2.2 CHAIRMAN'S REPORT

2.2.1 Chairman's report on corporate governance

TF1'S POSITION ON PREVAILING CORPORATE GOVERNANCE RULES

The TF1 Board of Directors operates in a manner that complies with legal and regulatory provisions, the rules set out in the company's Articles of Incorporation and the Board's regularly updated rules of procedure. In particular, the Board has created three committees and incorporated the recommendations of the Corporate Governance Code published in December 2008 by *Association Française des Entreprises Privées* (AFEP) and *Mouvement des Entreprises de France* (MEDEF). The Directors deliberate the governance of the company while ensuring that essential requirements are met, *i.e.* equal treatment of shareholders and Boardroom efficiency.

Since TF1 was privatised in 1987, and in the interest of its shareholders, TF1 and its Directors have innovated by setting down rules that have since been incorporated into current recommendations on corporate governance and that are considered as standard corporate governance practices, such as creating a Compensation Committee and setting a two-year term of office for Directors and the Chairman and CEO.

In 2003 the Directors strengthened their resources to enhance management transparency by:

- adopting the rules of procedure of the Board of Directors which, for example, impose new obligations on Directors as well as a number of ethics rules (holding Directors' shares in registered form, reporting dealings in TF1 shares, regular attendance at Board Meetings, attendance at the General Meeting, disclosure of conflicts of interest, etc.);
- creating an Audit Committee and a Selection Committee;
- appointing an independent Director.

In 2007 the Directors took account of the recommendations on the compensation of executives of listed companies, issued on January 9, 2007 by MEDEF and AFEP. The Board of Directors decided to comply with these recommendations by adding new provisions to its own rules of procedure and to those of the Selection Committee.

In early 2008, at the February 20th Board Meeting, the Directors again added to the rules of procedure by:

- arranging for the Board to determine the number of bonus shares or option shares that the Chairman of the Board and the CEO are required to hold throughout their term in office. This provision was first applied for a deferred option grant voted at the same Meeting;
- adding provisions prohibiting grants of options or bonus shares on the departure of an executive and the use of risk hedging for the purpose of exercising options or selling bonus shares.

In November 2008 the Board again expanded the rules of procedure by aligning itself with the Corporate Governance Code resulting from the consolidation of the combined reports of AFEP and MEDEF of October 2003, January 2007 and October 2008.

The code may be consulted on MEDEF's website: www.medef.fr.

In 2010 the Directors updated the rules of procedure relating to the Audit Committee.

In addition, in late 2010 TF1 harmonised its black-out schedule for insiders to comply with the recommendations published by the AMF on November 3, 2010 in its guide to preventing insider misconduct by senior executives of listed companies.

From 2011 onwards, black-out periods will begin 30 calendar days before the publication of annual, half-yearly and quarterly accounts and run until the day after publication.

The rules of procedure, which are available on the company's website at www.tf1finance.fr, describe the operating methods, powers, duties and assignments of the Board and its specialised committees; they also set the principles for the annual assessment of how the Board works.

The following provisions of the AFEP / MEDEF Corporate Governance Code are not implemented, for the reasons given below:

- number of independent Directors: according to the AFEP / MEDEF Code, independent Directors should make up at least one-third of the Board of controlled companies. As at February 16, 2011, three out of 12 Directors were independent, or 25%. This reflects the special situation of the company, arising from Act 86-1067 of September 30, 1986 on freedom of communication and privatisation. Two of the Directors represent employees and are elected by electoral colleges of employees under Article 66 of Act 86-1067 of September 30. A further six Directors represent the major shareholder. The relatively high proportion of Directors representing Bouygues, TF1's principal shareholder, or exercising executive functions at Bouygues or TF1 takes account of the fact that, under the Privatisation Act of September 30, 1986, a Group of acquirers led by Bouygues was assigned 50% of TF1's share capital. Bouygues therefore became the key participant in the TF1 privatisation and, as such, took on a number of obligations, notably as regards continuity of operations at TF1. This is why Bouygues plays a major role in TF1's governance.

- composition of committees, which have only two members: the AFEP / MEDEF Code recommends that two-thirds of Audit Committee members should be independent. The TF1 Audit Committee has one independent Director out of two. Note, however, that the Chair of the Audit Committee, who is independent, has the casting vote in the event of a tie.
- staggering of directorships: the AFEP / MEDEF Code recommends staggering directorships to avoid having to change many Directors at the same time and promote the smooth renewal of the Board. The company has been in the habit of appointing Directors on a frequent basis for two-year terms. It is now considering extending Directors' terms of office to three years, so that one-third of the Board can be reappointed at a time.

COMPOSITION OF THE BOARD OF DIRECTORS AND INDEPENDENCE OF DIRECTORS

The Board of Directors, acting on advice from the Selection Committee, submits proposals to the General Meeting of Shareholders on the appointment of Directors.

The Board of Directors has 12 members, including three independent Directors.

With a view to diversifying its make-up, the Board pays particular attention to the skills and experience (particularly international) of each of its members, as well as their knowledge of the Group's business lines, which enable them to participate effectively in the Board's work.

The Board of Directors and the Selection Committee annually assess the situation of each Director with respect to the AFEP / MEDEF Code criteria for Director independence, which are as follows. To be independent, a Director must:

- not be an employee or an officer of TF1 or an employee or Director of its parent company or of one of its consolidated subsidiaries, and not have been one within the last five years;
- not be a corporate officer of a company in which TF1 holds a directorship, directly or indirectly, or in which an employee appointed as such or a corporate officer of the company (currently in office or having held such office going back five years) is a Director;
- not be a customer, supplier, investment banker or commercial banker with material importance for the company or its Group, or for which TF1 or its Group generates a material portion of business;
- not be related by close family ties to a corporate officer;
- not have been an auditor of TF1 within the last five years;
- not have been a Director of TF1 for at least 12 years.

The Board paid particular attention to Directors holding or having held directorships in the Bouygues Group to ascertain whether these duties were such, either because of their importance or nature, that the Director's independent judgement might be affected or that he or she might face a real or potential conflict of interest.

The Directors considered that the arrival of Claude Berda, co-opted on February 17, 2010, would increase the Board's competencies because of his extensive knowledge of the TV industry. Mr Berda is a non-independent Director.

The Directors considered that the arrival of Laurence Danon, co-opted on July 22, 2010, would increase the Board's competencies because of her extensive knowledge of French manufacturing. Based on the criteria of the AFEP MEDEF Code, the Selection Committee found Ms. Danon to be fully independent.

The Board judged that Patricia Barbizet had the skills and freedom of judgment necessary to carry out her duties. Accordingly, Ms. Barbizet is deemed to be an independent Director, alongside Laurence Danon and Gilles Pélisson.

The Directors are considering opening up the Board to other independent Directors and continuing efforts to increase the presence of women on the Board.

The TF1 Board of Directors is currently composed of 12 Directors, three of whom are women, and includes:

- 5 Directors representing the sole remaining shareholder of the Group of acquirers and responsible for meeting the obligations agreed to by that Group;
- 1 Director representing senior management;
- 3 independent Directors;
- 1 non-independent Director;
- 2 Directors representing employees, elected in compliance with Article 10 of the Articles of Incorporation by electoral colleges of employees under Article 66 of Act 86-1067 of September 30, 1986.

