalent to 119% of his fixed remuneration and 20.8% lower than for the previous year. The quantitative criteria were not fully met, but the qualitative criteria were all met.

The following factors were taken into account in determining Nonce Paolini's remuneration:

- The company's performance: the Board took the view that the remuneration was commensurate with the work done and outcomes achieved in a highly complex economic, regulatory and competitive environment, which weighed on the company's financial performance. However, the Group did record a substantial increase of €41.5 million in current operating profit in 2015. The Group also continued to create value with the finalisation of the sale of the Eurosport group to Discovery Communications. In addition, the first steps in the transformation of the Group's news operations were successfully completed, with the rationalisation of the Metronews business and the approval of the application for LCI to switch to freeview. Finally, the Group became a key player in the production and distribution of content with the acquisition of an equity interest in Newen Studios. However, the Group did not manage to increase its net profit year-on-year, as the economic situation continued to be a drag on advertising revenue.
- Stock market performance: the average price of TF1 shares has seen constant growth over the last four years, from €8.85 in 2012 to €10.53 in 2013, €12.38 in 2014 and €14.19 in 2015. The average price of TF1 shares was 14.6% higher in 2015 than in 2014, while the CAC 40 average rose by 11.4% and the SBF 120 average by 12.3% over the same period.

Between 2013 and 2015, the average price of TF1 shares advanced by 34.7%, compared with 22.2% for the CAC 40 average and 24.5% for the SBF 120 average.

Another factor in determining the remuneration was the trend in the yield on TF1 shares: the average yield (dividend income in respect of the 2013-2014-2015 financial years divided by the average share price over the period) was 23.0%. When these two criteria (dividend income and capital growth) are combined, the total rate of return on TF1 shares between January 1, 2013 and December 31, 2015 was 48.0%.

- sector and intra-group comparisons: the remuneration is benchmarked against that awarded to other media sector executives in France and the rest of Europe, and is based on rules that are applied consistently across the Bouygues group's business lines.



## **CHANGES WITH EFFECT FROM THE 2016 FINANCIAL YEAR**

The Board of Directors decided at its meeting of February 17, 2016 that the fixed remuneration would not be increased.

The ceiling on variable remuneration, and the quantitative and qualitative criteria for awarding variable remuneration, have not been changed.

## **DIRECTORS' FEES AND OTHER REMUNERATION RECEIVED BY NON-EXECUTIVE DIRECTORS**

The Annual General Meeting of April 23, 2003 set the total amount of directors' fees payable to TF1 directors at €350,000 annually, leaving it to the Board of Directors to determine how this amount should be allocated.

Directors' fees are allocated as follows:

- The theoretical annual fee for each director is €18,500. Since January 1, 2014, 30% of the fees have been allocated on the basis of the director's responsibilities, and 70% on the basis of attendance at Board Meetings.
- Committee members:
  - Audit Committee: €3,000 per member per quarter;
  - Remuneration Committee: €1,350 per member per quarter;
  - Director Selection Committee: €1,350 per member per quarter;
  - Ethics and CSR Committee: €1,350 per member per quarter. This fourth committee was created in 2014.

Not all of the €350,000 available for directors' fees was used in 2015.

The total gross amount of directors' fees before taxes paid to directors (including Nonce Paolini) was €282,600, as indicated in the table below.

**TABLE 3 – DIRECTORS' FEES AND OTHER REMUNERATION PAID TO NON-EXECUTIVE DIRECTORS (€)**

<b>Non-executive director</b>	<b>Type of remuneration</b>	<b>Gross amounts before tax due for 2015</b>	<b>Gross amounts before tax due for 2014</b>
Claude Berda	Directors' fees	16,650	18,500
Martin Bouygues	Directors' fees	23,900	20,200
Olivier Bouygues	Directors' fees	14,800	14,800
Fanny Chabirand <sup>(1)</sup> (employee representative)	Directors' fees	18,500	16,650
Laurence Danon	Directors' fees	30,500	28,650
Catherine Dussart	Directors' fees	23,900	18,000
Janine Langlois-Glandier	Directors' fees	23,900	19,850
Sophie Leveaux Talamoni <sup>(1)</sup> (employee representative)	Directors' fees	22,050	18,000
Philippe Marien	Directors' fees	35,900	35,900
Gilles Pélisson	Directors' fees	30,100	31,950
	Other remuneration	153,333	0
Olivier Roussat	Directors' fees	23,900	22,050
<b>TOTAL</b>		<b>417,433</b>	<b>244,550</b>

(1) Directors' fees due to the employee representative directors were paid directly to two trade unions: CFTC (€22,050) and FO (€18,500).

