

PRESS RELEASE

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TF1 GROUP 2018 FIRST-HALF RESULTS

Group share of target audience¹ held steady at 32.5%

Revenue growth of 3.9%²

Current operating margin rate of 9.3%³

World Cup audience ratings success: 9 million viewers per game⁴

The TF1 Board of Directors, chaired by Gilles Pélisson, met on 24 July 2018 to close off the financial statements for the first half of 2018.

The results below are presented using the new segmental reporting structure adopted by the TF1 group starting in the second quarter of 2018, and in accordance with IFRS 9 and IFRS 15 (applicable from 1 January 2018). Historical revenue and operating profit data (published and restated) are available in our Financial Information Report for the first half of 2018 and on the TF1 group corporate website: <https://www.groupe-tf1.fr/en>.

CONSOLIDATED FIGURES (€m)	Q1 2018	Q1 2017	Q2 2018	Q2 2017	H1 2018	H1 2017	Chg. €m	Chg.%
Revenue	499.3	503.4	584.3	539.4	1,083.6	1,042.8	40.8	3.9%
TF1 group advertising revenue	368.7	366.0	443.7	418.2	812.4	784.2	28.2	3.6%
Revenue from other activities	130.6	137.4	140.6	121.2	271.2	258.6	12.6	4.9%
Current operating profit/(loss)	38.3	36.9	62.2	71.1	100.5	108.0	(7.5)	-6.9%
Current operating margin rate	7.7%	7.3%	10.6%	13.2%	9.3%	10.4%	-	-1.1pt
Operating profit/(loss)	32.6	31.1	56.9	65.3	89.5	96.4	(6.9)	-7.2%
Cost of net debt	(0.4)	(0.9)	(0.6)	(0.2)	(1.0)	(1.1)	0.1	-9.1%
Net profit/(loss) attributable to the Group	24.8	28.0	41.0	46.8	65.8	74.8	(9.0)	-12%

Consolidated revenue of the TF1 group for the first half of 2018 was **€1,083.6 million**, versus €1,042.8 million for the first half of 2017, an increase of €40.8 million (+3.9%). This comprised:

- Advertising revenue of €812.4 million, up €28.2 million (+3.6%) year-on-year, reflecting growth for the five free-to-air channels (+1%) and in H1 2018 digital advertising revenues.
- Revenue from other activities of €271.2 million, up €12.6 million (+4.9%) year-on-year, mainly as a result of the first distribution revenue streams from telecoms operators for the TF1 Premium offer.

Current operating profit for the first half of 2018 was **€100.5 million**, versus €108.0 million a year earlier, a fall of €7.5 million. The cost of the World Cup (€46 million impact in H1 2018) was largely offset by control over the cost of programmes and growth in production activities.

The current operating margin rate was down 1.1 points at 9.3%, versus 10.4% a year previously. Excluding the cost of the World Cup (€46 million impact in Q2 2018), the 2018 first-half current operating margin rate would have been 13.5%.

Operating profit for the period was **€89.5 million**, after charging €11.0 million of non-current expenses related to the amortisation of audiovisual rights remeasured in connection with the Newen Studios acquisition.

Net profit attributable to the Group was **€65.8 million**, down €9.0 million year-on-year. Bear in mind however that the 2017 first-half net profit figure included part of the gain on the divestment of the equity interest in Groupe AB.

¹ W<50PDM: Women aged under 50 purchasing decision-makers.

² First-half revenue growth was 0.8% excluding the effect of changes in structure.

³ Current operating margin rate of 13.5% excluding the cost of the Football World Cup (impact of €46m in Q2 2018).

⁴ Average across all 28 World Cup games.

Audiences⁵

The TF1 group maintained its share of target audiences at high levels in the first half of 2018: 32.5% for the key target of W<50PDM, unchanged from 2017, and 29.2% for 25-49 year-olds (-0.2 of a point year-on-year). The second quarter of 2018 saw a substantial rise versus the first quarter: +0.5 of a point among W<50PDM and 1.0 point among 25-49 year-olds, the strongest growth of any French media group.

The TF1 core channel grew its share of the W<50PDM target audience for the third consecutive quarter, posting a 22.4% share in the second quarter of 2018 (+0.5 of a point year-on-year) and strengthening the lead over its nearest private-sector rival in the first half. The channel recorded all of the top 20 audience ratings among 25-49 year-olds in the first half of the year, including six Football World Cup games that drew a share of over 40%. The four games involving the French national team averaged 11.2 million viewers (68% of individuals aged 4+), while the final and semi-final each attracted over 19 million viewers. Other programmes on the channel also attracted healthy audience ratings: highlights included the French dramas *Traqués* (6.6 million viewers) and *Coup de Foudre à Bora Bora* (5.7 million viewers); the daily soap *Demain nous appartient* (on a constant uptrend, and a record month in June with a 22% share of W<50PDM); and flagship entertainment brands *Koh-Lanta* (5.8 million viewers for the finale) and *The Voice* (average of 5.7 million viewers over the season).