The expertise and matching skills of the Directors, as well as their involvement, ensure a high standard of discussion and deliberation within the Board. The Board of Directors is balanced, diversified, experienced and accountable.

The Board has not appointed any non-voting Directors.

To the best of the company's knowledge, during the past five years, no member of the Board of Directors has been:

- convicted of fraud;
- associated with a bankruptcy, compulsory administration or liquidation;
- incriminated or publicly sanctioned by any statutory or regulatory authority, including professional organisations;
- prevented by a court from acting as a member of a Board of Directors, a management Board or a Supervisory Board of a publicly listed company or from running such a company.

BOARD ASSESSMENT

Each year, in accordance with the AFEP / MEDEF Code, the Directors scrutinise Boardroom practices particularly with regard to operating methods. They assess the Board's actual role and whether it is appropriately organised; and they do the same for its committees. The Board of Directors of TF1 conducts a peer assessment of its own operating methods.

The assessment looks at the composition of the Board, the schedule and length of Meetings, the agenda, the quality of discussions, the work of the committees and the information provided to Directors.

The rules of procedure stipulate that a Selection Committee should periodically address issues relating to the membership, organisation and operation of the Board with a view to making proposals to it.

Each year the Board of Directors assesses its composition. To prepare this assessment, a detailed questionnaire is sent in advance to all Board members.

In the latest assessment, the Directors' responses expressed a positive or very positive assessment of the operation and membership of the Board, in terms of agenda content, informational quality and the conduct of Meetings.

The information received on most issues was judged very satisfactory. The members of the Board were particularly satisfied with the information they received on the activities the TF1 group and on accounting, financial, and legal matters. The quality of dialogue with senior management was also appreciated. By contrast, some Directors expressed the view that information and debate on some topics – sustainable development, risk management and mitigation, R&D – could be expanded. Directors representing employees called for more dialogue with Group senior management.

A suggestion was made with regard to adding more independent Directors to strengthen the Board.

The need to increase the presence of women on the Board is another priority that will guide future discussions on enhancing TF1's governance.

ROLE – WORK AND ORGANISATION OF THE BOARD OF DIRECTORS

The natural place of the company's Board of Directors is alongside its senior managers and shareholders. The Board plays a key role in determining the strategy and key policies of the company and the Group; it also monitors implementation of those policies and scrutinises the company's business practices.

The remit of the Board of Directors is to:

- determine the strategy and policies of the company and the Group;
- conduct major operations, undertake major investments and carry out internal restructuring;
- monitor execution of the above operations;
- report to shareholders and financial markets;
- carry out any checks and verifications that it considers appropriate;
- set the compensation of corporate officers.

Board Meetings are in principle held quarterly, and additional Meetings may be convened for special presentations or to examine exceptional issues.

The TF1 Board of Directors met four times in 2010.

The following table details the Board's main decisions and attendance rates for 2010.

Board Meeting	Main decisions	Attendance
February 17	Co-opting of Claude Berda as Director; review of activity in 2009 and prospects for 2010; approval of 2009 annual parent company and consolidated financial statements and proposed appropriation of income; approval of accounting and forward-looking documents; review of TMC / NT1 takeover file and major broadcasting contracts; review of legal and regulatory developments in the audiovisual field; approval of reports and resolutions presented to the General Meeting.	92%
May 11	Review of consolidated financial statements for Q1 2010, strategic areas of focus, plan update, progress report on risk mapping, review of TMC / NT1 takeover, review of General Meeting on April 15, HR update.	73%
July 22	Co-opting of Laurence Danon as Director; review of financial statements for H1 2010; update of accounting and forward-looking documents; review of TMC / NT1 takeover; broadcasting agreements, sustainable development and HR update.	83%
November 9	Review of financial statements for Q3 2010, analysis of business and estimated earnings for FY2010, three-year plan, development and strategy, Board assessment.	92%

On average, the attendance rate of Directors in 2010 was 8%.

In general, the Directors get the information ahead of time that they need to make decisions. Recommendations are made after due deliberation and decisions are taken on a collegial basis. For major projects, the Board may ask some of its members to form *ad hoc* committees in order to approve projects and assess the impact they have on the Group's accounts and financial position.

Each Director has one vote. In the case of a tie, the Chairman of the Meeting has the casting vote. The employee representatives designated by the Works Council, the General Counsel, the Director of Finance, the Director of Human Resources, and the Director of Legal Affairs, who is in charge of secretariat duties, all attend Board Meetings. The Statutory Auditors are invited to all Board Meetings convened to examine the financial statements. Group senior executives regularly participate in Board Meetings to help Directors understand the situation in the Group's market and businesses and provide information about developments and strategy.

The role of the Board Secretary is to ensure that the Board operates smoothly. The Secretary draws up the Board's Meetings schedule, prepares the agendas and organises Meetings with the Chairman and CEO. The Secretary also prepares the draft minutes that are submitted for Directors' approval at the following Meeting. The Secretary organises the Board assessment process, participates in preparing the documents provided to shareholders ahead of the General Meeting and looks after relations with individual shareholders.

Directors receive a Notice of Meeting at least two weeks before each scheduled Meeting, together with the minutes of the previous Meeting. During the Meeting, they are provided with all relevant documents and information, together with a list of any risks that have been identified, in accordance with regulatory constraints and in the interest of the company. They also receive the minutes of the Meetings of the Audit, Compensation and Selection Committees.

Periodically, Directors receive information about the company and the Group, including strategic and business plans, information for monitoring businesses and their revenues, the financial position, cash flow and liabilities of the company, events affecting or likely to affect significantly the Group's consolidated profits, and significant issues pertaining to human resources and staffing levels.

On being appointed to the Board, every TF1 Director receives training on the company, its business lines and sectors of activity and gets to meet the heads of the Group's main divisions. And during their terms of office, Directors can obtain additional training from key managers of TF1 and its subsidiaries.

Moreover, each Director may seek supplementary information on his or her own initiative and the Chairman and CEO is permanently available to the Board to provide explanations and substantive information.

COMBINATION OF THE DUTIES OF CHAIRMAN OF THE BOARD AND CEO

At the Meeting of July 31, 2008 the Board of Directors voted to discontinue the separation of duties of the Chairman and the Chief Executive and appointed Nonce Paolini as Chairman and CEO. The Board approved the decision not to separate these functions at its Meeting of April 17, 2009.

That decision has proven a factor that contributes to efficient governance, notably in view of the organisation of the TF1 group, which is based on a TF1 senior Management Committee and a Group senior Management Committee that meet alternately every week with 15 or 21 members. They coordinate the implementation of strategic policies and monitor the achievement of objectives.

In accordance with the law, the Chief Executive Officer is vested with the widest powers to act on behalf of the company in all circumstances. He exercises these powers within the limits of the corporate purpose and subject to the powers expressly accorded to Shareholders' Meetings and the Board of Directors.