Having been chosen by the TF1 Board of Directors at its meeting of October 28, 2015 to succeed Nonce Paolini as Chairman and Chief Executive Officer with effect from February 19, 2016, Gilles Pélisson joined the company on November 1, 2015 and prepared for his new role with support from Nonce Paolini. Consequently, he received remuneration on a pro rata basis in proportion to the fixed remuneration he will be paid in his new role (€920,000 a year).

No other remuneration was paid to the non-executive directors in consideration of their corporate office in the TF1 group.

The only remuneration paid by TF1 to Martin Bouygues and Olivier Bouygues was TF1 directors' fees.

The salaried directors, Fanny Chabirand and Sophie Leveaux Talamoni, received no exceptional remuneration in consideration of their corporate office in the TF1 group.

Directors' fees paid to the Executive Director were as follows:

**DIRECTORS' FEES PAID TO THE EXECUTIVE DIRECTOR**

	<b>Gross amounts before tax due for 2015</b>	<b>Gross amounts before tax due for 2014</b>
Nonce Paolini	€55,107 <sup>(1)</sup>	€56,000 <sup>(2)</sup>
<b>TOTAL</b>	<b>€55,107</b>	<b>€56,000</b>

(1) €18,500 for TF1, €25,000 for Bouygues, and €11,607 for Bouygues Telecom.

(2) €18,500 for TF1, €25,000 for Bouygues, and €12,500 for Bouygues Telecom.



## 2. 2015 REPORT ON STOCK OPTIONS AND PERFORMANCE SHARES

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*As required by Articles L. 225-184 and L. 225-197-4 of the French Commercial Code.*

This chapter contains the reports required by the French Commercial Code and the tables recommended in the AFEP/MEDEF Code of Corporate Governance or in AMF pronouncements on directors' remuneration disclosures to be included in the registration documents of listed companies.

The Board of Directors awarded stock subscription options during 2015, but no free shares (performance shares).

### **PRINCIPLES AND RULES FOR THE GRANTING OF STOCK OPTIONS AND FREE SHARES (PERFORMANCE SHARES)**

#### **AUTHORISATIONS GIVEN TO THE BOARD OF DIRECTORS BY THE ANNUAL GENERAL MEETING**

Resolutions 11 and 12 of the Annual General Meeting of April 17, 2014 authorised the Board of Directors for 38 months to allot, on one or more occasions, options to subscribe for shares, options to purchase shares and/or free shares, whether in existence or to be issued in the future, for the benefit of employees and corporate officers of TF1 or companies related to it. Those authorisations expire on June 17, 2017.

To that end, the General Meeting delegated powers to the Board of Directors to set conditions for making such awards, with a view to linking the remuneration of key executives more closely with the performance and future of the Group and with the outcomes of their work.

The maximum amount of such awards was set at 3% of the share capital.

Resolutions 11 and 12 on stock options and free shares stipulate that:

- the Board of Directors shall determine the conditions, in particular the maximum amount, for the awarding of stock options or shares to the Executive Directors, as well as the performance criteria applicable to such awards;
- the Board of Directors shall draw up a list or determine the categories of other beneficiaries of options or shares, and determine the performance criteria applicable to such awards.

Under resolution 11 on stock options, no discount is permitted. Depending on the circumstances:

- the subscription price shall be no less than the average quoted share price over the 20 trading days preceding the date of grant;
- the purchase price of shares shall be no less than (i) the average quoted share price over the 20 trading days preceding the date of grant or (ii) the average price at which they were purchased by the company pursuant to Articles L. 225-208 and L. 225-209 of the Commercial Code.

The Board of Directors granted options entitling their holders to subscribe for new TF1 shares, which have been subject to performance conditions since 2009 in the case of the Executive Director, and since 2011 for all grantees.

#### **GENERAL RULES ON GRANTING STOCK OPTIONS AND FREE SHARES**

The Board of Directors has taken into account the recommendations of the AFEP/MEDEF code and of the AMF.

