NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

The parent company financial statements for the year ended 31 December 2018 have been prepared in accordance with legal and regulatory requirements as currently applicable in France.

1 Significant events

- **Acquisition of the aufeminin group**

  On 27 April 2018, having obtained the necessary clearances from all the relevant authorities, TF1 SA and Axel Springer completed the acquisition by TF1 SA of Axel Springer's majority equity interest in the aufeminin group (78.07% of the capital and 77.94% of the voting rights) at a price of €39.47 per aufeminin share.
  Subsequently, TF1 SA continued its policy of increasing its stake in the aufeminin group, firstly through a public tender offer launched on 14 June 2018 and completed on 4 July 2018, and secondly through a squeeze-out procedure launched on 19 October 2018 and completed on 1 November 2018, giving TF1 SA a 100% interest.

- **Buyout of non-controlling interests in Newen**

  On 5 April 2018 the TF1 group and the non-controlling shareholders of Newen Studios, a 70%-owned subsidiary of TF1 SA, signed an agreement with a view to the acquisition by TF1 SA of the remaining 30% of the share capital and voting rights, which would give TF1 SA 100% of Newen Studios.
  Following clearance of the agreement from the French Competition Authority on 3 July 2018, the TF1 group completed the transaction on 5 July 2018, giving the Group 100% of the shares and voting rights of Newen Studios as of that date (direct interest of 86.15%, and indirect interest of 13.85% via Holding Newen Studios, a company 100% owned by TF1 SA).

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 2018.

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 the contract:

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 the contract: consumption reflects the contract 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 currency translation 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	01/01/2018	Increases	Decreases	Transfers	31/12/2018
Drama co-production shares	121.3	53.4	(2.0)	14.3	187.0
Drama co-production shares in progress	15.7	13.8		(13.4)	16.1
Television programmes	6.8	7.0	(7.4)	(0.9)	5.5
TOTAL	**143.8**	**74.2**	**(9.4)**	**0.0**	**208.6**
Amortisation	**01/01/2018**	**Increases**	**Decreases**		**31/12/2018**
Drama co-production shares	20.7	33.8	(1.1)		53.4
Television programmes		6.2	(6.2)		0.0
TOTAL	**20.7**	**40.0**	**(7.3)**	**0.0**	**53.4**
Impairment	**01/01/2018**	**Increases**	**Decreases**		**31/12/2018**
Drama co-production shares	95.2	61.8	(31.7)		125.3
Television programmes	0.1		(0.1)		0.0
TOTAL	**95.3**	**61.8**	**(31.8)**	**0.0**	**125.3**
Net value	**27.8**				**29.9**

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

(€m)	Less than 1 year	1 to 5 years	More than 5 years	Total 2018	Total 2017
Drama co-production shares	28.2	44.7	0.0	72.9	15.2

Television programmes break down as follows:

(€m)	2018	2017
VALUE OF PROGRAMMES AT 1 JANUARY	**6.8**	**10.3**
Acquisitions	6.1	6.4
Consumption on transmission	(6.2)	(5.7)
Expired and retired rights, and net book value of resold rights	(1.2)	(4.2)
VALUE OF PROGRAMMES AT 31 DECEMBER	**5.5**	**6.8**
PROVISIONS FOR IMPAIRMENT		
1 January	**0.1**	**0.4**
Charges	0.0	0.1
Reversals	(0.1)	(0.4)
31 December	**0.0**	**0.1**

As of 31 December 2018, the risk of non-transmission for programmes with a co-production component was €3.7 million, which was covered by previously-established restricted provisions using the policy described in Note 2-10.

The table below shows the maturity of television programme 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 2018	Total 2017
Television programmes	1.2	1.0	0.1	2.3	26.6

3.1.2. Other intangible assets

Movements in other intangible assets are shown below:

(€m)					
Gross value	**01/01/2018**	**Increases**	**Decreases**	**Transfers**	**31/12/2018**
Software	25.6	0.1			25.7
Other intangible assets	1.6				1.6
Intangible assets in progress	0.0	1.0			1.0
TOTAL	**27.2**	**1.1**	**0.0**	**0.0**	**28.3**
Amortisation	**01/01/2018**	**Increases** *(1)*	**Decreases**		**31/12/2018**
Software	16.7	3.1			19.8
Other intangible assets	1.4	0.2			1.6
TOTAL	**18.1**	**3.3**			**21.4**
Net value	**9.1**				**6.9**

(1) Included in "Amortisation and depreciation of other non-current assets" in the income statement.

