Management Report
First nine months of 2020

Financial Information – First nine months of 2020

1. Financial Information – First nine months of 2020

1.1. Consolidated results

Financial indicators

These key figures are extracted from TF1 group consolidated financial data. The results below are presented in accordance with IFRS 16, applicable from 1 January 2019.

(€m)	9m 2020	9m 2019
Revenue	**1,361.4**	**1,614.6**
Group advertising revenue	*962.9*	*1,158.4*
Revenue from other activities	*398.5*	*456.2*
Current operating profit/(loss)	**125.6**	**184.4**
Operating profit/(loss)	**125.6**	**184.4**
Net profit/(loss) from continuing operations	**77.1**	**117.8**
Operating cash flow after cost of net debt/income from net surplus cash, interest expense on lease obligations, and income taxes paid	**229.7**	**290.8**
Basic earnings per share from continuing operations (€)	**0.37**	**0.56**
Diluted earnings per share from continuing operations (€)	**0.37**	**0.56**
Shareholders' equity attributable to the Group	**1,627.9**	**1,581.1**
Net surplus cash/(net debt) of continuing operations[1]	**(70.7)**	**(53.3)**

	9m 2020	9m 2019
Weighted average number of ordinary shares outstanding ('000)	**210,311**	**210,321**
Closing share price at end of period (€)	**5.23**	**8.06**
Market capitalisation at end of period (€bn)	**1.1**	**1.7**

[1] *Excluding lease obligations (IFRS 16).*

Income statement contributions – continuing operations

The results below are presented using the segmental reporting structure as described in Note 3 to the consolidated financial statements.

€m	Q3 2020	Q3 2019	Chg. %	9m 2020	9m 2019	Chg. €m	Chg. %
TF1 group advertising revenue	346.5	322.4	7.5%	962.9	1,158.4	(195.5)	-16.9%
Revenue from other activities	131.4	147.0	-10.6%	398.5	456.2	(57.7)	-12.6%
Consolidated revenue							
Broadcasting	372.8	354.8	5.1%	1,056.1	1,245.6	(189.5)	-15.2%
o/w Advertising	*328.4*	*303.4*	*8.2%*	*914.5*	*1,094.8*	*(180.3)*	*-16.5%*
Studios & Entertainment	67.8	76.5	*-11.4%*	199.6	245.3	(45.7)	-18.6%
Unify	37.3	38.1	-2.1%	105.7	123.7	(18.0)	-14.6%
Consolidated revenue	**477.9**	**469.4**	**1.8%**	**1,361.4**	**1,614.6**	**(253.2)**	**-15.7%**
Cost of programmes	**(183.0)**	**(213.5)**	**-14.3%**	**(521.8)**	**(659.7)**	**137.9**	**-20.9%**
Broadcasting	51.7	14.1	x3.5	127.6	156.6	(29.0)	-18.5%
Studios & Entertainment	7.2	7.7	-6.5%	7.2	25.0	(17.8)	-71.2%
Unify	(1.1)	(0.4)	x2.5	(9.2)	2.8	(12.0)	N/A
Current operating profit	**57.8**	**21.4**	**x2.5**	**125.6**	**184.4**	**(58.8)**	**-31.9%**
Current operating margin	12.1%	4.6%	+7.5pts	9.2%	11.4%	-	-2.2pts
Net profit attributable to the Group	**38.7**	**10.5**	**x3.5**	**77.1**	**117.8**	**(40.7)**	**-34.6%**

Analysis of cost of programmes

(€m)	9m 2020	9m 2019
Total cost of programmes	**521.8**	**659.7**
Dramas / TV movies / Series / Plays	170.5	209.7
Variety / Gameshows / Magazines	146.9	195.8
News (including LCI)	96.0	101.4
Movies	88.0	95.6
Children’s programmes	7.2	7.3
Sports	13.1	49.9

1.2. Significant events of the first nine months of 2020

January

6 January 2020

Géraldine L'Hénaff is appointed Managing Director of Unify Advertising, the advertising sales house of Unify (the TF1 group's digital pure player unit), and Martin Boronski joins Unify as Chief Technical Officer (CTO).

28 January 2020

TF1 is the highest-ranked French brand in the 2019 BAV TOP 50 awards for France's most powerful and connected brands.

31 January 2020

Unify becomes the 100% shareholder of Vertical Station.

February

10 February 2020

At the 25th *Lauriers de l'Audiovisuel* Radio and TV awards ceremony, the TF1 group wins awards in two categories: *Le Bazar de la Charité* for best serial, and *Quotidien* for best magazine.

11 February 2020

The TF1 Group wins six prizes at the 27th *Trophées du Film Français* awards.

12 February 2020

Newen announces the launch of a new UK production company, Ringside Studios, a collaboration with Gub Neal (one of the most prominent producers in the UK) and production house DoveTale Media. Ringside Studios will develop high-quality English and international dramas, which may be distributed by Newen.

27 February 2020

By partnering with the charity *La Maison des Femmes*, which provides a safe space for victims of violence, Unify reaffirms its commitment to give a platform to all women in all their struggles, through its media brands, its communities and its events.

March

23 March 2020

Covid-19: the TF1 group is more committed than ever. At this time of crisis, it is too soon for us to estimate how all the impacts of Covid-19 will affect our results, which will depend on a whole range of factors including the extent and duration of the pandemic, the preventive and support measures implemented by governments in the countries where we operate, and the eligibility of our staff for temporary lay-off support schemes.
Despite the significant economic fallout from this major crisis, we remain confident in our ability to rise to the challenge. We have a robust financial position, with low debt and access to bilateral credit facilities. Our activities have a long-term future, and the current crisis only serves to strengthen the legitimacy of what we do. As a consequence of the crisis, the TF1 group is taking the logical decision to suspend its objectives as announced in February 2020 until the situation becomes clearer.

April

1 April 2020

Given the impacts of the Covid-19 crisis, the TF1 Group withdraws the proposal to ask the Annual General Meeting of 17 April 2020 to approve the distribution of a dividend, as well as its two objectives for the 2020 financial year: double-digit current operating margin, and a cost of programmes of €985 million.

2 April 2020

TF1 Group mobilises to support the people of France and showcase everyday heroes: working alongside charities to broaden access to ad slots for good causes; supporting the Paris and French Hospitals Foundations through a unique initiative, with TF1 Factory producing a video appeal for donations free of charge to be rolled out on a massive scale across all media; and giving clear answers to the questions people are asking.

France Télévisions, Altice Media, TF1, M6, NRJ, L'Équipe, Arte and Canal+ groups announce they are joining together to create the Technical Association of DTT Broadcasters (*L'Association Technique des Editeurs de la TNT*: ATET), with a mission to raise the profile of DTT channels and promote their interests.

7 April 2020

Unify brands mobilise to support the people of France: Marmiton launches the #ensembleencuisine campaign, Doctissimo launches a chatbot and Facebook Live sessions with Dr Gérald Kierzek, Aufeminin launches its new "Simple Pleasures" short story competition, Unify (at a time of heavy internet use by its users) is offering some of its advertising space free of charge to those who are on the front line against the pandemic.

27 April 2020

As a fervent defender of gender equality in the workplace, the TF1 group extends parental leave entitlement beyond the legal minimum so all parents – women and men, straight and gay – can take time off work to spend time with their child. The scheme covers biological and adoptive parents, and includes children born through assisted reproductive technology or surrogacy.

30 April 2020

The TF1 group launches a new range of podcasts, downloadable free of charge from all the streaming platforms (including Apple Podcast, Google Podcast, Spotify and Deezer). This new range complements the Group's existing podcast range (LCI, Studio71, MyLittle Paris, etc). The five themes feature iconic presenters and tie into some of its flagship TV brands: celebrities, adventure, true crime, music, history.

June

2 June 2020

The Mediapro group, a new key player in French football, and the TF1 group announce the signing of an unprecedented agreement. This four-year renewable partnership is based on three pillars:

- a brand license for a new "Telefoot" channel, named after the iconic TF1 football show;
- an editorial and content production partnership;
- a partnership of talents, with Grégoire Margotton and Bixente Lizarazu providing commentary on French Ligue 1 matches.

Sabina Gros joins Unify to take up the position of Executive Vice President and Chief Revenue and Publishers Officer France and Europe. As Chief Revenue Officer, her role is to develop and deliver growth in Unify's advertising revenue via all channels: direct and programmatic sales, and data.

8 June 2020

TF1 Media Lab, the accelerator program at Station F, launched in 2018, welcomes its fifth intake of six new start-ups. The aim: to spark synergies between innovative solutions and the know-how of industry specialists from within the TF1 Group.

18 June 2020

With French cinemas due to reopen their doors from 22 June, the TF1 group shows its commitment to and support for the French film industry by backing a major media campaign. From 22 June to 5 July, our TV channels will carry a free-of-charge ad campaign promoting the reopening of French cinemas. Our digital platforms will also run the campaign, starting on 29 June.