The general rules applied are summarised below:

- Stock options or bonus shares are awarded to attract key executives and employees, secure their loyalty, reward them, and give them a medium- and long-term interest in the company's development, reflecting their contribution to value creation.
- Stock option plans are awarded to approximately 150 corporate officers and employees of TF1 or of Group companies who sit on any of the three management bodies. Grantees are selected and individual awards decided so as to reflect each beneficiary's responsibilities and performance, with particular attention paid to high-potential executives.
- No discount is applied to grants of stock options.
- Grants of options are contingent on two performance conditions set by the Board of Directors that are based on proposals made by the Remuneration Committee and measured over at least three financial years. In addition, exercise of options is subject to the grantee remaining with the Group, other than in exceptional cases.
- Executives who benefit from these plans are informed about insider trading. Various internal rules have been issued to prevent insider trading. These include establishing a list of individuals with access to privileged information, reminders of prohibitions on trading, information about stock market law, and a recommendation that grantees set up a pre-arranged option management plan with an independent investment services provider. A dedicated compliance programme was approved and distributed during 2015.

- All TF1 stock option plans prohibit grantees from exercising their options, or selling shares derived from exercised options, during the period preceding publication of the financial statements. Since the issuance of the AMF recommendation in November 2010, this period extends for thirty calendar days up to and including the day of publication of the TF1 quarterly, half-year and full-year financial statements. The prohibition on trading also applies during any period in which such persons are aware of privileged information, and on the date of publication of such information.
- The three most recent plans were awarded in June 2011, June 2012 and June 2015. No plans were awarded in either 2013 or 2014.

### **SPECIFIC RULES APPLICABLE TO DIRECTORS**

The key features of the policy for awards to directors, including the Chairman and Chief Executive Officer, comply with the recommendations of the AFEP/MEDEF code and are described below:

The Board of Directors has included the following AFEP/MEDEF recommendations as an appendix to its rules of procedure:

- prohibition on awards of stock options or free shares to key executives on departure from the company;
- prohibition on speculative transactions, and on hedging risk relating to the exercise of stock options or the sale of free shares;
- obligation for key executives to retain a specified number of shares derived from the exercise of options until they leave office;

This last obligation was applied for the first time to stock options granted in 2009. The Board set the proportion of shares derived from the exercise of options that executive directors would be required to retain until they left office at 25% (after selling the number of shares necessary to cover the cost of option exercise and paying any related taxes or social charges).

- performance conditions to which executive directors are subject as regards the granting and exercise of stock options;  
Since 2009, options granted to the Chairman and Chief Executive Officer have been subject to performance criteria.
- obligation for executive directors who wish to sell shares derived from the exercise of options, or to sell free shares, to ascertain that the information they possess is not privileged information, inter alia by consulting a compliance officer designated by the TF1 Board of Directors.
- declaration to the Board of Directors of any transactions carried out;
- the Board rules of procedure also reiterate the AMF recommendation that key executives set up a pre-arranged option management plan with an independent investment services provider.

### **RATIONALE FOR USING STOCK OPTIONS**

For some years, the Board of Directors has used stock option plans as its preferred mechanism for securing the loyalty of key executives and other employees, and for giving them a stake in the development of the Group.

The Board has requested that the Remuneration Committee reassess regularly which is the most appropriate mechanism for building loyalty and for incentivising key executives and other employees by reference to changes in the share price.

### **APPLICATION OF PERFORMANCE CONDITIONS**

Exercise of the stock options in Plan no. 12, Plan no. 13 and Plan no. 14 is subject to performance conditions. The Board of Directors has set two performance criteria, independent of each other, that determine the number of options that will vest. Vesting of the stock options is 50% contingent on trends in consolidated revenue on a constant structure basis, and 50% on the ratio of current operating profit to consolidated revenue on a constant structure basis.

For each of these two criteria:

- if actual performance is equal to or better than 90% of the objectives, 100% of the options will be exercisable;
- if actual performance is equal to or better than 70% but less than 90% of the objectives, the options will be exercisable up to the actual percentage performance, calculated on a straight line basis;
- if actual performance is less than 70% of objectives, no options will be exercisable.

For Plan no. 12, the calculation was made on the basis of the arithmetical average of performances in 2011, 2012 and 2013 on a constant structure basis, as compared with the budgets set in 2010, 2011 and 2012 for the 2011, 2012 and 2013 financial years, respectively.

On February 18, 2014, the Board of Directors was informed by the Remuneration Committee that in view of its analysis of the performance criteria on which exercise of the options in Plan no. 12 is contingent, 100% of the stock options (which are exercisable until June 10, 2018) had vested.