3-2. Property, plant and equipment

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

(€m)					
Gross value	**01/01/2018**	**Increases**	**Decreases**	**Transfers**	**31/12/2018**
Technical facilities	75.6	3.0	(2.3)	0.8	77.1
Other property, plant and equipment	99.4	12.6	(14.3)		97.7
Other property, plant and equipment in progress	0.9	4.5		(0.8)	4.6
TOTAL	**175.9**	**20.1**	**(16.6)**	**0.0**	**179.4**
Depreciation	**01/01/2018**	**Increases** *(1)*	**Decreases**		**31/12/2018**
Technical facilities	69.4	2.6	(2.1)		69.9
Other property, plant and equipment	81.2	4.2	(12.7)		72.7
TOTAL	**150.6**	**6.8**	**(14.8)**		**142.6**
Net value	**25.3**				**36.8**

(1) Included in "Amortisation and depreciation of other non-current assets" in the income statement.

3-3. Non-current financial assets

This item breaks down as follows:

(€m)	Equity investments	Other long-term investment securities	Loans receivable	Other	Total
GROSS VALUE AT 1 JANUARY 2018	**868.3**	**0.0**	**0.0**	**0.1**	**868.4**
- Increases					
- TF1 Numérique - capital increase	50.0				50.0
- TF1 Vidéo - capital increase	15.0				15.0
- Newen Studios	52.0				52.0
- Holding Newen Studios	44.6				44.6
- Aufeminin	386.8				386.8
- Decreases					0.0
Deposits and caution money				0.1	0.1
GROSS VALUE AT 31 DECEMBER 2018	**1,416.7**	**0.0**	**0.0**	**0.2**	**1,416.9**
Provisions for impairment					
1 January 2018	**52.1**	**0.0**	**0.0**	**0.0**	**52.1**
Charges	0.0				0.0
Reversals	(16.9)				(16.9)
31 December 2018	**35.2**	**0.0**	**0.0**	**0.0**	**35.2**
NET VALUE AT 31 DECEMBER 2018	**1,381.5**	**0.0**	**0.0**	**0.2**	**1,381.7**

The €16.9 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 2018	Total 2017
INVENTORY AT 1 JANUARY	**142.1**	**2.3**	**144.4**	**201.2**
- PURCHASES DURING THE YEAR	**522.3**	**185.6**	**707.9**	**636.9**
- Consumption on transmission	(508.2)	(187.2)	(695.4)	(665.8)
- Expired, retired and resold rights	(47.6)	1.5	(46.1)	(29.8)
- TOTAL CONSUMPTION	**(555.8)**	**(185.7)**	**(741.5)**	**(695.6)**
INVENTORY AT 31 DECEMBER	**108.6**	**2.2**	**110.8**	**144.4**
CHANGE IN INVENTORY	**(33.5)**	**(0.1)**	**(33.6)**	**(56.8)**
PROVISIONS FOR IMPAIRMENT				
1 January	**20.8**	**0.0**	**20.8**	**24.1**
Charges	6.6		6.6	10.8
Reversals	(8.6)		(8.6)	(14.1)
31 December	**18.8**	**0.0**	**18.8**	**20.8**

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 2018	Total 2017
Programmes and broadcasting rights (1)	851.6	878.5	15.1	1,745.2	1,690.2
Sports transmission rights (2)	43.9	102.6	6.9	153.4	221.7
TOTAL	**895.5**	**981.1**	**22.0**	**1,898.6**	**1,911.9**

(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 €54.3 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 €134.1 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 €181.4 million as of 31 December 2018, compared with €262.5 million as of 31 December 2017.

3-5-3. Other debtors

This item mainly comprises VAT recoverable, and balances on current accounts with subsidiaries.