The Board of Directors of February 17, 2010 authorised the CEO to give guarantees and endorsements in the name of the company up to a total amount of €50 million. At the same Meeting, the Board authorised the CEO to give guarantees and endorsements in the name of the company to tax and customs administrations in an unlimited amount. Both these authorisations are valid for one year.

The Board has placed no special limits on the CEO's powers. However, its rules of procedure stipulate that it must examine and decide upon operations with true strategic importance. Any operation deemed to be of major importance at Group level – organic growth investments, acquisitions, disposals, internal restructuring, especially if it departs from the strategy announced by the Group – is first referred to the Board for approval.

The age limit for exercising the duties of Chairman of the Board is set at 68, while that of the CEO, in compliance with law, is 65.

POTENTIAL CONFLICTS OF INTEREST

To the knowledge of TF1, no member of the Board of Directors has any potential conflict of interest between their duties to TF1 and their private interests and / or other duties.

Article 5 of the Board's rules of procedure specifically raises the issue of conflicts of interests: "Directors shall inform the Chairman of the Board of any conflict of interest, even potential, and they shall abstain from voting on any matter directly or indirectly concerning them".

OTHER INFORMATION

No restrictions are imposed on the members of the Board of Directors concerning the disposal of their holdings of the issuer's shares, with two exceptions:

- the Chairman and CEO is required to hold a minimum number of bonus shares or option shares throughout his term of office;
- each Director is required to own at least one share in the company. The rules of procedure of the Board of Directors recommend that each Director not representing employees should own at least 100 shares for the duration of his or her term in office and respect the rules to prevent insider dealing.

With the exception of the employment contracts of the employee representatives, none of the members of the Board of Directors (who are natural persons) is linked to TF1 or to any of its subsidiaries by a service contract that provides for the granting of benefits.

No Director (who is a natural person) has received a loan or guarantee from TF1.

Directors have been informed of the obligation that came into effect on November 25, 2004, to declare any dealings in TF1 shares undertaken by themselves or by persons with close personal ties to them. Such dealings must be reported within five days of the trade in accordance with Article 222–14 of the General Regulation of the French securities regulator, Autorité des Marchés Financiers (AMF). TF1 reports this information, which includes the individual's name, to the AMF and makes it public in a press release.

BOARD COMMITTEES

The Board has three specialised committees: the Audit Committee, the Compensation Committee and the Selection Committee. It determines the composition and powers of the committees, which carry out their activities under the Board's responsibility, and the Board appoints their members from among the Directors.

The committees are chaired by persons who are not members of the company's management bodies and who have a casting vote. The committees are composed of two Directors. Any individual serving as Chairman, CEO or Deputy CEO of TF1 is not entitled to sit on the Audit Committee or the Compensation Committee. The Directors consider that these provisions guarantee the committees' independence and efficiency.

The three committees meet at the initiative of their respective chairmen or at the request of the Chairman of the Board of Directors and can deliberate provided two of their members are present. Decisions are made by simple majority of the members, who report on their work at the next following Meeting of the Board of Directors.

If the Board is to discuss an issue within the jurisdiction of one of the committees, it first refers the matter to the committee in question. The discussion takes place after a report from that committee.

AUDIT COMMITTEE

The Audit Committee was created on February 24, 2003 (as the Accounts Committee) with a remit to monitor issues relating to the preparation and control of accounting and financial information. Its main duties are to monitor:

- The process for preparing financial disclosures and, hence, to:
  - examine the parent company accounts and consolidated financial statements at least two days before they are presented to the Board,
  - ensure the appropriateness and consistency of the accounting methods adopted to prepare the accounts,
  - examine the internal control procedures for the preparation of the financial statements, with the assistance of internal departments and competent advisors,
  - examine changes that may have a material impact of the financial statements,
  - examine the principal estimates and judgments and options for closing the accounts, as well as the main changes in the scope of consolidation;
- the effectiveness of the internal control and risk management systems;
- the audit of the consolidated and parent company accounts by the Statutory Auditors;
- the independence of the Statutory Auditors, and hence to;
  - examine in detail the fees paid by the company and its Group to the Statutory Auditors and check that the proportion of these fees in the revenues of each audit firm will not affect its independence,
  - direct the procedure for selecting and reappointing the Statutory Auditors,
  - make a recommendation on the Statutory Auditors proposed to the General Meeting for commitment;
- to issue reports and recommendations to the Board of Directors on the foregoing matters, not only on a periodic basis and at the balance sheet date, but whenever a noteworthy event occurs.

Four Meetings a year are scheduled to examine the quarterly, half-yearly and annual accounts as well as to monitor cash flow and internal audit reports before they are submitted to the Board.

The committee met four times in 2010 and once in the first two months of 2011. Each Meeting was attended by the Executive Vice President, Group Finance, the Accounting Director, the head of Internal Audit and the Statutory Auditors. The attendance rate was 100%. Minutes were taken of each Meeting and subsequently sent to the Directors.

COMPENSATION COMMITTEE

The Compensation Committee was formed in 1989 with a remit to:

- propose to the Board of Directors the compensation for corporate officers and the benefits of whatever kind made available to them;
- examine stock option plans for corporate officers and employees;
- make proposals for compensation and incentive systems for Group executives;
- submit to the Board of Directors the draft report required under the French Commercial Code on:
  - compensation and benefits of all kinds granted to the corporate officers by the company and controlled companies,
  - stock options granted to and exercised by the corporate officers and the ten company employees receiving the highest grants,
  - options granted to and exercised by employees of companies that are majority controlled by TF1.

The committee met twice in 2010 and once during the first two months of 2011. The attendance rate was 100%. In particular the committee prepared information for the Board concerning the compensation of the executive Director. Minutes were taken of each Meeting and subsequently sent to the Directors.

SELECTION COMMITTEE

The Selection Committee was formed on February 24, 2003 with a remit to:

- periodically examine questions concerning the composition, organisation and operation of the Board of Directors and to make recommendations to the Board;
- examine:
  - possible candidates for directorships, ensuring that independent persons sit on the Board of Directors,
  - plans to create Board Committees and proposals concerning their responsibilities and members,
  - all measures to be taken to fill any executive posts that become vacant.

The committee met twice in 2010 and once in the first two months of 2011, with a 100% attendance rate. It gave its position on the composition of the Board and recommended co-opting Claude Berda and Laurence Danon to the Board as Directors. Minutes of each Meeting were sent to the Directors.

PROCEDURES FOR THE PARTICIPATION OF SHAREHOLDERS IN THE GENERAL MEETING

Detailed procedures for the participation of shareholders in the General Meeting are provided in Part 7, "General Meeting", page 234 of the present registration document.

MATTERS LIKELY TO HAVE AN IMPACT IN THE EVENT OF A PUBLIC OFFER

In accordance with Article L. 225-100-3 of the French Commercial Code, matters likely to have an impact in the event of a public offer are set forth below:

- capital structure: the information is provided in Part 6, "Information about the company and its capital", under the table presenting the ownership structure;
- legal restrictions on the exercise of voting rights: Articles 7 and 8 of the Articles of Incorporation, published in Part 6, "Legal Information";
- direct or indirect shareholdings of which TF1 has knowledge, as provided in Articles L. 233-7 and L. 233-12 of the French Commercial Code. The information is provided Part 6, "Information about the company and its capital", under the table presenting the ownership structure;
- the powers of the Board of Directors regarding the issuance and buyback of shares: the information is provided in Part 6, "Information about the company and its capital", under the heading "Capital".