For Plan no. 13, the calculation was made on the basis of the arithmetical average of performances in 2012, 2013, 2014 and 2015 on a constant structure basis, as compared with the budgets set in 2011, 2012, 2013 and 2014 for the 2012, 2013, 2014 and 2015 financial years, respectively.

On February 17, 2016, the Board of Directors was informed by the Remuneration Committee that in view of its analysis of the performance criteria on which exercise of the options in Plan no. 13 is contingent, 100% of the stock options (which are exercisable until June 12, 2019) had vested.

For Plan no. 14, the calculation will be made on the basis of the arithmetical average of performances in 2015, 2016 and 2017 on a constant structure basis, as compared with the budgets set in 2014, 2015 and 2016 for the 2015, 2016 and 2017 financial years, respectively.

The Remuneration Committee will examine the performance criteria on which exercise of the options is contingent.

#### **GENERAL INFORMATION AND CHARACTERISTICS OF STOCK OPTIONS**

- Terms of exercise:
  - Plans nos. 10, 11, 14 : three years after the date of grant;
  - Plans nos. 12 and 13: four years after the date of grant;
- Exercise period:
  - Plans nos. 10 and 11: four years after expiry of the lock-up period;
  - Plans nos. 12, 13 and 14: three years after expiry of the lock-up period.
- Options are automatically cancelled on termination of the grantee's employment contract or corporate office, unless given special dispensation or in the event of disability or retirement.

#### **STOCK SUBSCRIPTION OPTIONS GRANTED OR EXERCISED IN 2015**

##### **STOCK SUBSCRIPTION OPTIONS GRANTED OR EXERCISED DURING THE YEAR**

Options giving entitlement to subscribe for TF1 shares were awarded in 2015.

On April 29, 2015, the Board of Directors approved the granting on June 12, 2015 of 1,308,800 options, equivalent to 0.6% of the share capital, to 139 grantees from the TF1 group.

The exercise price of €15.46 per share is the average of the quoted market prices on the 20 trading days preceding June 12, 2015.

On the date of grant, the value of each option (as measured using the method applied for the purposes of the consolidated financial statements) was €2.7504.

Nonce Paolini did not receive any options.

During 2015, a total of 474,986 options to subscribe for TF1 shares were exercised: 230,586 under Plan no. 11, and 244,400 under Plan no. 12. Plan no.11 has an exercise price of €5.98, and Plan No. 12 an exercise price of €12.47. No discount was applied.

As of February 17, 2016, the only potentially exercisable TF1 stock subscription options were those granted under Plan no. 11, representing a total of 207,176 options outstanding (0.10% of the share capital).

##### **STOCK SUBSCRIPTION OPTIONS AWARDED BY THE COMPANY OR ANY COMPANY IN THE GROUP, GRANTED TO OR EXERCISED BY THE EXECUTIVE DIRECTOR DURING THE YEAR**

Nonce Paolini has not been awarded any options to purchase or subscribe for TF1 shares since 2010.

In connection with the office he holds at Bouygues, during 2015 he received options giving entitlement to subscribe for new Bouygues shares, awarded on May 28, 2015 by a meeting of the Bouygues Board of Directors held on April 23, 2015.

**TABLE 4 – OPTIONS GRANTED TO THE EXECUTIVE DIRECTOR IN 2015**

Name of executive director	Plan no. and date	Type of option (purchase or subscription)	Value of option based on method used in consolidated financial statements	Number of options granted during the year	Exercise price	Exercise period
Nonce Paolini	Bouygues plan Board Meeting date: April 23, 2015 Date of grant: May 28, 2015	Subscription	€3.1993	135,000	€37.106	From May 29, 2017 to May 28, 2025
<b>TOTAL</b>			<b>€431,905.50</b>	<b>135,000</b>		

The exercise price was calculated on the basis of the average of the opening quoted market prices on the twenty trading days preceding May 28, 2015; no discount was applied.

**TABLE 5 – OPTIONS EXERCISED BY THE EXECUTIVE DIRECTOR OF TF1 IN 2015**

The Executive Director, Nonce Paolini, did not exercise any stock subscription options in 2015.

**STOCK SUBSCRIPTION OPTIONS AWARDED BY THE COMPANY OR ANY COMPANY IN THE GROUP, GRANTED TO OR EXERCISED BY SALARIED DIRECTORS DURING THE YEAR**

Options granted to salaried directors in 2015 were as follows:

Name of salaried director	Plan no. and date	Type of option (purchase or subscription)	Number of options granted/ exercised during the year	Exercise price
Sophie Leveaux Talamoni	Plan no. 14 Board Meeting date: April 29, 2015 Date of grant: June 12, 2015	Subscription	16,000	€15.46
<b>TOTAL</b>			<b>16,000</b>	

Sophie Leveaux Talamoni did not exercise any stock subscription options in 2015.