July

3 July 2020

The TF1 group is proud to be the no.1 media company and 22nd best company overall (out of the 120 major French companies in the SBF 120 index) according to the 2019 Ethics & Boards awards for female representation on corporate decision-making bodies. Today, 45% of the members of our Management Committee (our top 160 managers) are women, versus 29% in 2014.

31 July 2020

The TF1 Group creates a new 4K offer, to provide viewers with the ultimate TV experience. Starting on 23 August 2020, the Group is to screen a new exclusive range of programmes on its 4K channel. The new channel is available within the Orange and Bouygues Telecom bundles and includes a multi-genre offer, from blockbuster on Sunday night movies to sport with the French National football team (from 8 September).

August

26 August 2020

TF1 PUB, the Group's ad sales arm, teams up with Goodeed, a pioneer in socially-responsible "ads for good" in the French digital space. Every time an internet user views a Goodeed ad, money is raised for good causes. From 26 August, TF1 PUB will be marketing Goodeed's "ads for good" format on MYTF1, and will donate part of the ad spend to charities chosen by internet users.

September

10 September 2020

Doctissimo takes on a new dimension that is more expert and higher-profile. It involves a new Medical Committee, set up effective 10 September, headed up by A&E doctor (and TF1/LCI health expert) Dr Gérald Kierzek. Around thirty experts drawn from a very broad spectrum of disciplines will ensure that editorial content is reliable and properly sourced across many pathologies. In parallel, Doctissimo is offering a new user experience, with a revamped visual identity rolled out across all the brand's assets (website, app, social networks) and much more intuitive browsing of the site's 16,000 articles.

15 September 2020

Jean-Pierre Pernaut, presenter since 22 February 1988 of Europe's most-watched lunchtime news bulletin, decides to hand over the reins and explore new opportunities within our news team.

17 September 2020

Journalist Marie-Sophie Lacarrau joins the TF1 news team to anchor the weekday lunchtime news from January 2021. She will take the helm at Europe's most-watched lunchtime news bulletin, backed by the same team that delivers great news every day.

18 September 2020

Didier Casas is appointed General Counsel of the TF1 group with effect from 1 November. He succeeds Jean-Michel Counillon and will join the Executive Committee. Didier Casas will be responsible for all the Group's institutional relations and regulatory issues, legal affairs, and matters relating to ethics and compliance.

22 September 2020

At the third Grand Prix Stratégies de l'Innovation, the TF1 Group collects five awards for its ability to innovate creatively in terms of content, formats and communication strategy. The standout moment is the Gold Award for Burger Quiz in the "Best Event, Special Campaign" category.

1.3. Analysis of consolidated results

The results below are presented using the segmental reporting structure as presented in Note 3 "Operating segments" to the consolidated financial statements, and in accordance with IFRS 16 (applicable from 1 January 2019).

Revenue

Consolidated revenue of the TF1 group for the first nine months of 2020 was €1,361.4 million, down €253.2 million (15.7%) year-on-year[2].

Group advertising revenue was €962.9 million (-16.9% year-on-year). After a first half affected by the impacts of the Covid-19 crisis, the third quarter saw an increase of €24.1 million (7.5%) in advertising revenue relative to the comparable period of 2019.

Cost of programmes and other current operating income/ expenses

Cost of programmes

The cost of programmes on the Group's five free-to-air channels reached €521.8 million in the first nine months of 2020.

In the third quarter, and especially during the summer, the Group made further savings of €30.5 million, taking total savings over the first nine months of 2020 to €137.9 million. This performance, building on the efforts of the first half, reflects both a reduction in the unit price of programmes broadcast and optimisation of the recycling of rights between the Group's channels. Those savings were achieved without sacrificing the requirement for quality programmes, enabling viewing figures to remain high.

Other expenses and depreciation, amortisation and provisions

On the first nine months 2020, other expenses and depreciation, amortisation and provisions decreased by €56.5 million year-on-year, mainly due to savings linked to the crisis, and to cuts in some taxes.

Current operating profit

Current operating profit for the first nine months of 2020 was €125.6 million, down €58.8 million (versus a drop of €95 million in the first half of 2020). The 2020 nine-months figure reflects a third-quarter operating profit of €57.8 million, up €36.4 million year-on-year, due partly to higher revenues and partly to extra savings on the cost of programmes (€30.5 million lower than in 2019).

Operating profit

Group operating profit amounted to €125.6 million, down €58.8 million.

Net profit

Net profit attributable to the Group was €77.1 million, down €40.7 million year-on-year.

Financial position

Shareholders' equity attributable to the Group was €1,627.9 million at 30 September 2020 out of a balance sheet total of €3,511.7 million.

The lack of a dividend payout and the improvement in operating working capital requirements meant that the Group reported net debt of €70.7 million at 30 September 2020, before lease obligations (net debt of €162.2 million after lease obligations), versus net debt of €126.3 million at 31 December 2019 (net debt of €225.8 million after lease obligations).

As of 30 September 2020, TF1 had confirmed bilateral bank credit facilities of €965 million, including €170 million for Newen. Those facilities were backed up by a cash pooling agreement with the Bouygues Group. As of 30 September 2020, drawdowns under those facilities amounted to €162 million, all of which related to Newen.

[2] *Down 16% excluding a negative impact of €1.8 million from changes in structure (newly-consolidated acquisitions, net of the deconsolidation of Téléshopping).*

1.4. Segment information

Broadcasting

Revenue

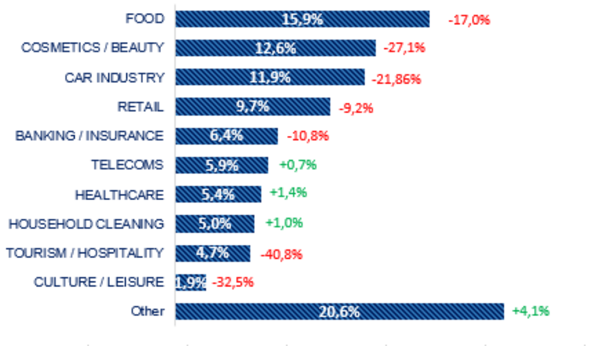
Broadcasting segment revenue amounted to €1,056.1 million in the first nine months of 2020, down €189.5 million (15.2%) year-on-year.

- Broadcasting segment advertising revenue for the first nine months of 2020 was €914.5 million, down €180.3 million or 16.5%. After a first half hit hard by cuts to advertising spend in response to the Covid-19 crisis, the third quarter saw revenue rise by €25 million (8.2%) year-on-year. This reflects catch-up spending by advertisers, especially by those in the food, retail, personal care, e-commerce and car sectors. Advertisers benefited from the high viewing figures posted in late summer and the back-to-school period, such as those for major sporting events like the Champions League final and the successful launch of first-run episodes of shows like Koh Lanta. Only a few sectors (such as travel, tourism and cosmetics) remain in decline.

- Revenue from other Broadcasting segment activities was down €9.1 million year-on-year, due mainly to lower revenue at TF1 Production and TF1 Films Production.

Over the first nine months of 2020, the TF1 group's free-to-air channels saw gross revenue fall year-on-year (by 16.1% overall). The exception was LCI, where revenue increased.

Trends in gross advertising spend (excluding sponsorship) by sector for the first 9 months of 2020 for the Group's five free-to-air channels are shown in the chart below.



Source: Kantar Média, 9m 2020 vs. 9m 2019.

[3] *Source: Médiamétrie*

Current operating profit

Broadcasting segment current operating profit for the first nine months of 2020 was €127.6 million, down €29.0 million year-on-year, generating current operating margin of 12.1% (-0.5 of a point year-on-year). Programme cost savings combined with a resumption in advertising spend in the third quarter meant that the Group was able to return to a profitability level close to that of 2019.

Free-to-air channels – market review

Average daily TV viewing time during the first nine months of 2020 remained at a high level, reaching 3 hours 49 minutes among individuals aged 4+, up 23 minutes year-on-year.

This rise in daily viewing time persisted even after lockdown ended, especially among the target audience of women aged under 50 purchasing decision-makers (W<50PDM). In the third quarter of 2020, average daily viewing time was 2 hours 58 minutes, a year-on-year increase of 22 minutes.

Effective 30 March 2020, Médiamétrie adapted its audience metrics to better reflect how people actually consume TV. Viewing outside the home (in second homes, bars, airports, etc) is now captured in the data, as are live and catch-up viewing on the move via devices such as computers, tablets and smartphones.

Home consumption on other devices (computers, tablets, smartphones, etc) is due to be added to the metrics from 2022.

Free-to-air channels – audience ratings[3]

During the first nine months of 2020, the TF1 group benefited from renewed enthusiasm for TV viewing among the French public, especially as activity at entertainment venues (such as theatres and cinemas) was slow to resume and certain restrictions remained in force. The Group remained the market leader in both key target audiences:

- 29.2% audience share among 25-49 year-olds (+0.1 of a point year-on-year);
- 31.8% audience share among W<50PDM (-0.3 of a point year-on-year).