2.2.2 Chairman's report on internal control procedures

INTRODUCTION

BACKGROUND

The purpose of this report is to describe the internal control procedures set up by the company. It covers TF1 SA as producer and broadcaster of the TF1 channel, and also its role in coordinating and participating in the oversight mechanisms of the subsidiaries over which it exercises exclusive or majority control.

TF1 monitors the harmonisation of the main financial procedures of the entire Group while respecting the specific characteristics of each business to preserve appropriate analysis and responsive decision-making. It also implements risk identification procedures across its scope of responsibility in order to establish appropriate procedures and controls for each business-critical cycle. The TF1 group is particularly sensitive to the importance of internal controls, especially concerning accounting or financial matters, where reliability of information is crucial.

This report is compiled from information and analyses performed in cooperation with the various contributors to internal control in TF1 and its subsidiaries, resulting in a factual description of the control environment and the procedures in place.

Coordinated by the Internal Control Department, the report has been subjected to an approval process by the Finance and Legal Affairs Divisions. It was also sent to the Statutory Auditors and subsequently presented by the Chairman to the Audit Committee and to the Board for approval.

INTERNAL CONTROL OBJECTIVES

To analyse its internal control system and prepare its report on internal control procedures, TF1 has used since 2007 the internal control framework published on January 22, 2007 subsequent to the work carried out by the task force set up by the French securities regulator, the AMF.

According to that framework, which is compatible with the benchmark of the committee of Sponsoring Organizations of the Treadway Commission (COSO) used by TF1 in previous years, internal controls are defined as a method to ensure:

- compliance with laws and regulations;
- enforcement of the instructions and policies of governance bodies;
- the proper functioning of the company's internal processes, particularly those concerned with safeguarding assets;
- the reliability of financial reporting (details of key controls can be found in the "Application Guide on Control of Accounting and Financial Information Published by Issuers").

This system should also contribute to monitoring the activity, effectiveness of operations and efficient use of the company's resources. However, no such system can provide an absolute guarantee of achieving targets and overall control of the risks to which the Group might be exposed.

The TF1 group is committed to a process of continuously and dynamically adapting its internal control system to its activities, with the ultimate aim of assessing the system's appropriateness and efficiency.

INTERNAL CONTROL: GENERAL PRINCIPLES

ORGANISATION AND OPERATING PROCEDURES

The basis for the general internal audit environment consists of the Group's corporate governance principles, its organisational structure, notably as regards operating procedures, and widespread dissemination of its values and rules.

Organisation

The organisation, composition and functioning of the Board of Directors and specialised committees which assist it (the Audit Committee, Compensation Committee and Selection Committee), as described in the section of the report on the preparation and organisation of the work of the Board of Directors, comply with corporate governance rules and are conducive to effective internal controls.

The Board, under the authority of its Chairman, determines the company's policies and, with the help of the Audit Committee, ensures that appropriate internal control systems are set up within the Group. Key decisions, such as the acquisition of sports events rights or more generally audiovisual rights (football rights, contracts with major film studios, etc.) are subject to clear approval processes, with decisions being taken by senior management based on recommendations of the different *ad-hoc* committees. The Board is kept regularly informed.

As Chairman and CEO of the TF1 group, Nonce Paolini has line and staff responsibility for implementing the strategy established by the Board of Directors for Group activities. Specifically, he arranges for internal control systems to be implemented in the Group. For this he is supported by the Executive Committee, which comprises the Directors of each Group division and functional Directors and meets twice a month. The Executive Committee enables the CEO to pass along the key internal control policies and to make each member accountable for implementing and monitoring the internal control systems in their area of responsibility.

Powers are delegated on the basis of guidelines set by the Group to achieve the twin objective of making operational staff accountable and controlling commitments at the appropriate level. On the latter point the company is organised in such a way as to allow for independent control by separating operational functions from those involving the protection of assets and accounting recognition of operations.

Objectives

The three-year plan reflects the mid-term strategic policies and determines the budget for the coming year. It represents the commitments made by the managers of the various Group entities.

As such, this plan is also a key element of the internal control environment. It defines the objectives in terms of sales levels and costs, as well as the resources, entities and organisation to achieve those objectives.

The process of developing the three-year plan also implies a structured approach aimed at ensuring the quality of the objectives. The approach is organised by the TF1 SA Financial Control and Strategic Planning Division, in consultation with the Strategy, Organisation and Marketing. The plans from the various TF1 group entities and companies are subject to a validation process chaired by the Finance Division (DGAF).

A summary of these plans is presented to the Chairman and CEO and to the TF1 Board. During the third quarter of the year, a document summarising the whole of the TF1 group three-year plan process is presented to the Board of Directors, which approves the budget.

Rules and principles

The TF1 group focuses on compliance with the rules and values disseminated through rules of procedure (those of TF1 SA and of its subsidiaries), operating guidelines (the Eticnet guidelines, etc.) as well as through the Code of Conduct used by the Bouygues Group. In 2009 TF1 appointed the General Counsel as the Group Ethics Officer charged with reporting regularly to the Chairman on any problems encountered in business practices, in collaboration with the Board of Directors, and developing solutions appropriate the Group's business lines. The Ethics Officer is also responsible for responding to employees' queries on these issues.

TF1 also adheres to the Code of Ethics of the Bouygues Group, the aim of which is to encourage managers and staff to adopt a common set of values, including respect and a sense of responsibility for all. The Code commits the Group to stringent standards of business conduct. It also includes a whistleblowing mechanism to enable employees to point out irregularities in certain pre-defined areas, of which they have become aware in the course of their duties.

Similarly, in 2006, TF1 joined the United Nations' Global Compact, demonstrating its determination to adopt and promote respect for the principles and values of human rights, environmental protection, working standards and the fight against corruption in 2010 TF1 became the first media Group to be awarded the *Label Diversité*, an accreditation given to companies that take affirmative action to promote diversity and prevent discrimination. The award, which is based on stringent criteria and regularly monitored, constitutes formal recognition by an independent body that our equality-promotion and anti-discrimination procedures are compliant and effective in the fields of hiring, career management, training, communication and relations with customers and service providers.

The industry in which TF1 operates is constantly changing, primarily as a result of technology advances. TF1 therefore seeks to maintain a high level of workforce skills through an ambitious programme of recruiting and ongoing training that helps employees keep abreast of operational requirements.

Furthermore the Bouygues Management Institute regularly organises seminars in which TF1 executives participate. The objective is to encourage managers to reflect on their role, responsibilities and the respect of ethical principles in their daily work, and also to unite Group senior management around common values.

Aside from the various control processes in place, the Group makes a constant effort to continuously improve its internal control system.

Since 2007 the TF1 group has followed an approach initiated by Bouygues for its main business lines, including TF1. The purpose is to build an internal control system based on the AMF reference framework and incorporating the best practices which, for the past several years, the Group has committed itself to follow in each of its businesses.

