

PRESS RELEASE

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TF1 GROUP 2016 ANNUAL RESULTS

Revenue up 2.9% year-on-year
Current operating profit of €129.4 million
Strong growth in audience share on target audiences in Q4

Target of a double-digit current operating margin in 2019

The TF1 Board of Directors, chaired by Gilles Pélisson, met on 15 February 2017 to close off the financial statements for the year ended 31 December 2016.

The results shown below are presented using the new segmental reporting structure adopted by the TF1 group. Definitions of the segments, details of how consolidated entities are allocated between the operating segments, and historical revenue and operating profit data have been available since 21 April 2016 on our corporate website: www.groupe-tf1.fr/en.

CONSOLIDATED FIGURES (€m)	Q4 2016	Q4 2015	Chg. €m	Chg.%	2016	2015	Chg. €m	Chg.%
Revenue	636.0	604.3	31.7	5.2%	2,062.7	2,004.3	58.4	2.9%
TF1 group advertising revenue	465.5	472.0	(6.5)	-1.4%	1,530.1	1,554.2	-24.1	-1.6%
Revenue from other activities	170.5	132.3	38.2	28.9%	532.6	450.1	82.5	18.3%
Current operating profit/(loss)	82.8	51.2	31.6	61.7%	129.4	158.0 *	-28.6	-18.1%
Current operating margin rate	13,0%	8,5%		+ 4.5 pt	6,3%	7,9%		-1,6 pt
Operating profit/(loss)	67.8	49.4	18.4	37.2%	45.7	141.2 *	-95.5	ns
Cost of net debt	(0.2)	0.3	(0.5)	ns	-1.2	1.1	-2.3	ns
Net profit/(loss) attributable to the Group	55.5	35.0	20.5	58.6%	41.7	99.9	-58.2	ns

* Includes the gain arising on the deconsolidation of Eurosport France in Q1 2015 (€33.7m)

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

- advertising revenue of €1,530.1 million, down €24.1 million on 2015;
- revenue from other activities of €532.6 million, up €82.5 million year-on-year.

Full-year **current operating profit** reached €129.4 million in 2016; this compares with €158.0 million a year earlier, which included a €33.7 million gain on the deconsolidation of Eurosport France. Operating margin fell by 1.6 points to 6.3%, compared with 7.9% a year earlier.

The Group made an **operating profit** of €45.7 million. This includes €33.7 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 attributable to the Group amounted to €41.7 million.

Audiences¹

The TF1 group, France's leading private-sector television group in 2016, slightly increased its share of the target audience of "women aged under 50 purchasing decision makers" (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).

The TF1 core channel confirmed its market leadership in 2016, with its usual range of must-see and general-interest programmes. Over the year as a whole, the channel achieved 90 of the top 100 audience ratings, with successes across all programme genres. French drama occupied 36 of these slots, 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*). Audiences for the Euro 2016 football tournament peaked at 19.3 million viewers for the semi-final with French national team *Equipe de France*. During 2016, the TF1 channel had an audience share of 22.4% among W<50PDM, and 20.4% among individuals aged 4 and over.

The Group's DTT channels (TMC, NT1, HD1 and LCI) had an excellent year, raising their audience by 1.1 points to 9.7% among the target market of W<50PDM.

LCI captured an audience share of 0.4% among individuals aged 4 and over, following a relaunch spearheaded by *24 heures en questions*, hosted by Yves Calvi in access prime time.

In the fourth quarter of 2016, the five free-to-air channels had a combined audience share of 33.7% among W<50PDM, a better performance than in the fourth quarter of 2015, driven by a 2.5-point rise for the DTT channels (combined audience share of 11.3% of W<50PDM):

- TMC: +1.2 points (4.9% of W<50PDM);
- NT1: +0.5 of a point (3.8% of W<50PDM);
- HD1: +0.6 of a point (2.4% of W<50PDM);
- LCI: +0.2 of a point (0.2% of W<50PDM).