TF1

TF1 confirmed its unique power to bring people together across all programme genres and audiences. The Group continued to deliver strong news programmes and high-quality content, to meet viewers' need for news while continuing to keep them entertained both during and after lockdown.

The TF1 core channel filled all the slots in the top 20 audience ratings among 25-49 year-olds in the first nine months of 2020. It also achieved 15 of the top 20 ratings among individuals aged 4+.

Highlights for the channel during the first nine months of the year included:

- **French drama**: the pulling power of French drama is on a consistent uptrend, as witness the exceptional success of the made-for-TV Grégory Lemarchal biopic *Pourquoi je vis ?*, whose audience of 8.3 million (including a 51% share of W<50PDM) was the best for a drama since 2006. Meanwhile, the launch of the new drama series *Grand Hôtel* attracted a peak audience of 5.4 million, with a 25% share of W<50PDM.

- **Foreign series**: TF1 continued to screen highly successful foreign drama series like *The Resident* and *The Good Doctor*, both of which enjoyed a 32% share among W<50PDM.

- **News**: during a period of heavy news flow linked to the Covid-19 crisis, TF1 retained its status as France's most-watched news channel, with a very large following. The channel's lunchtime bulletin averaged 5.2 million viewers over the summer, or a 42% share of individuals aged 4+. The evening bulletin averaged 5.3 million viewers over the summer, or a 29% share of individuals aged 4+. The back-to-school period was particularly successful, with TF1 attracting 19 of the top 20 audience ratings for evening news bulletins during September. Audiences peaked at 7.5 million for the evening bulletin on Sunday 27 September (31.6% of individuals aged 4+). The evening bulletin saw audience shares rise sharply over the first nine months of 2020, with year-on-year growth of 1.4 points for individuals aged 4+ and of 1.2 points for W<50PDM and 25-49 year-olds.

- **Entertainment**: the third quarter of 2020 confirmed the success of the channel's flagship entertainment brands. The iconic *Koh Lanta* posted a 43% audience share among W<50PDM, with a peak of 6.7 million viewers for the launch show of the new prime-time season. Another success came with the return of *The Voice Kids*, with an average 28% of W<50PDM and a peak audience of 4.1 million.

- **Sport:** the gradual return of sporting competition after lockdown meant a return to large audiences for high-profile fixtures. The semi-final and final of the UEFA Champions League attracted 6.5 million and 11.4 million viewers respectively.

- **Movies**: stand-out performers included *La Ch'tite famille* (7 million viewers, 37% of W<50PDM) and *Taxi 5* (5.3 million viewers, 32% of W<50PDM).

DTT channels

During the first nine months of 2020, the TF1 group's DTT arm – TMC, TFX, TF1 Séries Films and LCI – maintained its market leadership with a combined audience share of 10.4% among W<50PDM and 9.5% among 25-49 year-olds, stable year-on-year.

TMC

TMC confirmed its market-leading status among DTT channels in the third quarter of 2020: audience share was stable at 2.8% among individuals aged 4+, but rose to 3.8% among W<50PDM and 3.7% among 25-49 year-olds. This performance reflected:

- a record back-to-school period for *Quotidien* with 1.6 million viewers (+0.3 million year-on-year), peaking at 1.9 million on 10 September 2020 when Nicolas Sarkozy was on the show;
- a strong showing from movies, including 1.6 million viewers for *Expendables 2*;
- the success of entertainment show *Lolywood Night*, with 0.8 million viewers.

TFX

Over the first nine months of 2020 TFX continued to increase its share of the W<50PDM target audience, to 3.3% (up 0.1 of a point year-on-year). This performance was due to:

- reality TV in access prime time, where TFX is the most-watched DTT channel among W<50PDM thanks to the renewed success of shows like *Mamans & célèbres* and *10 couples parfaits;*
- unscripted shows and movies, still the backbone of the channel's prime time schedules, including *Camping Paradis* with an average of 0.7 million viewers; emergency services documentary *Appels d'urgences* with an average of 0.5 million; and movie *The Bourne Identity* (French title: *La mémoire dans la peau*) with 0.9 million.

TF1 Séries Films

The channel retained its no.2 slot among HD DTT channels in the third quarter of 2020 with individuals aged 4+ (2.0% share) and W<50PDM (2.8% share), and was market leader in prime time with those audiences.

TF1 Séries Films' evening movie offering proved its pulling power with films like *15 Août* and *Le Placard* (0.8 million viewers); popular French drama series like *Section de recherche* (0.8 million viewers); and American series like *Law and Order: Criminal Intent* (French title: *New York, Section criminelle*), which enjoyed an average audience share of over 4% of W<50PDM in September.

LCI

LCI increased its audience share across all targets in the first nine months of 2020: 1.2% of individuals aged 4+ (+0.2 of a point year-on-year) and 0.7% of 25-49 year-olds (+0.3 of a point year-on-year).

The channel has strengthened its access prime time schedules with programmes like *24 heures Pujadas* and *Le Grand Soir*, and the successful debut of Darius Rochebin.

Revenue was higher year-on-year.

TF1 Publicité (third-party airtime sales)

Revenue from third-party airtime sales (for radio stations, non-Group TV channels, etc.) fell year-on-year, mainly in radio, due to the drop in advertising spend.

TF1 Films Production[4]

The ongoing Covid-19 crisis pushed cinema footfall down 63% year-on-year in the third quarter of 2020.

Once cinemas reopened from 22 June, film releases were able to resume. In the third quarter of 2020, two films co-produced by TF1 Films Production went on general release (*Belle fille* and *Mon cousin*), with combined box office entries of nearly 500,000 to date. So in the first nine months of 2020, the six films co-produced by TF1 Films Production attracted a combined total of 3.7 million box office entries.

The revenue contribution from TF1 Films Production was lower year-on-year in the first nine months of 2020, but current operating profit improved slightly.

TF1 Production

TF1 Production experienced a loss of business in the first nine months of 2020, with the Covid-19 crisis delaying delivery of many magazine programmes and major sporting events postponed to 2021.

This means that both revenue and operating profit at TF1 Production were down year-on-year.

e-TF1

Audiences for MYTF1 held steady in the third quarter of 2020 compared with the previous year, and advertising revenue was higher. However, interactivity revenue was slightly down on the third quarter of 2019, due to fewer programmes offering interactivity.

Revenue at e-TF1 rose slightly in the first nine months of the year, with MYTF1 posting increased advertising revenue. However, operating profit was lower again.

Theme channels (TV Breizh, Ushuaïa TV and Histoire TV)

The Group's three theme channels made further progress during the first nine months of 2019:
- Ushuaïa TV remained the no.2 ranked documentary channel, with a reach of 3.8 million visitors per month;
- Histoire TV reached an all-time high, and posted the strongest year-on-year growth of any documentary channel, upping its audience by 77%;
- TV Breizh confirmed its ranking as no.1 theme channel for the 7th time running with a 0.7% audience share, and achieved its best-ever audience share among individuals aged 4+ (up 11% year-on-year).

Two of the three channels improved their operating profit in the third quarter of 2020.

However, revenue for two of the three pay-TV channels was lower than in the third quarter of 2019, due largely to the renegotiation of the distribution contract with Canal+.

Studios & Entertainment

Studios

Newen Studios

Newen was one of the first producers to restart operations, with production resuming on its two flagship daily soaps (Demain Nous Appartient and Plus Belle La Vie) in mid-May for episodes delivered in June. Production on the new daily soap Ici tout commence began during the summer. The

[4] *Source: CNC and CBO Box Office.*

Group's studios outside France – such as Reel One, Tuvalu and De Mensen – also returned to normal activity levels. Newen enjoys good visibility, with the order backlog rising to more than 1,600 hours in the third quarter.

TF1 Studio

TF1 Studio rescheduled its 2020 general release line-up following the closure of French cinemas from mid-March to mid-June in response to the Covid-19 crisis. Although cinemas reopened in late June, footfall was lower in the third quarter than in the comparable period of 2019.

However, there was a much smaller decline in box office entries for French films (-13.8%) than American films (-88%).

As a result, revenue for the first nine months of 2019 was once again down on the previous year.

Entertainment

TF1 Entertainment

Due to the impact of the Covid-19 crisis, TF1 Entertainment saw lower revenue and current operating profit than in the first nine months of 2019, reflecting the very gradual resumption of live shows and the postponement or even cancellation of projects by the Play Two music label. However, the card/board games business remained resilient.

Unify

The Unify division posted revenue of €105.7 million, down €18.0 million year-on-year.

With their focus on everyday issues, the Marmiton and Doctissimo websites touched a chord with the French public and continued to attract solid audience ratings, both during and after lockdown. For example, Marmiton reported 560 million sessions in the first nine months of 2020, up 38% year-on-year.