This approach involved establishing a structured organisation made up of two working Groups with representatives from each business line. These Groups cover:

- "internal financial and accounting reporting", specialised in processes linked to the organisation and preparation of financial and accounting information, and
- "general principles of internal control", specialised in the five key elements of internal control specified in the AMF reference framework.

A project team from the Bouygues Group coordinates these working Groups, with the help of a statutory auditor in the area of internal control and financial and accounting reporting. A Coordination Committee and a Steering Committee also contribute to this procedure.

This effort culminated in identifying and determining simple, measurable control principles covering the company's key businesses. In 2008 these common principles were subjected to a validity and appropriateness test covering a suitable scope to verify their assessment potential. The working Groups continue to meet regularly to organise the monitoring of the system and to adapt it in response to regulatory requirements or when significant complementary principles emerge from assessment campaigns.

The introduction of this common system was a first step, which was supplemented at end-2008 by internal control principles specific to TF1's business and environment. The project progressed in 2009, with an initial internal control assessment campaign whose scope reflected both the scale of the TF1 group's sales and the issues and risks specific to its businesses. This initiative is closely linked to work on risk mapping, with the two processes reinforcing each other.

The second assessment campaign was conducted in 2010 using a rigorous and uniform self-assessment methodology. In each entity, the person normally in charge of the process established and produced supporting arguments for the assessment, and then submitted it for approval by a person in a position to provide a critical perspective on the outcome. The assessment had several components, including a numerical four-tier scale, a description of the operating procedures, a commentary on any discrepancies between operating procedures and best practices, and action plans for addressing these differences. The initial results of this campaign were presented to TF1's Audit Committee, which informed the Board of Directors.

The campaign for assessing TF1's internal control systems has been well received, and the Group plans to continue and develop it. The Group's internal control principles have been made available to the staff of the Finance Division on a collaborative portal containing procedural guides and other materials containing information for business lines.

Beginning in 2011 an additional organisational structure and appropriate tools will be deployed progressively in the third stage of the assessment campaign, with the aim of extending the programme systematically.

INTERNAL DISSEMINATION OF INFORMATION

To ensure that staff receive information on the Group and its development, the Human Resources and Internal Communications Division distributes a magazine, *Regards*, issued three times each year, and a monthly newsletter called *Coups d'Œil*.

In addition, an intranet portal, *Déclic*, helps employees understand the environment in which they and the Group operate. It enables them to obtain information on the Group (organisation, programmes, etc.) and material about the audiovisual sector published in the press, and also find out about opportunities for promotion and training, common operating procedures, and the intranet sites of the other companies in the Group or the parent company. It also features collaborative portals for each function (legal, human resources, finance, etc.) in order to improve networking and the dissemination of information.

The tool also enables managers to gather the information necessary for managing their teams, notably on skills training or for preparing annual performance appraisals.

Other ways of passing on and sharing information on trends, topical issues and Group strategy are the employee conventions organised from time to time, the introduction in 2007 of an annual conference, and the monthly and quarterly committee Meetings of the TF1 group's top managers.

The IT Department of TF1 SA's Technical and IT Division, together with the Line and Staff Divisions, determines the information systems needed to generate information and manage operations securely and efficiently.

TF1 uses both proprietary and off-the-peg software. Applications are analysed, monitored and operated rigorously to ensure their availability, integrity, security and compliance with legal obligations.

Work on applications for financial and accounting data is carried out in close cooperation with the Accounting and Tax Division, the Financial Control and Strategic Planning Division and the Treasury and Financing Division.

RISK MANAGEMENT

TF1's risk management system has two major components:

- control of operational risk:
  - **a general approach to risk management** focused on quality, security, environmental factors and sustainable development. Part of the framework established by the Bouygues Group, TF1's approach involves two committees composed of representatives of the Group's business lines, which meet regularly to discuss these issues,
  - **a business continuity approach** initiated in 2004 specifically targets the identification of major risks that could affect day-to-day business. The goal is to develop a decision-making system for crisis management, along with a process for its implementation. The initial work on this programme led to the creation of the "Réagir" programme, which seeks to devise and regularly update plans for restoring business-critical processes after an incident. In 2009-2010, in addition to conducting regular tests of processes and backup tools, the Réagir plan was updated to include an H1N1 flu scenario. In 2010 a business continuity audit identified measures for improving the system, which were implemented during the year. Particular attention was paid to extending the processes covered by the backup site and broadening the scope of risk analysis to cover the activities of TMC / NT1 and TMC Broadcasting,
  - **an information systems security approach**. For the past several years, the IT Division has been formalising a data security policy to set down common security standards for the Group. This effort continues on a daily basis as the constant technology advances are factored into security principles and rules;
- a system for mapping risks systematically:

  Since 2007 a working Group composed of representatives of TF1's principal businesses has been developing proposals to improve the organisation and systems for the management of risk monitoring across all the businesses of the TF1 group. In 2008 the first stage – identifying and characterising the major risks based on a methodology defined in collaboration with the Bouygues Group – was conducted through a series of interviews with some 100 Group managers.

  This was followed in 2009 and 2010 by the development of a risk ranking system and an operational overview of the principal risks to which the TF1 group is exposed. These risks are monitored regularly by committees whose task – in addition to identifying emerging risks – is to manage the resources allocated to risk management.

  The main risks and the systems designed to control them are described below in section 2.4 of this report, "Risk factors", which also describes the Group's policies concerning insurance. Financial market risks (interest rate and foreign exchange risk, etc.) are also covered in paragraph 31 of the notes to the consolidated financial statements.

  The main business risks that TF1 has identified and seeks to cover on a constant basis are those linked to major processes, *i.e.* acquisition and compliance control of audiovisual content, and control of broadcasting and activities.

Procurement processes

Standardised procurement contracts allow TF1 to build a secure framework for the supply of tangible and intangible products and the related financial terms and conditions, guarantee service continuity and ensure that suppliers subscribe to an insurance policy.

TF1 set up a Purchasing Division in November 2007 to establish policies for optimising the procurement process across all the business units, following the procurement guidelines of the Bouygues Group. Developing framework contracts and supplier listing agreements at the level of the TF1 group should generate economies of scale and improve management of the procurement and supplier-relation processes. In addition, a "responsible purchasing" approach has been in place for two years as part of the TF1 group's Corporate Social Responsibility (CSR) policy. Significant results have been achieved in terms of making greater use of the sheltered sector and assessing avec suppliers' CSR policies.

TF1 signs contracts for the purchase of broadcasting rights to secure programming for future years. These contracts are legally and economically complex and involve substantial sums. Investment projects are initiated based on the channels' editorial policies and the requirements arising from an analysis of programme inventory; they are subject to an investment authorisation procedure for each type of programme.

Furthermore, and where possible, framework agreements are signed ahead of the procurement process in order to control the costs of certain programmes and to ensure supply. The Group centralises and shares its multi-channel rights (freeview, DTT, cable and satellite, video and new media including VOD and catch-up) as much as possible.

It was in this spirit that TF1 decided at the end of 2007 to create an economic interest Grouping, TF1 Acquisition de Droits, in order to acquire rights for the Group's broadcasting companies. TF1 Acquisition de Droits buys rights to feature films and series to meet the needs of the Group's channels. And it also sells programmes outside the Group to optimise inventory management.

