TF1 LE GROUPE

PRESS RELEASE

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TF1 GROUP RESULTS FOR THE FIRST NINE MONTHS OF 2018

Group share of target audience[1] rises to 32.4% (+0.4 of a point year-on-year)

TV advertising revenue increases by 2.5%, driven by sustained Q3 growth of 6.6%

Current operating profit is up €7.7 million at €124.2 million

The TF1 Board of Directors, chaired by Gilles Pélisson, met on 30 October 2018 to close off the financial statements for the third quarter of 2018.
The results below are presented using the segmental reporting structure adopted by the TF1 group, and in accordance with IFRS 9 and IFRS 15 (applicable from 1 January 2018). Historical revenue and operating profit data (published and restated) are available in our Financial Information Report for the first nine months of 2018 and on the TF1 group corporate website: www.groupe-tf1.fr/en.

CONSOLIDATED FIGURES (€m)	H1 2018	H1 2017	Q3 2018	Q3 2017	9m 2018	9m 2017	Chg. €m	Chg.%
Revenue	**1,083.6**	**1,042.8**	**492.0**	**431.7**	**1,575.6**	**1,474.5**	**101.1**	**6.9%**
TF1 group advertising revenue	*812.4*	*784.2*	339.3	*300.8*	*1,151.7*	*1,085.0*	*66.7*	*6.1%*
Revenue from other activities	*271.2*	*258.6*	152.7	*130.9*	*423.9*	*389.5*	*34.4*	*8.8%*
Current operating profit/(loss)	**100.5**	**108.0**	**23.7**	**8.5**	**124.2**	**116.5**	**7.7**	**6.6%**
Current operating margin rate	*9.3%*	*10.4%*	4.8%	*2.0%*	*7.9%*	*7.9%*	*-*	*-0.0pt*
Operating profit/(loss)	**89.5**	**96.4**	**18.3**	**2.6**	**107.8**	**99.0**	**8.8**	**8.9%**
Cost of net debt	(1.0)	(1.1)	**(0.2)**	(0.1)	(1.2)	(1.2)	0.0	0.0%
Net profit/(loss) attributable to the Group	**65.8**	**74.8**	**15.9**	**10.4**	**81.7**	**85.2**	**(3.5)**	**-4.1%**

Consolidated revenue of the TF1 group for the first nine months of 2018 was **€1,575.6 million**, up 6.9%[2], driven by:
- a **good performance in television advertising**, reflecting the success of the Football World Cup and the back-to-school programming schedules;
- the growing impact of **agreements with telecoms operators**;
- the **diversification strategy**, which is starting to pay off, especially with the consolidation of the digital segment.

Current operating profit for the first nine months of 2018 was **€124.2 million** (versus €116.5 million a year earlier), **increasing by €7.7 million**, reflecting the **new revenue streams** and demonstrating the Group's capacity to optimise profitability by **adapting its cost structure**.
Including the costs of broadcasting the World Cup (€72 million), the current operating margin rate held steady year-on-year at 7.9%. Excluding the cost of the World Cup, the current operating margin rate was 12.4%, 4.5 points higher than a year previously.

Operating profit for the period was **€107.8 million**, after charging €16.4 million of non-current expenses related to the amortisation of audiovisual rights in connection with the Newen Studios acquisition.

Net profit attributable to the Group was **€81.7 million**, down €3.5 million year-on-year. However, the 2017 net profit figure included the gain on the divestment of the equity interest in Groupe AB.

[1] W<50PDM: Women aged under 50 purchasing decision-makers.
[2] Excluding the effect of changes in structure, revenue growth for the first nine months was 2.4%.

Audiences[3]

Over the first nine months of 2018, the audience share of the **TF1 group** advanced by 0.4 of a point for both of its target audiences, reaching 32.4% of W<50PDM and 29.2% of 25-49 year-olds.
In the third quarter, the Group posted strong growth for both targets: +1.7 points for W<50PDM, and +2 points for 25-49 year-olds.

For the fourth consecutive quarter, the **TF1 core channel** increased its share of the W<50PDM target audience, which reached 22.6% in the third quarter of 2018 (up 1.2 points year-on-year), extending the gap over the nearest private-sector rival channel by 2.7 points. The channel also increased its share of the 25-49 year-old audience significantly during the quarter, by 1.6 points. These impressive growth figures reflect generalist, event-TV programming with many ratings successes. The World Cup attracted 20 of the top 50 audience ratings in the first nine months of 2018, while the series *Good Doctor* (the best series launch since *Lost* in 2015) drew up to 7.9 million viewers and an average audience share of 47% among W<50PDM. French drama performed well with *Insoupçonnable* (up to 5.9 million viewers, average audience share of 29% among W<50PDM), while in access prime time *Demain Nous Appartient* set new records with peak viewing figures of over 4.0 million. The return of the well-known entertainment franchises also pulled in viewers, especially *Danse avec les stars*, with the launch of the new season watched by 5.2 million with a 39% audience share among W<50PDM.