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

(€m)	01/01/2018	Charges	Reversals	31/12/2018
Advance payments	0.0			0.0
Trade debtors	0.1			0.1
Other debtors	2.0		(2.0)	0.0
TOTAL	**2.1**	**0.0**	**(2.0)**	**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		0.2		0.2
Current assets *(1)*	615.1	0.6		615.7
Total	**615.1**	**0.8**	**0.0**	**615.9**

(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)*	**2018**	**2017**
Short-term investments	**0.0**	**0.0**
Bank deposits (instant access)	6.0	4.4
Treasury current accounts with debit balances (1)	190.2	622.4
Advertising airtime sales	0.2	0.2
Cash	**196.4**	**627.1**
TOTAL	**196.4**	**627.1**
Provisions for impairment of current accounts and short-term investments		
1 January	**5.8**	**12.5**
Charges	0.0	0.0
Reversals	(5.8)	(6.7)
31 December	**0.0**	**5.8**
NET VALUE	**196.4**	**621.3**

(1) As of 31 December 31 2018, €73 million was placed with Bouygues Relais (31 December 2017: €431 million), and intragroup current account balances amounted to €117.2 million (31 December 2017: €191.4 million). The impairment reversal of €5.8 million during 2018 relates to the current account with the subsidiary TF1 Vidéo; the impairment reversal of €6.7 million during 2017 relates to the current accounts with Top Shopping, TFM Distribution and TF1 Vidéo.

3-7. Prepaid expenses

Prepaid expenses amounted to €3.7 million as of 31 December 2018, compared with €4.4 million as of 31 December 2017.

3-8. Shareholders' equity

The share capital is divided into 209,928,940 ordinary shares with a par value of €0.2, all fully paid.

(€m)	01/01/2018	Appropriation of profit (2018 AGM) *(1)*	Increases	Decreases	31/12/2018
Share capital	42.0				42.0
Share premium	16.5		0.3		16.8
Legal reserve	4.3				4.3
Retained earnings	484.8	58.2			543.0
Other reserves	774.8				774.8
Profits pending appropriation	131.6	(131.6)			0.0
Net profit for the year	0.0	0.0	91.7		91.7
Sub-total	**1,454.0**	**(73.4)**	**92.0**	**0.0**	**1,472.6**
Restricted provisions	16.4		6.5	(7.1)	15.8
TOTAL	**1,470.4**	**(73.4)**	**98.5**	**(7.1)**	**1,488.4**
Number of shares	**209,865,742**		**63,198**		**209,928,940**

(1) Dividends paid from 3 May 2018

Restricted provisions comprise the following items:

(€m)	01/01/2018	Charges	Reversals	31/12/2018
Audiovisual rights	9.3	5.5	(4.8)	10.0
Transaction costs on acquisitions of equity interests	0.6	1.0		1.6
Software and licences	6.5		(2.3)	4.2
TOTAL	**16.4**	**6.5**	**(7.1)**	**15.8**

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)	01/01/2018	Charges	Reversals (used)	Reversals (unused)	31/12/2018
Provisions for litigation and claims	5.8	7.5	(3.4)	(0.5)	9.4
Provisions for related entities	63.1	50.1	(63.1)		50.1
Provisions for retirement benefit obligations	24.8	3.1	(0.6)	(1.4)	25.9
Provisions for miscellaneous liabilities and charges	0.0	5.0			5.0
Provisions for unrealised foreign exchange losses	3.2		(3.2)		0.0
TOTAL	**96.9**	**65.7**	**(70.3)**	**(1.9)**	**90.4**

Provisions for litigation and claims cover tax risks, legal risks and employee 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.
The provision for miscellaneous liabilities and charges relates to the risk of an unrealised loss on a purchase commitment.

The €25.9 million provision for retirement benefit obligations represents the present value of the obligation (€31 million) minus the fair value of plan assets (€5.1 million). The main assumptions used in calculating the present value of the obligations are:

- discount rate: 2.1042%
- 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 €900 million with various banks as of 31 December 2018, none of which was drawn down at that date; of that amount, €130 million was due to expire within less than one year and €770 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 €419.8 million as of 31 December 2018 and €286.2 million as of 31 December 2017.