Control of programme compliance

The programmes broadcast by the channel are subject to control by the CSA under an agreement signed by the channel. Consequently TF1 has set up a Programme Compliance Department which controls programmes before they are aired. This effort, which in some cases relies on advice from the General Counsel's office, also helps to minimise the legal risks inherent in broadcasting television programmes.

Furthermore, programmes targeting children are submitted to psychologists who are responsible for previewing the most sensitive ones.

A TF1 Publicité team previews all advertising spots after receiving the position from the advertising watchdog, ARPP. It ensures compliance with the regulatory provisions concerning advertising messages on multiple media. These controls focus among other things on:

- whether commercials comply with regulations and with the editorial policy of the medium;
- the maximum duration of advertising slots, both daily and per hour;
- compliance with invoicing rules (in accordance with the Sapin Act 93-122 of January 29, 1993).

Control of broadcasting and activities

TF1's Technical and IT Division is responsible for making the programmes assigned to it as well as for programme broadcasting and the broadcast network. It is also in charge of designing, implementing and maintaining technical and information systems, and for managing real estate, logistics and corporate services.

The division guarantees broadcasting continuity by assuring that the necessary human and technical resources are available and deployed as needed.

For several years, it has also been responsible for managing the identification, control and prevention of TF1's major risks. And it continues to analyse and manage risks operationally, for example through the "Réagir" Committee.

The committee monitors and prevents major risks associated with the Group's key processes. It maintains and upgrades procedures based on the principle of continuous improvement covering the security of people, assets, infrastructure, systems and data. It also updates and regularly tests plans for rapid resumption of activities that may be discontinued as the result of an exceptional event such as a signal outage or the inaccessibility of the TF1 building.

An external, secure back-up site has been operational since 2001 for programme broadcasting, production of TV newscasts (TF1 & LCI) and organising advertising slots for the TF1 channel.

In 2006 this back-up facility was improved when a digital process similar to that used at the main broadcasting facility was installed at a new external site. This installation and the associated procedures make it possible, if necessary, to switch over from the main site with no noticeable interruption of programmes. In 2008, all back-up resources were amalgamated at this single new external site.

The company's vital functions are included in the security plan through a business resumption process, in particular for the departments concerned with broadcasting, space selling, accounting, treasury, payroll and IT operations. Procedures are tested from time to time so as to upgrade the system if necessary.

The team in charge of this project also extended the range of risk factors to include health risks that could hamper normal operations. These risks have been quantified, their impact assessed, and the associated safety procedures tested. In 2009 the skills, procedures and preventive measures needed to address the threat of H1N1 flu were marshalled under the *Réagir* programme.

Furthermore, a website and a toll-free telephone number enable employees to be informed in real time in case of an emergency and to keep in touch with the company where necessary.

CONTROL ACTIVITIES

In addition to the risk management mechanism, the TF1 group deploys a number of processes and systems that contribute to implementing senior management policies and enable goals to be achieved.

The Group pays particular attention to financial, legal and human resources processes by focusing on the assignments carried out by TF1 SA's functional divisions. Each division supervises and assists TF1 entities in its fields of expertise. They also disseminate cross-functional procedures and ensure compliance with them, while helping to approve specific procedures for the Group's business lines.

Finance Division (DGAF)

The Finance Division brings together the Group's Financial Departments and plays a supervisory role through the cross-functional procedures, methods and principles it disseminates Group-wide.

Accounts and Tax Division (DCF)

The Central Accounts and Tax Division is responsible for applying the Group's accounting principles. It guarantees the reliability of the processes used to collate and process financial information, as well as the relevance and stability of accounting methods.

It ensures that parent company and consolidated financial statements provide a true and fair view of the activity of Group companies and comply with existing standards and regulations. The DCF ensures that this information is supplied in the correct format and in a sufficiently timely manner for effective use.

The DCF includes the TF1 SA Accounting Department and the Consolidation Department. It also gives functional guidance to the subsidiaries' Accounting Departments. Moreover, it helps to coordinate and constantly update the teams by setting and disseminating rules, procedures and methods applicable throughout the Group. The DCF applies the principle that the tasks of ordering and payment should be separate.

Treasury and Finance Division

The Treasury and Finance Division is responsible for managing operations related to finance, investment, hedging of foreign exchange and interest rate risk, and secure payment methods for all companies in the Group, with the exception of some subsidiaries in which TF1 does not have exclusive or majority control. This centralised organisation delivers:

- effective management of the Group's cash pool in euros and foreign currencies;
- payment security;
- consolidation and global management of interest rate and exchange rate risks;
- maintaining a level of skills equal to the complexity of the issues, and
- the delegation of powers to a limited number of employees who alone are authorised by senior management to handle a limited number of financial operations for all Group companies, based on authorisation thresholds and procedures.

The Treasury and Finance Division is responsible for ensuring that the Group has sufficient long-term sources of financing at its disposal:

- through monthly analysis and update of cash forecasts and reporting to senior management;
- by negotiating and maintaining sufficient lines of back-up financing with an average of two to three years' maturity.

Financial Control and Strategic Planning Division

TF1 and the Group's subsidiaries are covered by a financial and strategic planning process and by uniform budget controls which comply with regulatory requirements.

The first year of the strategic plan represents a firm commitment to senior Group management on the part of the heads of the various entities.

This process is decentralised at the level of each company or entity. The process is organised and coordinated by the Group's Financial Control and Strategic Planning Division.

The annual budget is updated twice annually to adjust estimates of year-end results and to re-orient action plans in the light of the achievement of objectives. These updates also provide an opportunity to review three-year forecasts.

In 2009 the Group established a system of continuous forecasting in order to bring up to date assessments of the impact that events and ongoing projects will have on the end-of-year financial statements.

Since 2008 each structure and each business generates a monthly dashBoard which includes a monthly financial statement, an end-year forecast, and key performance indicators in the form of a 'cockpit'. Each entity presents its dashBoard to the Financial Control Department in Meetings scheduled on a calendar established at the beginning of each year.

After controlling, validating and analysing the presentations, the Financial Control and Strategic Planning Division generates a consolidated Group dashBoard which it presents to senior management.

Since 2008, about one hundred operational indicators reflecting the company's strategic objectives have been annotated and presented to the Executive Committee of the TF1 group in graphical form on a monthly basis month. This set of indicators, constitutes the Group's management 'cockpit'. It serves as an instrument for measuring performance and as the basis for action plans. This approach promotes common shared understanding of the companies' stakes and circumstances and the development of cross-cutting solutions.

In 2010 this approach was used in certain subsidiaries. By 2011 cockpits should be used systematically in all of the Group's entities in order to capture all existing performance vectors at all levels of operational responsibility.

Human Resources and Internal Communication Division

The Human Resources Department plays a key role in the selection, hiring, and development of human resources necessary for the efficient functioning of the various TF1 group entities.