After a first half that was hit hard by the Covid-19 crisis, advertising spend recovered gradually in the third quarter, taking revenue close to the 2019 level. However, revenue from digital advertising, programmatic and advertiser services was still down on the previous year at the end of September.

Social e-commerce (subscription box sales) posted further growth in the third quarter. By the end of September Beautiful Box and Gambettes Box had each increased the number of boxes shipped by over 50,000 year-on-year.

Unify posted a current operating loss of €9.2 million, a net year-on-year downswing of €12.0 million, in line with the drop in revenue seen mainly in the first half of the year.

1.5. Outlook

The Group's 2020 nine-month results were lifted by a positive contribution from the third quarter, which saw a gradual return of advertising spend across most sectors. TF1 showed its ability to work with advertisers through the economic recovery as lockdown restrictions were lifted.

The Group is lining up a rich and varied mix of programmes for the end of the year, featuring the return of flagship shows (Mask Singer Season 2), the launch of the new gameshow District Z, first-run movies (Le Sens de la Fête and A Star is Born), and the launch of the new daily soap Ici Tout Commence.

Following on from regulatory progress during the summer (addressable TV, movie advertising on TV, and an end to movie-free days on TV channels), the industry is poised to benefit from further changes, including a more level playing field between established broadcasters and new entrants (in particular via the transposition of the Audiovisual Media Services directive into French law).

During the fourth quarter of 2020, Salto – the new French video-on-demand platform based on an alliance between TF1, France Télévisions and M6 – is set to start recruiting subscribers following its launch on 20 October.

Given the ongoing uncertainties about how the Covid-19 pandemic will evolve in France, and the lack of visibility currently facing many French companies and households, it is not possible at this stage to set objectives for the rest of 2020 or for 2021.

Our fourth-quarter performance will be largely dependent on the changing behaviour of our advertisers, in both Broadcasting and Digital.

In parallel, the resumption of shooting in France and elsewhere suggests that Newen can hope for a return to sustained activity levels through to the end of the year, subject to the uncertainties inherent in the health crisis.

1.6. Events after the reporting period

20 October 2020 saw the launch of Salto, the subscription video-on-demand platform set up by

TF1, M6 and France Télévisions. It offers 10,000 hours of content from box sets (including some premieres) to movies, and from documentaries to kids programmes, as well as content never before screened in France such as Ils étaient dix (a series based on Agatha Christie's And Then There Were None) and the drama series Exit and Evil.

1.7. Corporate social responsibility

Solidarity

Engagement Week

From 29 June to 3 July, TF1 organised "Engagement Week", with a range of events and initiatives for Group employees around the theme of solidarity:

- Highlighting Covid-19 mutual aid campaigns carried on our channels and digital platforms, though testimony from the employees involved;
- A special campaign to raise funds for ten charities in which TF1 employees are involved, with features showcasing their work on the corporate intranet and the employees themselves invited to the awards ceremony;
- A round-table discussion with representatives from the three charities supported by the TF1 group during the first wave of the Covid-19 crisis: "Fondation Hôpitaux de Paris – Hôpitaux de France", "Fondation pour la Recherche Médicale" and "Fondation des Femmes";
- Sharing experiences on the work of the TF1 Foundation, with a focus on the "Tous en stage" virtual training sessions for 14/15-year-olds during lockdown;
- Inspiring examples of personal initiatives taken by our employees during lockdown.

Safeguarding children

Contestants in the special "Masters" edition of the 12 coups de midi quiz show, screened on TF1 on 4 July, donated their €50,000 winnings to "Action Enfance", a child protection charity that provides a home for around 750 at-risk young people across France.

The TF1 group offered further help to the charity with "Action Enfance fait son cinéma", a film festival to encourage young people living in "Action Enfance" villages and homes to develop their creative and imaginative talents. Our support took the form of a €2,500 grant, coverage of the festival on our social networks, and the presence of TF1 Films Production CEO Nathalie Toulza-Madar on the festival jury.

Sustainable society

CSR criteria built into voluntary profit-sharing agreement

Under the new 3-year voluntary profit-sharing agreement signed at the end of August, TF1 employees can now benefit from efforts to reduce the Group carbon footprint.

Two objectives were set:

- a 3% reduction in electricity consumption versus the 2019 level;
- a 10% reduction in recycled plastic waste versus the 2019 level.

Meeting those two objectives will increase our employees' profit-share by 10% over and above the amounts linked to revenue and current operating profit.

TFOU: special programmes for European Sustainable Development Week

TF1's kids slot (TFOU) marked European Sustainable Development Week from 21 to 27 September with themed programmes to raise kids' awareness of what can be done to promote sustainability (cutting everyday waste, protecting marine life, developing clean energy, etc) through their favourite cartoon characters: Barbapapa, the Super Wings, Alice & Lewis, Ranger Rob, PAW Patrol, the Octonauts, and Loup.

1.8. Human resources update

As of 30 September 2020, the TF1 group had 3,240 employees on permanent contracts.

1.9. Diary dates

- 11 February 2021: 2020 full-year results
- 28 April 2021: 2021 first-quarter results
- 27 July 2021: 2021 first-half results
- 28 October 2021: 2021 nine-month results

Diary dates may be subject to change.

2. Condensed consolidated financial statements: First nine months of 2020

The statutory auditors have conducted a review of the financial statements, on which they have issued an unqualified report.

Consolidated income statement

(€m)	*Note*	9 months to 30 September 2020	9 months to 30 September 2019 [(1)]	3rd quarter 2020	3rd quarter 2019 [(1)]	Full year 2019 [(1)]
Revenue	*3-4*	**1,361.4**	**1,614.6**	**477.9**	**469.4**	**2,337.3**
Other income from operations		25.8	29.4	10.3	10.0	40.1
Purchases consumed		(516.5)	(662.6)	(190.9)	(210.6)	(953.6)
Staff costs		(334.2)	(343.9)	(122.9)	(107.4)	(484.8)
External expenses		(282.2)	(296.2)	(94.9)	(97.5)	(434.5)
Taxes other than income taxes		(66.0)	(91.8)	(21.6)	(25.0)	(126.1)
Net depreciation and amortisation expense on property, plant and equipment and intangible assets		(165.6)	(154.2)	(55.0)	(49.3)	(248.0)
Net amortisation expense on right of use of leased assets		(15.0)	(14.0)	(5.5)	(4.6)	(19.1)
Charges to provisions and impairment losses, net of reversals due to utilisation		28.7	(0.7)	18.1	(0.8)	(29.0)
Other current operating income		162.7	185.7	68.5	64.2	291.9
Other current operating expenses		(73.5)	(81.9)	(26.2)	(27.0)	(119.1)
Current operating profit/(loss)		**125.6**	**184.4**	**57.8**	**21.4**	**255.1**
Non-current operating income		-	-	-	-	-
Non-current operating expenses		-	-	-	-	-
Operating profit/(loss)		**125.6**	**184.4**	**57.8**	**21.4**	**255.1**
Financial income		0.1	0.5	-	0.3	0.7
Financial expenses		(2.1)	(1.7)	(0.6)	(0.5)	(2.3)
Income from net surplus cash/(cost of net debt)		**(2.0)**	**(1.2)**	**(0.6)**	**(0.2)**	**(1.6)**
Interest expense on lease obligations		(2.6)	(2.8)	(0.9)	(0.9)	(3.7)
Other financial income		1.8	1.2	0.5	(0.2)	1.4
Other financial expenses		(7.2)	(4.7)	(2.1)	(1.9)	(7.9)
Income tax expense		(37.3)	(59.5)	(15.5)	(8.3)	(82.0)
Share of net profits/(losses) of joint ventures and associates	*8*	(2.1)	(0.3)	(0.7)	0.3	(6.1)
Net profit/(loss) from continuing operations		**76.2**	**117.1**	**38.5**	**10.2**	**155.2**
Net profit/(loss) from discontinued or held-for-sale operations		**-**	**-**	**-**	**-**	**-**
Net profit/(loss)		**76.2**	**117.1**	**38.5**	**10.2**	**155.2**
Net profit/(loss) attributable to the Group		***77.1***	***117.8***	***38.7***	***10.5***	***154.8***
Net profit/(loss) attributable to non-controlling interests		***(0.9)***	***(0.7)***	***(0.2)***	***(0.3)***	***0.4***
Basic earnings per share from continuing operations attributable to the Group (€)		0.37	0.56	0.18	0.05	0.74
Diluted earnings per share from continuing operations attributable to the Group (€)		0.37	0.56	0.18	0.05	0.74

[(1)] *The presentation of the financial statements for 2019 has been changed; see Note 2.3, "Changes in accounting policy", for details.*