Analysis by segment

€m	Q1 2016	Q1 2015	Q2 2016	Q2 2015	Q3 2016	Q3 2015	Q4 2016	Q4 2015	2016	2015	Chg.	Chg.%
Broadcasting	389.4	418.0	448.7	445.2	323.3	355.8	508.5	517.1	1,669.9	1,736.1	(66.2)	-3.8%
of which Free platforms	353.5	366.3	408.7	414.1	290.2	311.5	464.7	477.1	1,517.1	1,569.0	(51.9)	-3.3%
of which TV advertising	341.3	343.6	394.9	389.7	279.7	292.2	439.4	444.4	1,455.3	1,469.9	(14.6)	-1.0%
Studios & Entertainment	92.5	57.1	94.6	60.4	78.2	63.5	127.5	87.2	392.8	268.2	124.6	46.5%
Consolidated revenue	481.9	475.1	543.3	505.6	401.5	419.3	636.0	604.3	2,062.7	2,004.3	58.4	2.9%
Broadcasting	4.9	22.6 *	33.1	65.2	(16.5)	1.5	66.0	45.3	87.5	134.6	(47.1)	-35.0%
of which Free platforms	(3.5)	(18.6)	21.6	57.2	(25.6)	(5.1)	52.7	37.6	45.2	71.1	(25.9)	-36.4%
of which cost of programmes (including major sporting events)	(232.4) **	(243.5)	(265.4) **	(216.7)	(218.7) **	(212.9)	(290.1) **	(283.1)	(1,006.6) **	(956.2)	(50.4)	5.3%
Studios & Entertainment	9.9	5.5	9.6	4.0	5.6	8.0	16.8	5.9	41.9	23.4	18.5	79.1%
Current operating profit/(loss)	14.8	28.1	42.7	69.2	(10.9)	9.5	82.8	51.2	129.4	158.0	(28.6)	-18.1%

* Includes the gain arising on the deconsolidation of Eurosport France in Q1 2015 (€33.7m)

** Excludes €25.4 million (€15.3 million for Q1, €4.4 million for Q2, €1.2 million for Q3 and €4.5 million for Q4) 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 April 27, 2015 allowing broadcasters to own co-production shares in respect of their investments in independent productions

Broadcasting

Broadcasting segment revenue was €1,669.9 million in 2016, down €66.2 million. Strong growth in digital revenue didn't offset a slight fall in advertising revenue for the five free-to-air channels (down €14.6 million), the ending of distribution revenue for LCI in 2016, the lack of sports rights resales (versus the €13 million from the Rugby World Cup in 2015), and the structural effect of the deconsolidation of Eurosport France (€17.8 million).

Advertising revenue from the TF1 group's five 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.

The cost of programmes for the **five free-to-air channels** (including LCI) in 2016, excluding major sporting events and non-current items, was **€60.5 million**, versus **€29.4 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).

Digital activities enjoyed strong growth during the year on the back of increased interactivity and growth in advertising revenue at MYTF1. In 2016, the MYTF1 catch-up service attracted up to 10.7 million unique users via ISP set top boxes². During the year, 1.3 billion free videos were watched on MYTF1³, representing a 15% year-on-year increase in usage and stimulating substantial growth in catch-up TV advertising revenue.

Current operating profit for the Broadcasting segment for 2016 was €87.5 million, down €47.1 million year-on-year, although €33.7 million of that decrease was due to the deconsolidation of Eurosport France in the first quarter of 2015.

Studios & Entertainment

The growth in revenue for the **Studios & Entertainment** segment reflects the first-time consolidation of Newen Studios with effect from 1 January 2016. A good performance from TF1 Entertainment only partly offset weaker revenues from the home shopping business.

The segment made a **current operating profit** of €41.9 million in 2016, €18.5 million more than in 2015.

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 and options to buy out minority interests.

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.

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.

Executive remuneration

In accordance with the AFEP-MEDEF recommendations, information about executive remuneration is being published today on our corporate website at www.groupe-tf1.fr/en: go to Investors / Governance / Report on Remuneration.

² Médiamat IPTV Médiamétrie.

³ Excluding news content, XTRA content and live sessions.

Corporate governance

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).

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 a double-digit current operating margin rate 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.

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

Find the full financial statements and notes at <http://www.groupe-tf1.fr/en>.

The analyst meeting presenting our results will be streamed on our website <http://www.groupe-tf1.fr/en> on 16 February 2017, starting 09.00 hours Paris time.

The presentation is available on <http://www.groupe-tf1.fr/en>.

For details of how to connect to the conference call go to <http://www.groupe-tf1.fr/en/investisseurs>.

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