It monitors compliance with the French Labour Code and changes in labour policy in conjunction with the various employee representative bodies. It also coordinates the Group's professional training, which has the objective of developing the technical, interpersonal and managerial skills required in the exercise of each employee's responsibilities. TSI cares about developing the skills of its staff, and encourages job mobility between companies in the Group. Thus, in 2010, one out of every two positions was filled through internal transfers.

Within the framework of the management cycle, the Human Resources Division, together with operational and functional departments, plans human resources needs. These needs are formalised and are an integral part of the three-year financial and strategic planning process fixed by senior management. Any request for hiring a permanent employee is subject to a formal approval procedure.

A dual training programme was launched in 2010 to disseminate best practices in the field of diversity to all companies and employees in the TF1 group. One part of the programme was aimed at the 500 top managers, the other at 500 journalists, technicians and programme advisers who contribute to ensuring that diversity is well represented on-screen.

General Secretariat and Legal Affairs Divisions

The Group General Secretariat coordinates the following two functions:

- the Legal Affairs Division (DAJ), which is responsible for:
  - determining and supervising the application of policy on contracts in the Group,
  - for monitoring the various aspects of company law (including the secretariat of Board Meetings and General Meetings) and development within the Group,

  - for court proceedings and litigation. Legal risks and litigation are closely coordinated with the Finance Division to ensure that they are properly reflected in the financial statements,
  - management of intellectual property rights (brands and domain names), and
  - risk management, insurance and property matters: the DAJ ensures that coverage is adequate and that premium and deductible levels correspond to the risks in question;
- the Institutional Relations and Regulatory Affairs Department, responsible for coordinating relations with external organisations and authorities ensuring that TF1's regulatory obligations are satisfied.

For several years, the General Secretariat and Legal Affairs Division have been involved in a process to secure and control commitments. This is manifested, for example, by the definition of a Group contract policy and standard contract models for all recurring commitments. Furthermore, Legal Affairs pays particular attention to optimising and conserving the insurance policies signed by TF1 and its subsidiaries so as to be covered against the consequences of potential risks in partnership with brokers acting for leading companies.

The Legal Affairs Division also monitors and participates in implementing a consistent policy of delegation of powers. In particular, the subsidiaries over which TF1 exercises exclusive control are granted delegations based on guidelines established at Group level. With regard to subsidiaries with joint control, internal control is organised based on the TF1 group's expertise and in compliance with agreements between shareholders.

MONITORING SYSTEMS

Internal control systems must themselves be monitored continuously by corporate management and by means of *ad hoc* assessments, carried out by people who have no direct authority over or responsibility for the operation in question.

Audit Committee

Formed in 2003 the Audit Committee is composed of at least two Directors. TF1 executive Directors and employee representatives are barred from sitting on the committee in order to ensure its independence.

Before making presentations to the Board of Directors, the committee examines the quarterly, half-yearly and annual accounts and receives a presentation of the conclusions of the Statutory Auditors. It takes this opportunity to ensure the appropriateness and the consistency of the accounting methods adopted to draw up the accounts and verify the rules of procedure for the collection and control of the information used. In addition, it notes the conclusions of the Internal Audit assignments and validates the Internal Audit annual work plan.

Furthermore, the Audit Committee is kept updated on the implementation of the internal control process and risk monitoring systems.

Interest rate and foreign exchange hedging policies are also presented to the Audit Committee, along with the medium-term financing strategy of the TF1 group (available credit lines, funding sources in financial markets, etc.)

Furthermore, the Audit Committee is kept updated on the deployment of the internal control process and the system of risk monitoring.

The Statutory Auditors' role is to ensure the fair presentation of the company's earnings and financial and net asset statements in accordance with accounting rules and principles. In so doing, they are made aware of the organisation and operation of the information systems and internal control procedures with regard to accounting and financial information, which they take into account in their audit activity.

Internal Audit

The TF1 group's Internal Audit Department carries out assignments in the different Group entities and in various areas (finance, operations, organisation), except for assignments relating to the reliability, security and use of information systems, which are the responsibility of the central audit unit of the Bouygues Group.

All these assignments follow an annual audit plan validated by the senior management and the Audit Committee of the TF1 group. A progress report on the plan, along with its main findings and recommendations, is presented to the quarterly Audit Committee Meetings.

Assignments are carried out according to a rigorous methodology. They result in a report containing recommendations, which systematically give rise to action plans that are implemented by the audited entities. The Internal Audit Department monitors this process.

Internal audit therefore acts as an analysis, control and information tool for senior management, executives and the Audit Committee, making it possible to identify risks and to manage and control them more effectively.

As part of its duties, Internal Audit verifies the application of internal control principles and rules, in collaboration with DCFPS and in addition to the latter's assessments. It contributes to raising employees' awareness of internal control issues.

In addition, Internal Audit actively monitors best practices in control and helps make employees aware of internal control principles.

PUBLISHED ACCOUNTING AND FINANCIAL INFORMATION CONTROL PROCESSES

TF1 is particularly sensitive to internal control issues, particularly in the areas of accounting and finance, where the reliability of information is critically important.

This chapter summarises the principal control processes contributing to the preparation of accounting and financial disclosures.

FINANCIAL INFORMATION SYSTEMS

The IT Division works closely with the Finance Division to deploy and supervise the TF1 group's major financial information systems, notably the accounting, management, treasury and consolidation tools. It also deploys business applications in certain entities.

In the areas of finance and accounting, TF1 operates specific internally developed systems as well as packaged software. The latter are subject to rigorous analysis, monitoring and operation to ensure their availability, integrity, security and compliance with legal obligations.

In the broad framework of its Data Security Policy, the Group has set up systems integrating technical firewalls against attacks from outside (notably an anti-virus emergency plan and regular anti-hacking tests).

Since 2003 the TF1 group has embarked on a process to make the top technical, legal and human resources managers aware of data security and the systems they will need to use.

Finally, the increasing use of advanced information technologies makes corporate data protection and confidentiality crucial. The Eticnet guidelines take this factor into consideration; its dissemination and regular updating tend to strengthen the process of making employees accountable.

TF1 SA has developed and deployed at Group level its own management tool, which interfaces with the accounting software. It is based on the principle of a unique record of operations necessary for financial information. Processes for automated handling provide for the generation of data tailored to the needs of financial control, accounting and treasury.

The IT management system guarantees the control of commitments and payments, thanks to:

- the approval cycle for commitments, pre-defined in the IT application and limited to authorised persons;
- the electronic validation cycle for sourced and digitised invoices reflecting the commitments.

This management tool is complemented and / or fed by several applications that respond to different business needs of the Group, such as the system dedicated to the processes of monitoring contracts for the acquisition and management of broadcasting rights.

All the Group's means of payment are subject to security procedures, which are complemented by a banking interface, accounted for daily and formalised monthly.

All payment instruments require two signatures, with an annual update of proxies on all bank accounts.

At the end of 2008, TF1 launched an important project called SIGMA. Its aim is to facilitate and streamline the preparation of information while optimising processes in the areas of human resources, finance, and purchasing. The applications currently dedicated to these three functions will migrate, entirely or in part, to an ERP (integrated management software package).

At the end of 2008, TF1 launched an important project called SIGMA. Its aim is to facilitate and streamline the preparation of information while optimising processes in the areas of human resources, finance, and purchasing. The Group has also been replacing some or all of the applications currently used in these three functions by the SAP package. The first releases of the new solution were implemented in 2010.