3-10-3. Other liabilities

This item mainly comprises credit notes and accrued discounts in favour of TF1 Publicité amounting to €148.7 million (€250.9 million as of 31 December 2017).

3-10-4. Liabilities by maturity

(€m)	Less than 1 year	1 to 5 years	More than 5 years	Total
Other borrowings	419.8			419.8
Trade creditors	214.4			214.4
Tax and employee-related liabilities	123.0			123.0
Amounts payable in respect of non-current assets	8.5			8.5
Other liabilities	155.9	0.3		156.2
TOTAL	**921.6**	**0.3**	**0.0**	**921.9**

3-10-5. Accrued income and expenses

(€m)			
Accrued income included in:		**Accrued expenses included in:**	
Trade debtors	7.4	Trade creditors	84.6
Other debtors	34.1	Tax and employee-related liabilities	65.4
		Amounts payable in respect of non-current assets	4.7
		Other liabilities	149.7

3-11. Deferred income

Deferred income (€1.8 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 2017 was €4.7 million.

4 Notes to the income statement

4-1. Revenue

Advertising revenue of €1,156.3 million was recognised in 2018 (including €17.6 million with non-French customers), compared with €1,150.2 million in 2017 (including €15.2 million with non-French customers).

4-2. Cost transfers

This item (€90.2 million in 2018, versus €86.4 million in 2017) 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 €555.8 million (2017: €563.5 million). See Note 3-4.

4-4. Other purchases and external charges

This item includes costs of €95.7 million relating to sports transmission rights in 2018, compared with €42 million in 2017. The increase relates mainly to rights to the 2018 Football World Cup.

It also includes transmission costs of €8.4 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 €7.5 million in 2018, compared with €8.8 million in 2017.

4-5. Taxes other than income taxes

The main item included on this line is the contribution to the French cinematographic industry support fund (€67.8 million in 2018, compared with €64 million in 2017). It also includes €5.2 million in respect of the tax on broadcast advertising for 2018 (versus €5 million in 2017).

4-6. Wages, salaries and social security charges

For 2018, this item includes an accrued expense of €6.8 million for the voluntary profit-sharing scheme, compared with €9.1 million in 2017.

4-7. Other expenses

This item includes payments to copyright-holders and holders of related rights, amounting to €50.2 million in 2018 (versus €49.2 million in 2017).

4-8. Net financial income/expense

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

(€m)	2018	2017
Dividends and transfers of profits/losses from partnerships	53.6	39.0
Net interest paid or received	1.5	1.5
Provision for impairment of equity investments (1)	16.9	26.1
Provisions for impairment of current accounts	5.8	6.7
Provisions for risks relating to shares of partnership losses	(50.1)	(63.0)
Foreign exchange losses and provisions for unrealised foreign currency translation losses	(1.7)	2.3
Net	**26.0**	**12.6**

(1) See Note 3.3

Interest received from related companies in 2018 was €1.5 million, compared with €1.5 million in 2017.

4-9. Exceptional items

Exceptional items break down as follows:

(€m)	2018	2017
Retirement/expiration of rights and gains/losses on disposals of intangible assets	(1.7)	(3.7)
Retirement and gains/losses on disposals of property, plant and equipment	(0.7)	0.0
Net change in provisions (including tax depreciation)	(0.3)	7.1
Gains/(losses) on disposals of non-current financial assets	4.1	26.1
Miscellaneous income	11.7	8.8
Net	**13.1**	**38.3**

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 change in provisions during 2017 comprised a net reversal of provisions for claims and litigation of €3.6 million, and a net reversal of tax depreciation of €3.5 million.

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. The net gain on disposals of non-current financial assets in 2017 (€26.1 million) comprised €26.6 million of gains on disposals of equity holdings, net of €0.5 million for a loss on an intragroup transfer.
Miscellaneous income mainly comprises tax relief.