**PERFORMANCE SHARES**

No performance plans are currently active, and none has been awarded.

**TABLE 6 – PERFORMANCE SHARES GRANTED TO THE EXECUTIVE DIRECTOR**

No performance shares were granted by the company in 2015.

**TABLE 7 – PERFORMANCE SHARES THAT BECAME AVAILABLE TO THE EXECUTIVE DIRECTOR DURING THE YEAR**

No performance shares became available as none have been awarded by the company to the Executive Director.

## PAST STOCK OPTION AWARDS AND OTHER INFORMATION

**TABLE 8 – PAST STOCK OPTION AWARDS**

	Plan no. 10	Plan no. 11	Plan no. 12	Plan no. 13	Plan no. 14
Date of Shareholders' Meeting	Apr. 17, 2007	Apr. 17, 2007	Apr. 14, 2011	Apr. 14, 2011	Apr. 17, 2014
Date of Board meeting	Feb. 20, 2008	Feb. 18, 2009	May 12 & Jul. 25, 2011	May 14, 2012	Apr. 29, 2015
Date of grant	Mar. 20, 2008	Mar. 20, 2009	Jun. 10, 2011	Jun. 12, 2012	Jun. 12, 2015
Total number of stock subscription options granted	2,000,000	2,000,000	1,500,000	1,437,200	1,308,800
<i>to directors</i>	62,000	66,000	12,800	12,800	16,000
Nonce Paolini	50,000	50,000	0	0	0
Sophie Leveaux Talamoni	12,000	16,000	12,800	12,800	16,000
<i>to the 10 employees granted the most options</i>	340,000	340,000	272,000	302,000	288,000
Total number of stock subscription options granted subject to performance conditions	0	50,000	1,500,000	1,437,200	1,308,800
Start date of exercise period	Mar. 20, 2011	Mar. 20, 2012	Jun. 10, 2015	Jun. 12, 2016	Jun 12, 2018
Expiration date	Mar. 20, 2015	Mar. 20, 2016	Jun. 10, 2018	Jun. 12, 2019	Jun. 12, 2022
Subscription price (€)	€15.35	€5.98	€12.47	€6.17	€15.46
Terms of exercise	Exercisable as of 3rd anniversary. Negotiable as of 4th anniversary.		Exercisable and negotiable as of 4th anniversary.		Exercisable and negotiable as of 3th anniversary.
Cumulative number of shares subscribed as of December 31, 2015	0	1,517,824	244,400	0	0
Cumulative number of options cancelled, not awarded, or forfeited	295,500	275,000	147,200	129,200	0
Number of stock subscription or stock purchase options outstanding as of December 31, 2015	0	207,176	1,108,400	1,308,000	1,308,800

The stock subscription options listed above are currently the only instruments issued by TF1 that have a potentially dilutive effect. In view of the average quoted market price of TF1 shares during the period, a dilutive impact has been taken into account for Plan no. 11, Plan no.12 and Plan no. 13 only.

For an analysis of the movement in the number of options outstanding, refer to note 7-4-6-2 to the TF1 consolidated financial statements for the year ended December 31, 2015. The expense recognised for the stock subscription option plans granted by TF1 is presented in note 7-4-6-3 to the consolidated financial statements. The value per option on the date of grant, calculated according to the Black-Scholes model, is €1.18 (Plan no. 12), €0.70 (Plan no. 13), and €2.75 (Plan no. 14).

Previous plans that have now expired are as follows: Plan no. 1, lapsed October 10, 2002; Plan no. 2, lapsed April 8, 2004; Plan no. 3, lapsed March 18, 2005; Plan no. 4, lapsed September 20, 2006; Plan no. 5, lapsed December 6, 2007; Plan no. 6, lapsed December 11, 2008; Plan no. 7, lapsed March 12, 2010; and Plan no. 8, lapsed September 16, 2011. Plan 9, a performance share plan, lapsed on March 31, 2010. Plan no. 10 lapsed on March 20, 2015.