Statement of recognised income and expense

(€m)	9 months to 30 September 2020	9 months to 30 September 2019	Full year 2019
Net profit/(loss)	**76.2**	**117.1**	**155.2**
Items not reclassifiable to profit or loss			
Actuarial gains and losses on employee benefits [1]	-	(8.8)	(9.7)
Fair value remeasurement of investments in equity instruments	(9.1)	(8.1)	(26.5)
Taxes on items not reclassifiable to profit or loss	(1.0)	3.3	3.5
Share of non-reclassifiable income and expense of joint ventures and associates	(0.6)		
Items reclassifiable to profit or loss			
Remeasurement of hedging assets	(0.2)	(1.2)	(1.4)
Translation adjustments	0.9	0.6	0.8
Taxes on items reclassifiable to profit or loss	0.1	0.4	0.4
Share of reclassifiable income and expense of joint ventures and associates			
Income and expense recognised directly in equity	**(9.9)**	**(13.8)**	**(32.8)**
Total recognised income & expense	**66.3**	**103.3**	**122.4**
Recognised income & expense attributable to the Group	67.2	104.0	121.9
Recognised income & expense attributable to non-controlling interests	(0.9)	(0.7)	0.5

[1] *Arising from changes in actuarial assumptions (discount rate stable in 2020: 0.9221% as of 31 December 2019 versus 0.9225% as of 30 September 2020).*

Consolidated cash flow statement

(€m)	Note	9 months to 30 September 2020	9 months to 30 September 2019 [1]	Full year 2019 [1]
Net profit/(loss) from continuing operations		76.2	117.1	155.2
Net charges to/(reversals of) depreciation, amortisation, impairment of property, plant and equipment and intangible assets, and non-current provisions		160.7	173.8	283.0
Amortisation, impairment and other adjustments on right of use of leased assets		15.2	14.5	19.1
Other non-cash income and expenses		*(16.4)*	*(25.8)*	*(43.7)*
Gains and losses on asset disposals		*0.8*	*(0.1)*	*5.0*
Share of profits/losses reverting to joint ventures and associates, net of dividends received	*8*	*2.1*	*0.8*	*1.3*
Dividends from non-consolidated companies		*(0.1)*	*(0.1)*	*-*
Income taxes paid		*(46.1)*	*(48.8)*	*(85.3)*
Income taxes, including uncertain tax positions		37.3	*59.5*	82.0
Cash flow after income from net surplus cash/cost of net debt, interest expense on lease obligations and income taxes paid		**229.7**	**290.9**	**416.6**
Reclassification of income from net surplus cash/cost of net debt and interest expense on lease obligations		4.6	4.1	5.3
Changes in working capital requirements related to operating activities (including current impairment and provisions) [2]		26.3	(17.8)	(32.3)
Net cash generated by/(used in) operating activities		**260.6**	**277.1**	**389.6**
Purchase price of property, plant and equipment and intangible assets		(170.5)	(161.8)	(243.7)
Proceeds from disposals of property, plant and equipment and intangible assets		0.6	0.4	1.3
Net liabilities related to property, plant & equipment and intangible assets		5.3	(3.8)	(2.6)
Purchase price of non-consolidated companies and other investments		(0.6)	(0.4)	(0.7)
Proceeds from disposals of non-consolidated companies and other investments		0.5	-	0.2
Net liabilities related to non-consolidated companies and other investments		-	-	-
Purchase price of investments in consolidated activities		*(2.7)*	*(23.6)*	*(51.3)*
Proceeds from disposals of consolidated activities		*1.0*	*0.4*	*0.5*
Net liabilities related to consolidated activities		-	-	-
Other changes in scope of consolidation: cash of acquired or divested entities	*10*	*2.3*	*4.6*	*13.1*
Other cash flows related to investing activities: changes in loans, dividends received from non-consolidated companies		(19.9)	(1.2)	(3.7)
Net cash generated by/(used in) investing activities		**(184.0)**	**(185.4)**	**(286.9)**
Capital increases/(reductions) paid by shareholders and non-controlling interests and other transactions between shareholders		(6.2)	(3.1)	(19.8)
Dividends paid to shareholders of the parent company		-	(83.9)	(84.0)
Dividends paid by consolidated companies to non-controlling interests		-	-	-
Change in current and non-current debt	*9*	45.5	15.8	15.7
Repayments of lease obligations		(14.4)	(13.4)	(18.4)
Income from net surplus cash/cost of net debt and interest expense on lease obligations		(4.6)	(3.8)	(4.9)
Other cash flows related to financing activities		-	-	-
Net cash generated by/(used in) financing activities		**20.3**	**(88.4)**	**(111.4)**
EFFECT OF FOREIGN EXCHANGE FLUCTUATIONS		**(0.6)**	**0.3**	***0.3***
CHANGE IN NET CASH POSITION		**96.3**	**3.6**	**(8.4)**
Net cash position at start of period		**102.6**	**111.0**	**111.0**
Net cash flows		96.3	3.6	(8.4)
Net cash position at end of period		**198.9**	**114.6**	**102.6**

[1] *The presentation of the financial statements for 2019 has been changed; see Note 2.3, "Changes in accounting policy", for details.*

[2] *Current assets minus current liabilities, excluding (i) taxes and (ii) current debt and financial instruments used to hedge debt, which are classified in financing activities*

Consolidated balance sheet (assets)

ASSETS (€m)	Note	30/09/2020	31/12/2019 [1]	30/09/2019 [1]
Goodwill	5	845.2	845.2	831.1
Intangible assets	6	338.4	312.5	315.1
Property, plant and equipment		212.4	206.2	200.5
Right of use of leased assets		84.9	93.8	88.3
Investments in joint ventures and associates	8	11.9	12.3	21.0
Other non-current financial assets		44.4	37.3	35.8
Deferred tax assets		-	-	-
Total non-current assets		1,537.2	1,507.3	1,491.8
Inventories	7	575.4	521.4	551.3
Advances and down-payments made on orders		158.7	154.2	183.1
Trade receivables		660.1	695.7	578.9
Customer contract assets		-	-	-
Current tax assets		8.1	4.8	-
Other current receivables		362.4	355.1	298.9
Financial instruments - Hedging of debt		-	-	-
Other current financial assets		0.1	0.3	0.6
Cash and cash equivalents	9	209.7	105.3	129.5
Total current assets		1,974.5	1,836.8	1,742.3
Held-for-sale assets and operations		-	-	-
TOTAL ASSETS		3,511.7	3,344.1	3,234.1
Net surplus cash/(net debt)		(70.7)	(126.3)	(53.3)

(1) *The presentation of the financial statements for 2019 has been changed; see Note 2.3, "Changes in accounting policy", for details.*

Consolidated balance sheet (shareholders' equity and liabilities)

SHAREHOLDERS' EQUITY AND LIABILITIES (€m)	Note	30/09/2020	31/12/2019 [1]	30/09/2019 [1]
Share capital		42.1	42.0	42.1
Share premium and reserves		1,506.2	1,364.2	1,423.5
Translation reserve		2.5	1.4	1.2
Treasury shares		-	-	(3.5)
Net profit/(loss) attributable to the Group		77.1	154.8	117.8
Shareholders' equity attributable to the Group		**1,627.9**	**1,562.4**	**1,581.1**
Non-controlling interests		1.4	1.7	1.0
Total shareholders' equity		**1,629.3**	**1,564.1**	**1,582.1**
Non-current debt	9	**121.7**	**200.1**	**149.5**
Non-current lease obligations	9	**70.3**	**79.4**	**77.9**
Non-current provisions		**54.2**	**50.9**	**52.0**
Deferred tax liabilities		**42.4**	**47.1**	**42.7**
Total non-current liabilities		**288.6**	**377.5**	**322.1**
Current debt	9	**147.9**	**28.8**	**18.4**
Current lease obligations	9	**21.2**	**20.1**	**16.6**
Trade payables		**599.7**	**642.8**	**576.7**
Customer contract liabilities		**34.4**	**44.5**	**42.8**
Current provisions		**18.0**	**14.8**	**21.2**
Other current liabilities		**761.7**	**648.6**	**630.9**
Overdrafts and short-term bank borrowings		**10.8**	**2.7**	**14.9**
Current tax liabilities		**-**	**-**	**8.2**
Financial instruments - Hedging of debt		**-**	**-**	**-**
Other current financial liabilities		**0.1**	**0.2**	**0.2**
Total current liabilities		**1,593.8**	**1,402.5**	**1,329.9**
Liabilities related to held-for-sale operations		**-**	**-**	**-**
TOTAL SHAREHOLDERS' EQUITY & LIABILITIES		**3,511.7**	**3,344.1**	**3,234.1**

[1] *The presentation of the financial statements for 2019 has been changed; see Note 2.3, "Changes in accounting policy", for details.*