4-10. Income taxes

This item breaks down as follows:

(€m)	2018	2017
Income tax expense incurred by the tax group (net of tax credits)	(45.3)	(53.3)
Income tax credit receivable from companies entitled to tax credits	37.6	35.3
Prior-period tax gains	0.7	0.0
Net change in provision for income taxes	(1.4)	0.2
Tax on dividends	0.0	19.7
Income taxes	**(8.4)**	**1.9**
Profit before tax and profit-sharing	100.1	129.7
Effective tax rate	8.39%	-1.5%

Exceptional items generated a tax charge of €3.7 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 30 companies as of 31 December 2018.

The tax group had no tax losses available for carry-forward as of 31 December 2018.

The difference between the standard French tax rate and the effective tax rate, in both 2018 and 2017, 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 2018 and may generate a tax liability in the future is €7.7 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	4.5	-
Accrued employee profit-sharing, holiday pay entitlement and social solidarity contributions, unrealised foreign exchange gains and losses, and other non-deductible expenses	-	5.5

4-12. Utilisation of competitiveness and employment tax credit

For the year ended 31 December 2018, TF1 SA recognised a competitiveness and employment tax credit (*crédit d'impôt compétitivité et emploi* – CICE) of €0.6 million, as a deduction from staff costs. A tax gain of €0.2 million relating to the CICE of LCI (a tax-transparent entity) was also recognised.

The CICE enabled various expenditures to be incurred in 2018 that helped improve competitiveness. In particular, the company invested €20.1 million in property, plant and equipment, mainly technical video equipment and office equipment.

5 Other information

5-1. Off balance sheet commitments:

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

(€m)

Commitments given	Less than 1 year	1 to 5 years	More than 5 years	Total 2018	Total 2017
Operating leases	26.5	61.3	0.9	88.7	75.4
Image transmission contracts	5.5	7.0	0.0	12.5	19.1
Guarantees (1)	2.8		11.2	14.0	14.0
Commitments relating to equity interests (2)	1.2	1.6		2.8	469.0
Other commitments (3)	0.1			0.1	6.8
TOTAL	**36.1**	**69.9**	**12.1**	**118.1**	**584.3**

(€m)

Commitments received	Less than 1 year	1 to 5 years	More than 5 years	Total 2018	Total 2017
Operating leases	26.5	61.3	0.9	88.7	75.4
Image transmission contracts	5.5	7.0	0.0	12.5	19.1
Commitments relating to equity interests (2)	1.2	1.6		2.8	469.0
Other commitments (3)	2.2			2.2	0.0
TOTAL	**35.4**	**69.9**	**0.9**	**106.2**	**563.5**

(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 2018.

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 2018, the equivalent value of such hedging instruments contracted with banks was €37.5 million:

- €38.4 million of forward purchases (all in U.S. dollars, valued at the closing exchange rate);
- minus €8.9 million of forward purchases (all in Swiss francs, valued at the closing exchange rate);
- plus €8.0 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:

	2018	2017
Clerical and administrative	70	70
Supervisory	240	261.9
Managerial	918	957
Journalists	224	235
Interns	17	35
Intermittent employees	156	65
TOTAL	**1,625**	**1,624**

5-4. Executive remuneration

Total remuneration paid during 2018 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 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 2018 to the investment fund of the insurance company which manages the scheme was €0.4 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 for 2018" in the TF1 Registration Document.

5-6. Directors' fees

The amount of directors' fees paid in 2018 was €0.3 million.

5-7. Auditors' fees

The amount of fees paid by TF1 SA to its auditors for the 2018 financial year was €0.5 million. The amount paid for other audit services and for services other than statutory audit for 2018 was €0.1 million (CSR report, and assurance and advisory work in connection with corporate actions during the period).