In January 2010 the Human Resources module went live in all TF1 group companies, while the new Purchasing-Accounting and Financial Control processes and modules have been in use in seven "pilot" companies in the TF1 group since July 2010.

The Finance and Purchasing solution will continue to be rolled out in several Group companies in 2011.

With this approach, the aim of process optimisation is to enhance cross-functional capabilities, harmonise the preparation of information, and facilitate the analysis of the data for all the TF1 businesses.

PROCESS OF PREPARING AND CONSOLIDATING ACCOUNTS

The Accounting and Tax Department has a mission of monitoring and co-ordination, regularly disseminating information to the Group's accounting staff on developments in the rules and methods for generating the solo and consolidated financial statements of the TF1 group.

The tools and processes up-stream of the closing of the accounts guarantee that events are accounted for correctly and according to principles of reality, comprehensiveness, and correct accounting representation.

The accounting choices made are validated by the Statutory Auditors prior to quarterly closings and are presented to the Audit Committee.

Process for quarterly closing of TF1's accounts

Each quarter, all of the companies in the Group prepare intermediate accounts under IFRS using a structured process and a predetermined timetable.

Using the Group's management applications, quarterly processing enables the accounting teams to validate and then automatically generate book entries in the accounting software, thus ensuring consistency between the results obtained from management and accounting processes.

As part of the procedure for closing the TF1 accounts, book entries are jointly analysed and validated by the accounting and Financial Control Departments. Periodically, the management data used for reporting are compared with accounting system data.

The Accounts and Tax Division ensures compliance with the process for handling different types of assets in Group accounts. For goodwill and securities recorded on the balance sheet, it impairment indicators for intangible assets and, where necessary, writes down the assets concerned. This is done whenever necessary and at least once a year, based on information provided by the Financial Control and Strategic Planning Division and various operational entities, using the impairment test procedure described in the Appendix to the Group's financial statements. The value of other assets, such as audiovisual rights, is assessed using criteria which are also described in the Appendix to the Group's financial statements. This process and its results are validated together with the Statutory Auditors and presented to the Audit Committee.

Provisions for litigation and other risks are established based on a risk analysis conducted in consultation with the Finance Division (DGAF), the General Secretariat, the Legal Affairs Division, the Human Resources Department and the operational and functional departments concerned.

All items in the balance sheet and income statement are rigorously analysed by comparing them with the year-earlier period. Changes are commented upon, and those comments provide insights into the companies' businesses.

Consolidation process

The Consolidation Department consolidates all TF1 group companies at each quarterly closing on the basis of a pre-defined scope, schedule and instructions communicated to the Group's organisations and units and the Statutory Auditors.

Since January 1, 2005 the TF1 group accounts have been prepared in compliance with IFRS, which have been adopted by the European Union. Depending on local standards and tax regulations, a parallel treatment of certain transactions is provided in the solo accounts of certain Group subsidiaries.

The consolidation tool used throughout the TF1 group is Magnitude, an application used by a large number of listed companies. Magnitude allows for rigorous analysis and control of the account preparation process, which is governed by standard procedures.

PROCESS FOR VALIDATING THE ACCOUNTS

The quarterly consolidated financial statements are presented to the Chairman and CEO by the Finance Division.

At December 31, of each year, the accounts of TF1 and all its subsidiaries are audited by the Statutory Auditors. Each quarter, the consolidated financial statements and the accounts of the main subsidiaries reviewed.

Before presentations to the Board of Directors, the Audit Committee reviews the consolidated financial statements and receives a presentation of the conclusions of the Statutory Auditors. Subsequently, the Group accounts are presented and closed by the Board of Directors.

In addition, the Audit Committee reviews the proposed announcement of the quarterly results prior to validation by the Board of Directors and release.

PROCESS FOR MANAGING FINANCIAL DISCLOSURES

Besides the Chairman and CEO, only duly authorised persons may communicate financial information to the market. These include the Executive Vice President for Finance and the staff of the Financial Communications and Investor Relations Department. This department generates the activity summaries of TF1 and its subsidiaries for the Board of Directors. It distributes and communicates financial information on the TF1 group and its strategy through, for example:

- management reports of the Board of Directors;
- registration documents, quarterly and half-yearly reports;
- financial press releases;
- presentations for financial analysts and investors.

These documents are drawn up according to a structured process which satisfies the requirements concerning financial information, using financial information from the Group's subsidiaries and departments. Before being distributed, the documents are monitored and approved by the Legal Affairs, Human Resources, Communication, Sustainable Development and Finance Divisions, and in some cases by the Board of Directors.

Before being submitted to the AMF in compliance with ITS General Regulation, the registration document is monitored by the Statutory Auditors, who check that the information on the accounts and financial position is consistent with historical data, and who review the entire document.

Each subject to be communicated is accompanied by an explanation approved by senior management, updated regularly and acting as a support to relations with the various stakeholders in the market.

To guarantee investors equal access to information, the various communications products are also made available in English and distributed through the following channels:

- information for an outside audience, once published, is put on line on the www.tf1finance.fr website. Anyone desiring this information can also request it from the Financial Communication service and obtain it free of charge;
- financial press releases are published in a national business daily, on a mainstream financial website and on the AMF website. As of January 2007 TF1 complies with the European Union's Transparency Directive covering new reporting obligations;
- analysts Meetings and General Meetings are broadcast live and in full on the Internet or by telephone, with no access restrictions. A recording of these Meetings is posted on the Group's website;
- two people from the TF1 group attend Meetings held abroad to ensure that accurate information is delivered with strictly equal access. The documents presented at these Meetings are published promptly on the www.tf1finance.fr website.

CONCLUSIONS AND OUTLOOK

Throughout 2010 TF1 continued to reorganise its key business processes, including rights acquisition and purchasing, to make them more effective and achieve greater cross-functionality among the Group's entities. These efforts culminated in a major project to install a shared IT tool for the human resources, finance and purchasing functions.

Dubbed SIGMA, the project involves teams from the business areas and from the IT and technical functions. The aim is to facilitate and streamline the preparation of information while optimising processes in the areas of human resources, finance, and purchasing. In 2010 the Human Resources module went live in all TF1 group companies, while the Finance and Purchasing solution was applied in the so-called pilot entities.

Also in 2010, the Group conducted a second campaign to assess the application of internal control procedures across an area that was representative of its sales and costs and the risks inherent in its business areas. The campaign focused on a set of principles common all business areas in the Bouygues Group, as well as those specific to TF1's businesses (broadcasting, acquisitions, programming, inventories, rights purchases, programme grid management, royalties, etc.).

TF1 also pursued its risk mapping activities in 2010 by updating, reassessing and prioritising the risks identified in previous years. New risks that could potentially affect the Group's ability to reach its medium-term objectives were taken on Board, while the processes of administering action plans were incorporated into the company's management cycle.

The Audit Committee was regularly informed of these activities.

All these objectives will be pursued with a view to maintaining a dynamic vision of internal control, based above all on the skills, sense of responsibility and involvement of all Group employees.