Consolidated statement of changes in shareholders' equity

	Note	Share capital & share premium	Reserves related to share capital & retained earnings	Consolidated reserves & profit/(loss) for period	Treasury shares held	Items recognised directly in equity	TOTAL GROUP	Non-controlling interests	TOTAL
POSITION AT 31/12/2018		**58.8**	**1,413.8**	**123.7**	**-**	**(21.7)**	**1,574.6**	**0.6**	**1,575.2**
Movements during the first nine months of 2019									
Net profit/(loss)		-	-	117.8	-		117.8	(0.7)	117.1
Translation adjustments		-	-		-	0.6	0.6	-	0.6
Other recognised income & expense		-	-	-	-	(14.4)	(14.4)	-	(14.4)
Total comprehensive income		**-**	**-**	**117.8**	**-**	**(13.8)**	**104.0**	**(0.7)**	**103.3**
Share capital and reserves transactions, net		3.5	-	-	-	-	3.5	-	3.5
Acquisitions & disposals of treasury shares		-	(3.5)	-	-	-	(3.5)	-	(3.5)
Acquisitions & disposals without loss of control		-	-	-	-	-	-	-	-
Dividends distributed		-	(83.8)	-	-	-	(83.8)	-	(83.8)
Share-based payment		-	-	2.1	-	-	2.1	-	2.1
Other transactions (changes in scope of consolidation, other transactions with shareholders, & other items)		-	-	(15.8)	-	-	(15.8)	1.1	(14.7)
POSITION AT 30 SEPTEMBER 2019		**62.3**	**1,326.5**	**227.8**	**-**	**(35.5)**	**1,581.1**	**1.0**	**1,582.1**
Movements during the fourth quarter of 2019									
Net profit/(loss)		-	-	37.0	-	-	37.0	1.1	38.1
Translation adjustments		-	-	-	-	0.2	0.2	-	0.2
Other recognised income & expense		-	-	-	-	(19.2)	(19.2)	-	(19.2)
Total comprehensive income		**-**	**-**	**37.0**	**-**	**(19.0)**	**18.0**	**1.1**	**19.1**
Share capital and reserves transactions, net		-	-	-	-	-	-	-	-
Acquisitions & disposals of treasury shares		(0.1)	-	-	-	-	(0.1)	-	(0.1)
Acquisitions & disposals without loss of control		-	-	(4.9)	-	-	(4.9)	-	(4.9)
Dividends distributed		-	0.1	(0.3)	-	-	(0.2)	-	(0.2)
Share-based payment		-	-	0.7	-	-	0.7	-	0.7
Other transactions (changes in scope of consolidation, other transactions with shareholders, & other items)		-	-	(32.2)	-	-	(32.2)	(0.4)	(32.6)
POSITION AT 31 DECEMBER 2019		**62.2**	**1,326.6**	**228.1**	**-**	**(54.5)**	**1,562.4**	**1.7**	**1,564.1**
Movements during the first nine months of 2020							-		-
Net profit/(loss)		-	-	77.1	-	-	77.1	(0.9)	76.2
Translation adjustments		-	-	-	-	0.9	0.9		0.9
Other recognised income & expense		-	-	-	-	(10.8)	(10.8)		(10.8)
Total comprehensive income		**-**	**-**	**77.1**	**-**	**(9.9)**	**67.2**	**(0.9)**	**66.3**
Share capital and reserves transactions, net		0.1	18.3	(18.3)	-	-	0.1	-	0.1
Acquisitions & disposals of treasury shares		-	-	-	-	-	-	-	-
Acquisitions & disposals without loss of control		-	-	(1.5)	-	-	(1.5)	-	(1.5)
Dividends distributed		-	-	-	-	-	-	-	-
Share-based payment		-	-	0.7	-	-	0.7	-	0.7
Other transactions (changes in scope of consolidation, other transactions with shareholders, & other items)		-	-	(1.0)	-	-	(1.0)	0.6	(0.4)
POSITION AT 30 SEPTEMBER 2020		**62.3**	**1,344.9**	**285.1**	**-**	**(64.4)**	**1,627.9**	**1.4**	**1,629.3**

Notes to the consolidated financial statements

1. Significant events

Broadcasting segment

All the Group's advertising customers experienced a contraction in their business in the first half of 2020 due to the lockdown, and to the resulting slowdown in economic activity. The third quarter of 2020 saw signs of a recovery in the advertising market, with some sectors (the car industry and food) performing above expectations.
In parallel, the Group continued adapting its schedules to circumstances day by day so as to offer high-quality entertainment and escapist family viewing alongside reliable and transparent information on the latest developments. And as it has proved in the past, the TF1 group has a degree of flexibility in its cost base that can temporarily help cushion the reduction in revenues and limit the erosion of profitability for the segment.

Studios & Entertainment segment

Content production (especially at Newen) was gradually shut down as lockdown measures were implemented in the countries where the Group operates. This has led to delays in delivery of programmes currently in production, causing the order book to be pushed back to 2021-23.
Production of content resumed gradually from the date lockdown was eased in May 2020.
At the same time, scheduled events such as live shows and concerts remain shut down until the end of the year; this is having a substantial impact on revenue and profits from those activities.

Unify segment

Unify's programmatic advertising and direct media activities have come under strong pressure, reflected by a sharp fall in demand and a corresponding drop in prices (CPM). This has in turn triggered a marked reduction in revenue despite rising audiences across the various Unify sites (Marmiton, Aufeminin, Doctissimo, etc).

Social e-commerce (subscription box sales) and affiliation activities have so far been relatively unaffected by the economic downturn.

MEASURING THE IMPACT OF THE COVID-19 CRISIS

The impact of the Covid-19 crisis, and its repercussions for the TF1 group's 2020 nine-month performance, have led to an opportunity cost in terms of lost revenue.
Optimisation of programme schedules (including buying in specific programmes), and cost savings on cancelled or deferred operations, have partly mitigated the loss of revenue.
At Group level, despite measures deployed across all segments, the sudden drop in activity levels has led to non-productive costs being incurred that cannot be adjusted in the same time-frame, impacting results for the period.

Due to the varying pace of recovery across the Group's operating segments, it is no longer possible in the third quarter to quantify separately the impact of Covid-19 on the Group's performance. The change in revenue for the first nine months of 2020 versus the comparable period of 2019 includes an adverse impact of approximately €250 million arising in the first half of 2020. The change in current operating profit for the first nine months of 2020 versus the comparable period of 2019 includes an adverse impact of approximately €100 million arising in the first half of 2020.

2. Accounting principles and policies

2-1. Declaration of compliance and basis of preparation

The condensed consolidated financial statements for the nine months ended 30 September 2020 were prepared in accordance with IAS 34, "Interim Financial Reporting". They include the minimum content and disclosures defined in IAS 34 and consequently should be read in conjunction with the audited consolidated financial statements for the year ended 31 December 2019 as published in the 2019 *Document d'enregistrement universel* filed with the *Autorité des Marchés Financiers* (AMF) on 10 March 2020 under reference number D.20-0118. An English-language version of the audited consolidated financial statements for the year ended 31 December 2019 is included in the 2019 Universal Registration Document, available on the TF1 corporate website: https://www.groupe-tf1.fr/en/investors/results-and-publications.

The consolidated financial statements of the TF1 group include the financial statements of TF1 SA and its subsidiaries and joint ventures, and the TF1 group's interests in associated undertakings. They take account of recommendation no. 2016-01 on the presentation of financial statements, issued by the ANC (the French national accounting standard-setter) on 2 December 2016.

The consolidated financial statements are presented in millions of euros.

2-2. New and amended IFRS accounting standards and interpretations

2.2.1. New standards, amendments and interpretations effective within the European Union and mandatorily applicable or permitted for early adoption in periods beginning on or after 1 January 2020

In preparing its condensed financial statements for the nine months ended 30 September 2020, the TF1 group applied the same standards, interpretations and accounting policies as those used in the preparation of its consolidated financial statements for the year ended 31 December 2019, except for changes required to meet the obligations contained in the IFRS standards applicable as of 1 January 2020 as described below.

- **Amendments to IFRS 9, IAS 39 and IFRS 7**

On 26 September 2019, the IASB issued amendments to IFRS 9, IAS 39 and IFRS 7 (phase 1) in connection with the interest rate benchmark reform. Those amendments were endorsed by the European Union on 16 January 2020, and are applicable retrospectively from 1 January 2020.
The impact of the amendments on the Group is immaterial.

- **Amendments to IFRS 3**

On 22 October 2018, the IASB issued amendments to IFRS 3 to clarify the definition of a "business" in a business combination. Those amendments were endorsed by the European Union on 21 April 2020, and apply to accounting periods beginning on or after 1 January 2020.
The impact of the amendments on the Group is immaterial.

- **Amendments to IFRS 16**

On 28 May 2020, the IASB issued an amendment to IFRS 16, dealing with rent concessions related to Covid-19. The amendment was endorsed by the European Union on 9 October 2020, and is applicable from 1 June 2020. The impact of the amendment, which permits lessees to account for such rent concessions as if they are not lease modifications, is not material at Group level.