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
	In thousands of euros (or other currency as specified)				*In thousands of euros*						
I. Subsidiaries (at least 50% of the capital held by TF1 SA)											
- TF1 PUBLICITE		2,400	4,969	100.00%	3,038	3,038	31,134	-	1,659,658	19,013	14,300
- TF1 FILMS PRODUCTION		2,550	34,020	100.00%	1,768	1,768	18,150	-	41,598	1,593	
- TÉLÉSHOPPING		5,127	2,631	100.00%	5,130	5,130	-	-	60,512	(5,062)	
- TF1 ENTERTAINMENT		3,000	1,431	100.00%	3,049	3,049	-	-	34,185	7,379	8,000
- E-TF1		1,000	359	100.00%	1,000	1,000	-	-	115,349	34,882	23,200
- TF1 VIDEO		3,000	6,799	100.00%	23,100	15,000	-	-	32,172	(7,327)	-
- TF1 EXPANSION		269	194,980	100.00%	291,291	291,291	-	-	0	(6,109)	-
- TF1 DROITS AUDIOVISUELS		15,000	2,633	100.00%	138,431	128,859	-	-	53,191	1,226	4,995
- LA CHAINE INFO		4,500	1,383	100.00%	2,059	59	18,398	-	22,770	(31,663)	-
- OUEST INFO		40	(184)	100.00%	2,617	17	694	-	1,564	(786)	-
- TF1 PRODUCTION		10,080	6,753	100.00%	39,052	39,052	-	-	86,664	3,819	2,999
- TF1 MANAGEMENT		40	(9)	100.00%	80	80	-	-	0	0	-
- PREFAS 20		40	(18)	100.00%	40	40	-	-	0	(4)	-
- TF1 NUMERIQUE		50,040	68	100.00%	50,040	50,040	-	-	0	(83)	-
- PREFAS 24		40	(4)	100.00%	40	40	-	-	0	(7)	-
- PREFAS 25		40	(7)	100.00%	40	40	-	-	0	(4)	-
- TF1 DISTRIBUTION		40	(374)	100.00%	40	40	6,770	-	94,999	454	-
- TF1 DS		100	(1)	100.00%	100	100	-	-	99,391	(33)	-
- NEWEN STUDIOS		27,822	(3,553)	86.15%	197,654	197,654	-	-	1,636	(11,543)	-
- HOLDING NEWEN STUDIOS		28,598	(185)	100.00%	44,556	44,556			-	(65)	
- AUFEMININ		1,933	131,049	100.00%	386,744	386,744			27,210	20,024	
- MONTE CARLO PARTICIPATION		33,700	49,780	100.00%	213,827	213,827	105,000	-	91	62,952	-
- GIE ACQUISITION DE DROITS		0	0	93.00%	0	0	232,883	-	311,910	(19,105)	-

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
	In thousands of euros (or other currency as specified)				*In thousands of euros*						
II Affiliates (10% to 50% of the capital held by TF1 SA)											
- MEDIAMETRIE (*)		14,880	20,994	10.80%	44	44	-	-	93,039	3,960	100
- A1 INTERNATIONAL (**)		20	5,015	50.00%	12,809	0	-	-	0	(3,779)	-
- SMR6		75	11	20.00%	15	15	5	-	78	3	-
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**
	In thousands of euros (or other currency as specified)				*In thousands of euros*						
III Other equity investments (less than 10% of the capital held by TF1 SA)											
- MEDIAMETRIE EXPANSION (*)		843	43	2.42%	91	0	-	-	0	(71)	-
- SERIE CLUB		50	1,381	0.004%	2	2	-	-	11,445	870	-
- APHELIE		2	94,716	0.05%	0	0	-	-	19,025	15,051	-
TOTAL SUBSIDIARIES, AFFILIATES & EQUITY INVESTMENTS					**1,416,656**	**1,381,484**	**413,034**	**0**	**-**	**-**	**53,594**

(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 2017 financial year.

(**) “Share capital”, “Equity other than share capital and profit/loss”, revenues, and profit/loss all relate to the 2009 financial year.

6- Events after the reporting period

On 30 January 2019, TF1 SA announced that it had entered into exclusive negotiations to sell Téléshopping's distance selling business and stores to former Téléshopping CEO Jérôme Dillard, an independent entrepreneur and acknowledged specialist in telesales.

The TF1 group has committed to continue broadcasting teleshopping programmes on its channels for the next five years.

The proposed transaction will, as required by law, be subject to scrutiny by the relevant employee representative bodies.