The channel's regular news bulletins are still by far the leaders in France, and grew their audience share among individuals aged 4+: year-on-year⁶, the audience share was up 1.0 point for the weekday evening bulletin, 0.8 of a point for the weekday lunchtime bulletin, and 0.7 of a point for the weekend lunchtime and evening bulletins. The TF1 core channel has optimised the strategic 8pm-9pm time slot on weekdays by screening *Le 20H Le Mag*, which is attracting additional audiences every month and up to 5.9 million viewers.

The DTT channels (TMC, TFX, TF1 Séries Films, LCI) are a leading pole in French DTT broadcasting, with a combined share of 10.2% among W<50PDM target audiences, and 9.3% among 25-49 year-olds. During the first half of 2018, TMC posted 16 of the top 20 DTT audiences among 25-49 year-olds, 15 of them for the successful prime-time comeback of *Burger Quiz* which attracted up to 2.3 million viewers, including 500,000 in catch-up. TFX and TF1 Séries Films were boosted by their rebranding, and grew audiences among their respective targets: TFX attracted a 3.7% share of its target audience among younger viewers (15-34 year-olds), stable year-on-year, while TF1 Séries Films upped its share of the W<50PDM target audience by 0.3 of a point to 2.5% year-on-year.

LCI held its audience share at 0.6% among individuals aged 4+ during the first half of 2018, and has now been France's no.2 news channel for more than a year. The weekday morning show *La Matinale* continues to attract additional viewers, and pulled in an all-time high 2.5% audience share in April.

MYTF1 performed well during the first half with 704 million video views⁷, up 12% year-on-year, largely driven by flagship programmes such as *Demain nous appartient* (83 million video views), *La Villa des cœurs brisés* (77 million), *The Voice* (63 million), *Paw Patrol* (45 million) and the Football World Cup (25 million⁸).

⁵ Source: Médiamétrie-Mediamat.

⁶ For the period from January to mid-June (schedules were affected by the Football World Cup from mid-June onwards).

⁷ Excluding news content, XTRA content, and live sessions

⁸ Data up to and including 15 July 2018.

Analysis by segment

Following the acquisition of the aufeminin group on 27 April 2018⁹, a new segmental reporting structure is being applied, starting in the second quarter of 2018. The main change is the creation of a new "Digital" segment, which combines the operations of the aufeminin group with those of Newweb, Studio71, TF1 Digital Factory and MinuteBuzz¹⁰. Given the immateriality of the impacts on 2017 and the first quarter of 2018, prior periods have not been restated.

€m	Q1 2018	Q1 2017	Q2 2018	Q2 2017	H1 2018	H1 2017	Chg. €m	Chg. %
Consolidated revenue	499.3	503.4	584.3	539.4	1,083.6	1,042.8	40.8	3.9%
Broadcasting	402.3	404.9	466.7	452.6	869.0	857.5	11.5	1.3%
<i>TV advertising on unencrypted channels</i>	<i>349.8</i>	<i>348.9</i>	<i>404.6</i>	<i>398.4</i>	<i>754.5</i>	<i>747.3</i>	<i>7.1</i>	<i>1.0%</i>
Studios & Entertainment	97.0	98.5	88.8	86.8	185.8	185.3	0.5	0.3%
Digital *	-	-	28.8	-	28.8	-	28.8	N/A
Current operating profit/(loss)	38.3	36.9	62.2	71.1	100.5	108.0	(7.5)	-6.9%
Broadcasting	26.4	26.6	52.9	64.9	79.3	91.5	(12.2)	-13.3%
Studios & Entertainment	11.9	10.3	6.7	6.2	18.6	16.5	2.1	12.7%
Digital *	-	-	2.6	-	2.6	-	2.6	N/A
Cost of programmes	(230.0)	(233.5)	(269.2)	(248.7)	(499.2)	(482.2)	(17.0)	3.5%
<i>Football World Cup</i>	<i>-</i>	<i>-</i>	<i>(46.0)</i>	<i>-</i>	<i>(46.0)</i>	<i>-</i>	<i>(46.0)</i>	<i>N/A</i>

* The aufeminin group is included in the consolidation with effect from May 2018.

Broadcasting

Broadcasting segment revenue for the first half of 2018 was up €11.5 million at €869.0 million. This mainly reflected a good advertising revenue performance from the five free-to-air channels (up €7.1 million), combined with revenue from distribution of those channels and add-on services as the distribution agreements secured with all the telecoms operators gradually ramp up.

First-half advertising revenue from the Group's five free-to-air channels was €754.5 million, up 1.0% year-on-year. In the second quarter, year-on-year growth reached 1.6%, boosted by excellent performances from the exclusive unencrypted coverage of the Football World Cup on TF1.

The **cost of programmes** on the five free-to-air channels was €499.2 million, a rise of €17.0 million. That figure includes the €46 million cost of screening 18 games from the Football World Cup during June¹¹. Excluding the impact of this special event, the cost of programmes was €453.2 million. The savings – achieved while maintaining audience shares – reflect the benefits of the rights buying strategy adopted over the last two years, lower unit prices achieved by renegotiating programme buying deals, and optimization through multi-channel screening.