On 26 November 2019, the IFRIC Agenda Decision on IFRS 16 lease terms was finalised. Pending completion of an ongoing assessment of the impacts, the Group continues to account for leases under IFRS 16 using the policies and methods described in the notes to the consolidated financial statements for the year ended 31 December 2019.

2-3. Changes in accounting policy

The TF1 group has not made any changes in accounting policy during 2020 to date.

Effective 30 September 2020, the Group has changed the presentation of its financial statements (in particular the consolidated income statement and consolidated balance sheet) in order to provide more relevant information at Group level.

A breakdown between advertising revenue and other revenue is no longer presented on the face of the income statement. However, that breakdown continues to be presented in Note 3, “Operating segments”.

In the consolidated balance sheet, there have been changes to the presentation of current assets and liabilities, and of intangible assets.
Within current assets, separate line items are now presented for “Trade receivables”, “Customer contract assets” and “Other current receivables”, replacing the line item “Trade and other debtors” previously presented. Similarly, the line item “Trade and other creditors” previously presented has been replaced by the line items “Trade payables”, “Customer contract liabilities”, “Other current liabilities”, and “Overdrafts and short-term bank borrowings”. “Programmes and broadcasting rights” and “Other inventories” are no longer itemised separately within the “Inventories” line item on the assets side of the balance sheet. However, that information continues to be provided in Note 7 to these consolidated financial statements (“Inventories: Broadcasting rights and other inventories”).
“Audiovisual rights” and “Other intangible assets” are no longer itemised separately within the “Intangible assets” line item on the assets side of the balance sheet. However, that information continues to be provided in Note 6 to these consolidated financial statements (“Intangible assets: audiovisual rights and other intangible assets”).

2-4. Use of estimates

Preparation of the condensed consolidated financial statements requires the TF1 group to make various estimates and use various assumptions regarded as realistic or reasonable. Subsequent events or circumstances may result in changes to those estimates or assumptions, which could affect the value of the Group’s assets, liabilities, equity or net profit.
The principal accounting policies requiring the use of estimates are:

- impairment of audiovisual rights (whether recognised as intangible assets or carried as inventory);
- impairment of goodwill (where there is evidence of impairment);
- impairment of programmes and broadcasting rights;
- measurement of provisions.

Those estimates were made using the same valuation approaches as were used in preparing the financial statements for the year ended 31 December 2019 and the 2019 interim financial statements, supplemented by the specific analyses of goodwill described in Note 5. As of the date on which the financial statements were closed off by the Board of Directors, management believes that as far as possible, those estimates incorporate all information available to it.

2-5. Seasonal trends

Advertising revenues are traditionally lower in January/February and July/August than during the rest of the year. The extent of those seasonal fluctuations varies from year to year.
And in the period to September 2020, those effects have been accentuated by the impacts of the Covid-19 pandemic (see Note 1).

3. Operating segments

TF1 organises its operating activities into strategic business units, each of which is managed appropriately to the nature of the products and services sold. This segmentation serves as the basis for the presentation of internal management data, and is also used by the Group's operating decision-maker to monitor performance. The operating segments reported by the Group are those reviewed by the chief operating decision-maker.
Management assesses segmental performance on the basis of current operating profit. Segmental results, assets and liabilities include items directly or indirectly attributable to the relevant segment. Segmental capital expenditure represents total acquisitions of property, plant and equipment and intangible assets as recognised in the corresponding balance sheet line items. Inter-segment sales and transfers are conducted on an arm's length basis.

The TF1 group reports the following operating segments:

Broadcasting

The Broadcasting segment includes all of the Group's TV channels and websites. Revenues from those activities are generated by selling advertising airtime and by fees collected from cable, satellite and ADSL operators.
This segment also includes activities that generate non-advertising revenue derived directly from programmes broadcast on the Group's platforms (such as interactivity between viewers and programmes), and subsidiaries involved in production and audiovisual rights acquisition on behalf of the Group's TV channels (in accordance with French broadcasting regulations) and websites.

Studios & Entertainment

This segment consists of two sub-segments:

- ✓ Content subsidiaries whose activities are primarily focused on producing, acquiring, developing and commercialising audiovisual or music rights, licences and brands for exploitation independently of the Group's broadcasting operations. Revenue is derived from fees for the sale of broadcasting rights and all other exploitation rights in France or internationally, including physical and online video sales.

  Although these activities (carried on by TF1 Studios, Newen Studios and TF1 Entertainment) are situated at different points along the value chain, they share the same business models and operate in markets that are ever more closely integrated.
  More specifically, TF1 Studios and Newen Studios exploit complementary types of audiovisual rights which both entities sell into the market of French and European TV and video rights distributors.
  Consequently, TF1 management considers it relevant to monitor their financial performance collectively.

- ✓ The Home Shopping business, including online and in-store sales, is also included in this segment given its relatively small contribution at TF1 group level. As mentioned in Note 1, "Significant events of 2019" in the consolidated financial statements included in the 2019 Universal Registration Document, the distance selling and stores businesses of the Téléshopping unit were divested in the second quarter of 2019.

Digital

The Digital segment comprises (i) content publishing and special-interest web communities; monetisation of the digital audiences generated; and physical goods and services aimed at those audiences such as subscription boxes, magazines and live events, and (ii) digital agency and marketing activities.
Content creation also includes creating and buying audiences via special-interest online content and brand development; developing and running special-interest online communities; and developing and showcasing talent via multi-channel networks (MCNs). Monetisation is achieved by selling digital advertising space through stand-alone space-buying contracts and programmatic marketing auctions, and by selling subscription boxes, magazines and live events with sponsorship from advertisers.

In parallel, digital agency and marketing activities combine all services for digital advertisers including advertising agency services, audience development and targeting through e-commerce sites and social networks, and affiliation services.

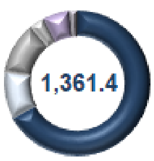
(€m)	BROADCASTING		STUDIOS & ENTERTAINMENT		DIGITAL		TOTAL TF1 GROUP	
SEGMENTAL INCOME STATEMENT	**9m 2020**	**9m 2019**	**9m 2020**	**9m 2019**	**9m 2020**	**9m 2019**	**9m 2020**	**9m 2019**
Segment revenue	1,076.1	1,265.2	205.0	252.1	105.7	123.7	1,386.8	1,641.0
Elimination of inter-segment transactions	(20.0)	(19.6)	(5.4)	(6.8)	-	-	(25.4)	(26.4)
GROUP REVENUE CONTRIBUTION	**1,056.1**	**1,245.6**	**199.6**	**245.3**	**105.7**	**123.7**	**1,361.4**	**1,614.6**
of which Advertising revenue	914.5	1,094.8	0.4	-	48.0	63.5	962.9	1,158.3
of which Other revenue	141.6	150.8	199.2	245.3	57.7	60.2	398.5	456.3
CURRENT OPERATING PROFIT/(LOSS)	**127.6**	**156.6**	**7.2**	**25.0**	**(9.2)**	**2.8**	**125.6**	**184.4**
% operating margin on Group contribution	12%	13%	4%	10%	-9%	2%	9%	11%
Interest expense on lease obligations	(1.2)	(1.4)	(1.2)	(1.2)	(0.2)	(0.3)	(2.6)	(2.8)
CURRENT OPERATING PROFIT/(LOSS) after leases	**126.4**	**155.2**	**6.1**	**23.8**	**(9.4)**	**2.5**	**123.0**	**181.6**
Share of profits/(losses) of joint ventures and associates	(2.2)	0.4	0.1	(0.2)	-	(0.5)	(2.1)	(0.3)

"Current operating profit/(loss) after leases" represents current operating profit after deducting interest expense on lease obligations.

4. Analysis of revenue

TF1 group consolidated revenue for the first nine months of 2020 breaks down as follows:

9m 2020



	(€m)	9m 2020	9m 2019	Chg €m	Chg %
67.2%	Advertising revenue	914.5	1,094.8	(180.3)	-16%
10.4%	Other revenue	141.6	150.8	(9.2)	-6%
	Broadcasting	**1,056.1**	**1,245.6**	**(189.5)**	**-15%**
11.4%	Production / sale of audiovisual rights	155.1	160.8	(5.7)	-4%
3.3%	Revenue from games, music, live shows and distance selling	44.5	84.5	(40.0)	-47%
	Studios and Entertainment	**199.6**	**245.3**	**(45.7)**	**-19%**
6.0%	Web publishing (digital content and social e-commerce)	81.6	97.1	(15.5)	-16%
1.8%	Business solutions/digital marketing	24.1	26.6	(2.5)	-9%
	Digital	**105.7**	**123.7**	**(18.0)**	**-15%**
	Total revenue	**1,361.4**	**1,614.6**	**(253.2)**	**-16%**

5. Goodwill

In accordance with the revised IFRS 3 the TF1 group has, for acquisitions made during the period, elected not to remeasure the non-controlling interests at fair value, as a result of which only the share of goodwill attributable to the Group is reported in the balance sheet.