**TABLE 9 – STOCK OPTIONS GRANTED TO OR EXERCISED BY THE TEN TF1 EMPLOYEES (OTHER THAN EXECUTIVE DIRECTORS) AWARDED THE MOST OPTIONS IN 2014**

	Total number of options awarded/shares subscribed or purchased	Weighted average price	Expiry date	Plan no.
<b>Options awarded during the year by TF1 (or any company within the scope of companies entitled to award options) to the ten employees of TF1 (or of any company within that scope) awarded the most options</b>				
Philippe Denery	40,000	€15.46	Jun. 12, 2022	14
Arnaud Bosom	32,000	€15.46	Jun. 12, 2022	14
Jean-François Lancelier	32,000	€15.46	Jun. 12, 2022	14
Jean-Michel Counillon	30,000	€15.46	Jun. 12, 2022	14
Laurent-Eric Le Lay	30,000	€15.46	Jun. 12, 2022	14
Catherine Nayl Perrot	30,000	€15.46	Jun. 12, 2022	14
Régis Ravanans	30,000	€15.46	Jun. 12, 2022	14
Benoît Louvet	24,000	€15.46	Jun. 12, 2022	14
Fabrice Bailly	20,000	€15.46	Jun. 12, 2022	14
Elisabeth Durand Bernard	20,000	€15.46	Jun. 12, 2022	14
<b>Options exercisable vis-à-vis TF1 (or any other company as mentioned above) and exercised during the year by the ten employees of TF1 (or any other company as mentioned above) purchasing or subscribing for the highest number of shares</b>				
Jean-Michel Counillon	24,000	€12.47	Jun. 10, 2018	12
Benoît Louvet	24,000	€12.47	Jun. 10, 2018	12
Laurent-Eric Le Lay	20,000	€5.98	Mar. 20, 2016	11
Sébastien Frapier	16,000	€12.47	Jun. 10, 2018	12
Philippe Denery	15,000	€5.98	Mar. 20, 2016	11
Michel Cordival	12,800	€12.47	Jun. 10, 2018	12
François Pellissier	12,000	€5.98	Mar. 20, 2016	11
Elisabeth Durand Bernard	10,000	€5.98	Mar. 20, 2016	11
Thomas Crosson	9,613	€5.98	Mar. 20, 2016	11
Jean-Pierre Pernaut	6,000	€5.98	Mar. 20, 2016	11

**TABLE 10 - PAST PERFORMANCE SHARE PLANS AWARDED**

No free shares (performance shares) have been awarded by TF1 recently.

### 3 OTHER INFORMATION ON THE EXECUTIVE DIRECTOR

TABLE 11 – OTHER INFORMATION ON THE EXECUTIVE DIRECTOR

	Employment contract <sup>(1)</sup>		Supplementary pension scheme <sup>(2)</sup>		Compensation or benefits due or potentially due on cessation or change of office <sup>(3)</sup>		Indemnities related to non-competition clause	
	Yes	No	Yes	No	Yes	No	Yes	No
Nonce Paolini – Chairman and CEO since August 1, 2008	X		X			X		X

(1) Nonce Paolini has an employment contract with Bouygues SA, and not with TF1 SA.

(2) See the “Supplementary Pension” section of chapter 2.3.1 above. The annual supplementary pension entitlement is set at 0.92% of the reference salary (average of three best years) for each year of scheme membership, subject to a cap set at eight times the annual upper limit for social security contributions (current value of the cap: €308,928). This pension scheme is closed, and membership is obligatory. Entitlement is acquired only after ten years’ service with the Bouygues group and is contingent on the beneficiary still being with the Group at the date of retirement. The Bouygues group is not required to set aside provisions for this supplementary pension, which takes the form of an insurance policy with an insurer from outside the Group. This annual supplementary pension has been submitted for approval under the procedure on related party agreements.

(3) Severance benefits: The Bouygues group and its subsidiaries have not made any commitment or promise regarding the payment of severance benefits to the Executive Director. Nor has any such commitment or promise been made to the salaried directors of Bouygues. Although not a severance benefit as such, a director who is an employee of Bouygues SA is covered by the relevant collective agreement (in the case of Bouygues SA, the collective agreement for managers in the building industry in the Paris region) and consequently is entitled to any compensation stipulated by that agreement on termination of an employment contract. Nonce Paolini would be entitled to receive such compensation. The Board of Directors of TF1 officially confirmed on February 18, 2014 that any such compensation would be re-invoiced to TF1 on a pro rata basis for his number of years of service as an employee or corporate officer of the TF1 group.