Current operating profit for the Broadcasting segment for the first half of 2018 was down €12.2 million at €79.3 million, after taking account of the cost of screening the Football World Cup.

Studios & Entertainment

Studios & Entertainment segment revenue for the first half of 2018 was stable year-on-year at €185.8 million. Increased revenue at Newen Studios, organic growth for the *La Seine Musicale* concert venue and expansion of the music production activities of Play Two all offset lower revenues at TF1 Studio¹², mainly on a weaker performance from films that went on general release in the period (there were two big hits in the first half of 2017) and from the Home Shopping business.

Current operating profits for the segment reached €18.6 million, up €2.1 million year-on-year (+12.7%).

⁹ Acquisition of the Axel Springer group's 78.1% stake on 27 April 2018. On completion of the public tender offer (4 July), TF1 held 93.28% of the aufeminin group.

¹⁰ Accounted for by the equity method.

¹¹ The cost of replacement programmes in the second quarter of 2018 was €8.8 million.

¹² TF1 Studio produces and distributes made-for-cinema films.

Digital

Revenue from the new Digital segment for the first half of 2018 totalled €28.8 million, and includes revenue from the aufeminin group (consolidated from May 2018 onwards).

The segment made a 2018 first-half **current operating profit** of €2.6 million, including the results of operations from the aufeminin group for the final two months.

Financial position

Shareholders' equity attributable to the Group was €1,511.6 million at 30 June 2018 out of a balance sheet total of €3,374.3 million.

Cash and cash equivalents amounted to €120.4 million at 30 June 2018, versus €495.5 million at end December 2017. This reduction was mainly due to cash outflows on the acquisition of the 78.07% stake in the aufeminin group held by Axel Springer, and of the additional interest acquired on 30 June through the public tender offer¹³ for the remaining shares. As of 30 June 2018, the TF1 group had an equity interest of 82.99% in the aufeminin group. With the public tender offer now completed, the TF1 group holds a 93.28% interest in the aufeminin group.

Net debt was €122.2 million at 30 June 2018 (versus a net cash surplus of €256.7 million at end December 2017), after taking account mainly of the commitment under the terms of the public tender offer to buy out the remaining listed shares of aufeminin as of 30 June (17.01% equity interest), plus the net debt carried by Newen Studios and options to buy out minority interests.

Outlook

Since the start of 2018, the Group has signed distribution agreements with all the telecoms operators; the creation of *SALTO*¹⁴, a French OTT platform developed in partnership with France Télévisions and M6, will ultimately deliver an offer that combines television programmes (live and in catch-up) with exclusive content.

During the second quarter, TF1 has acquired a majority stake in the aufeminin group; the ongoing negotiations with the Lagardère group to acquire Doctissimo will enable us to expand our footprint in the health, nutrition and family verticals¹⁵. Finally, TF1 has bought out the remaining 30% minority interests in Newen Studios¹⁶.

Our 2018 first-half results confirm that we are well on track to achieve our guidance with:

- current operating margin (excluding major sporting events) up 3.1 points year-on-year;
- cost of programmes (excluding major sporting events) of €453.2 million, versus €482.2 million a year earlier;
- advertising revenue from the free-to-air channels representing 69.6% of consolidated revenue, versus 71.7% a year earlier.

We will mark the back-to-school period by screening new series (*The Good Doctor* and *La Vérité sur l'Affaire Harry Quebert*), plus entertainment shows with the comeback of *Ninja Warrior* and *The Voice Kids* and the launch of *Big Bounce*. We will continue to support French drama, bringing *Jacqueline Sauvage* and *Insoupçonnable* to the screen.

Based on our first-half results, we are able to reiterate our guidance:

- **from 2018 onwards: growth in current operating margin rate** at Group level (excluding major sporting events);
- **average annual cost of programmes at €960 million** (excluding major sporting events) for the five free-to-air channels for the **2018-2020 period**, thanks to optimisation of investment in content;
- **growth in revenue from activities other than advertising on the five free-to-air channels, with those other activities expected to account for at least one-third of consolidated revenue in 2019;**
- **a target of double-digit current operating margin rate in 2019.**

The statutory auditors have conducted a review of the financial statements, on which they have issued an unqualified report. The presentation and financial information report for the first half of 2018 are available on our corporate website: <http://www.groupe-tf1.fr/en>.
A conference call is scheduled for 25 July 2018 at 9.00am (Paris time).
For details of how to connect to the conference call go to <http://www.groupe-tf1.fr/en/investisseurs/en>

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¹³ The public tender offer was open from 14 June 2018 to 4 July 2018.

¹⁴ A stand-alone company, owned in equal shares by the three groups, will be set up to operate the platform once clearance has been obtained from the competent authorities.

¹⁵ Any final agreement will be subject to scrutiny by employee representative bodies as required by legislation.

¹⁶ Acquisition completed on 3 July 2018.