(€m)	**Broadcasting**	**Studios & Entertainment**	**Digital**	**TOTAL**
Goodwill at 1 January 2019	**407.7**	**164.1**	**245.3**	**817.1**
Acquisitions	-	12.9	1.2	14.0
Disposals	-	-	-	-
Translation adjustments	-	-	-	-
Reclassifications	-	-	-	-
Impairment	-	-	-	-
Goodwill at 30 September 2019	**407.7**	**177.0**	**246.4**	**831.1**
Goodwill at 1 January 2020	**407.7**	**192.3**	**245.2**	**845.2**
Acquisitions	-	0.8	-	0.8
Disposals	-	-	-	-
Translation adjustments	-	(1.0)	-	(1.0)
Adjustment	-	0.2	-	0.2
Reclassifications	-	-	-	-
Impairment	-	-	-	-
Goodwill at 30 September 2020	**407.7**	**192.3**	**245.2**	**845.2**

Impairment testing of goodwill

Impairment testing of goodwill as of 31 December 2019 involved determining recoverable amounts on the basis of:

- three-year cash flow projections aligned on the business plan presented to and approved by the TF1 Board of Directors at the end of 2019;
- cash flows beyond the projection time horizon (normative cash flows) extrapolated at a perpetual growth rate of between 1% and 2.5%, depending on the nature of the CGU's business;
- discount rates (weighted average cost of capital) measured on the basis of end-2019 market data.

As of 31 March 2020, an indication of potential impairment was identified as a result of the slowdown in the Group's operations. Given the absence as of that date of sufficient information to estimate the consequences of the pandemic crisis on normative cash flow projections, goodwill was tested for impairment as of 31 March 2020 on the basis of the methods and sensitivity analyses carried out at the end of 2019 and of discount rates updated as of 31 March 2020 (see note 5 to the first-quarter financial statements).

As of 30 June 2020, the Covid-19 crisis was reflected by a marked slowdown in the Group's operations during the first half of 2020 (reduced revenue from TV and digital advertising, suspension of shooting, and cancellation of live shows and other events), which adversely affected operating performance. These factors, coupled with a decrease in the TF1 share price, represented an indication of potential impairment, especially for those Group operations with a relatively new business model subject to constant and rapid change.

Consequently, the business plan prepared at the end of 2019 was reviewed at the end of June 2020 to simulate the consequences of the ongoing crisis (such as could be estimated at that stage) for cash flow projections for 2020, 2021 and 2022. The resulting simulation for the 2020-2022 period was submitted to the TF1 Board of Directors on 28 July 2020.

The value of goodwill as of 30 June 2020 was assessed on the basis of that simulation of future cash flows (and applying discount rates updated as of 30 June 2020) using the same method as was applied by the Group at the end of 2019, as described in Note 7.3.1 to the 2019 full-year consolidated financial statements.
The discount rates determined as of 30 June 2020 were 6.22% for the Broadcasting and Studios & Entertainment segments (versus 6.14% at 31 December 2019), and 8.76% for the Digital CGU (versus 7.85% at 31 December 2019).

For the Digital CGU, given the significant fall in advertising revenue observed in the first half of 2020 and uncertainties about the pace of recovery for these activities in France at a time of strong growth in the digital advertising market, the cash flow projections derived from the 2020-2022 simulation were extended to 2023 and 2024. This was done to better capture the recovery scenario for this business, and to return to the long-term growth rate for the segment built into the extrapolation of cash flows beyond 2024 (i.e. retaining the perpetual growth rate applied at the end of 2019).

Based on those assumptions, the impairment tests conducted did not indicate any evidence that the goodwill associated with the CGUs was impaired as of 30 June 2020. Nevertheless, the recoverable amount of the Digital CGU is very close to the carrying amount of the CGU's net assets, a conclusion confirmed by an independent expert valuation of the Digital CGU.

No further impairment testing was carried out as of 30 September 2020, given the absence of any new indication of potential impairment as of that date.

6. Intangible assets: audiovisual rights and other intangible assets

The line item "Intangible assets" consists of audiovisual rights and other intangible assets, as shown below:

(€m)	*30 September 2020*	*31 December 2019*
Audiovisual rights	184.8	157.4
Other intangible assets	153.6	155.1
Total	**338.4**	**312.5**

7. Inventories: broadcasting rights and other inventories

The line item "Inventories" consists mainly of programmes and broadcasting rights:

(€m)	*30 September 2020*	*31 December 2019*
Programmes and broadcasting rights	559.0	508.2
Other inventories	16.4	13.2
Total	**575.4**	**521.4**

8. Investments in joint ventures and associates

The table below gives details of investments in joint ventures and associates:

(€m)	Vertical Station	Série Club	Other	TOTAL
1 January 2019	9.5	**10.0**	**1.3**	**20.8**
Share of profit/(loss) for the period	(0.5)	0.4	(0.2)	**(0.3)**
Provision for impairment	-	-	-	**-**
Dividends paid	-	(0.5)	-	**(0.5)**
Changes in scope of consolidation and reclassifications	-	-	1.0	**1.0**
Other	-	-	-	**-**
30 September 2019	**9.0**	**9.9**	**2.1**	**21.0**
1 January 2020	**-**	**9.9**	**2.4**	**12.3**
Share of profit/(loss) for the period	-	0.8	(2.9)	**(2.1)**
Provision for impairment	-	-	-	**-**
Dividends paid	-	-	-	**-**
Changes in scope of consolidation and reclassifications	-	-	(0.1)	**(0.1)**
Other	-	-	1.8	**1.8**
30 September 2020	**-**	**10.7**	**1.2**	**11.9**

9. Net cash position

The TF1 group's net cash position comprises:

- cash and cash equivalents, comprising cash in hand, instant access deposits, cash equivalents, overdrafts and short-term bank borrowings;
- debt, comprising non-current and current financial liabilities;
- financial assets contractually allocated to the repayment of debt.

Net surplus cash (or net debt) as reported by the TF1 group excludes non-current and current lease obligations, and comprises the following items:

(€m)	31/12/2019	Translation adjustments	Changes in scope of consolidation	Cash flows	Changes in fair value via equity or profit/loss	Other movements	30/09/2020
Cash and cash equivalents	105.3		2.3	102.1			209.7
Financial assets used for treasury management purposes	-						-
Overdrafts and short-term bank borrowings	(2.7)			(8.1)			(10.8)
Available cash	**102.6**	**-**	**2.3**	**94.0**	**-**	**-**	**198.9**
Fair value of interest rate derivatives	-						-
Non-current borrowings	(200.1)	4.3		70.1	(4.9)	8.9	(121.7)
Current debt excluding overdrafts and short-term bank borrowings	(28.8)	1.5		(115.6)	-	(5.0)	(147.9)
Total debt	**(228.9)**	**5.8**	**-**	**(45.5)**	**(4.9)**	**3.9**	**(269.6)**
Net surplus cash/(net debt)	**(126.3)**	**5.8**	**2.3**	**48.5**	**(4.9)**	**3.9**	**(70.7)**
Lease obligations [1]	(99.5)			(14.4)		22.4	(91.5)
Net surplus cash (+) / Net debt (-) including lease obligations	**(225.8)**	**-**	**2.3**	**34.1**	**(4.9)**	**26.3**	**(162.2)**

(1) *Mainly comprises repayments of lease obligations during the period, and new obligations arising from leases contracted during the period.*

As of 30 September 2020, the TF1 group had confirmed bilateral bank credit facilities of €965 million, including €170 million for Newen. To supplement its undrawn confirmed facilities, the TF1 group has a cash pooling agreement with the Bouygues group.

As of 30 September 2020, drawdowns under those facilities amounted to €162 million, all of which related to the Newen facility.

The consolidated cash flow statement analyses changes in the Group's cash position, which at period-end consisted of the following items:

(€m)	30/09/2020	31/12/2020
Cash and cash equivalents in the balance sheet	209.7	105.3
Cash of held-for-sale operations	-	-
Overdrafts	(0.2)	-
Short-term bank borrowings	(10.6)	(2.7)
Total cash position at period-end per the cash flow statement	**198.9**	**102.6**

10. Cash flow statement – effect of changes in scope of consolidation

For the nine months ended 30 September 2019, the items shown in this section of the cash flow statement relate mainly to the effects of the first-time consolidation of the De Mensen group in the first quarter of 2019.

11. Dividends paid

To show solidarity and to share the sacrifices expected of all the Group's partners and staff, the Board of Directors decided to withdraw the proposal to ask the Annual General Meeting of 17 April 2020 to approve the distribution of a dividend.

	Paid in 2020	Paid in 2019
Total dividend (€m)	**-**	84.0
Dividend per ordinary share (€)	**-**	0.40

12. Events after the reporting period

No events after the reporting period have been identified by the Group.

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