The channel's news bulletins remained well ahead of the competition during the quarter. The evening bulletin attracted up to 8.4 million viewers and an average of 4.8 million, while the audience for the lunchtime bulletin peaked at 5.3 million with an average of 4.6 million viewers. The TF1 core channel has optimised the strategic 8pm-9pm time slot on weekdays by screening *Le 20H Le Mag*, a new current affairs magazine launched in March 2018, which averaged 4.6 million viewers.

The TF1 group is France's most-watched DTT broadcaster, with the **DTT channels** (TMC, TFX, TF1 Séries Films, LCI) attracting 9.6% of W<50PDM in the quarter (+0.5 of a point year-on-year) and 8.6% of 25-49 year-olds (+0.4 of a point year-on-year). In the third quarter of 2018, TMC was the most popular DTT channel among the target audience of 25-49 year-olds, thanks to the September return in access prime time of *Quotidien*, with year-to-date best viewing figures of up to 1.5 million (12% audience share, the most-watched DTT channel in this time slot); the prime-time show *Burger Quiz* (up to 1.2 million viewers, 12% audience share); and movies such as *Expendables* (1.2 million viewers).

TFX and TF1 Séries Films retained their very strong momentum. TFX maintained its performance with its target 15-24 year-old audience: a 4.1% share means it is the no.2 DTT channel for this target, thanks to reality TV shows *La Villa: la bataille des couples* and *Beauty match*. TF1 Séries Films has a 2.3% share of the W<50PDM target audience, up 0.2 of a point year-on-year, including a record 1.2 million audience for the launch of the series *The Handmaid's tale: la servante écarlate*.

LCI captured an audience share of 0.6% among individuals aged 4+, confirming its status as France's no. 2 news channel.

MYTF1 performed well during the quarter with 326 million video views[4], up 6.8% year-on-year, largely driven by flagship programmes such as the TFX show *La Villa: la bataille des couples* (47 million video views); the World Cup (21 million video views); and *Good Doctor* (14 million video views).

By end September, MYTF1 had broken the billion video views barrier, with a year-on-year increase of 10%.

[3] Source: Médiamétrie-Mediamat.
[4] Excluding news content, XTRA content and live sessions.

Analysis by segment

Following the acquisition of the aufeminin group on 27 April 2018, a new segmental reporting structure is being applied, starting in the second quarter of 2018. The main change is the creation of a new "Digital" segment, which combines the operations of the aufeminin group with those of Neweb, Studio71, TF1 Digital Factory and MinuteBuzz[5]. Given the immateriality of the impacts on 2017 and the first quarter of 2018, prior periods have not been restated.

€m	H1 2018	H1 2017	Q3 2018	Q3 2017	9m 2018	9m 2017	Chg. €m	Chg. %
Consolidated revenue	**1,083.6**	**1,042.8**	**492.0**	**431.7**	**1,575.6**	**1,474.5**	**101.1**	**6.9%**
Broadcasting	**869**	**857.5**	**363.4**	**331.5**	**1,232.4**	**1,189.0**	**43.4**	**3.7%**
TV advertising on free-to-air channels	*754.5*	*747.3*	*303.9*	*285.1*	*1,058.3*	*1,032.4*	*25.9*	*2.5%*
Studios & Entertainment	**185.8**	**185.3**	**96.0**	**100.2**	**281.8**	**285.5**	**(3.7)**	**-1.3%**
Digital *	**28.8**	**-**	**32.6**	**-**	**61.4**	**-**	**61.4**	**N/A**
Current operating profit/(loss)	**100.5**	**108.0**	**23.7**	**8.5**	**124.2**	**116.5**	**7.7**	**6.6%**
Broadcasting	**79.3**	**91.5**	**14.0**	**(8.0)**	**93.3**	**83.5**	**9.8**	**11.7%**
Studios & Entertainment	**18.6**	**16.5**	**7.5**	**16.5**	**26.1**	**33.0**	**(6.9)**	**-20.9%**
Digital *	**2.6**	**-**	**2.2**	**-**	**4.8**	**-**	**4.8**	**N/A**
Cost of programmes	**499.2**	**482.2**	**(226.7)**	**(211.7)**	**(725.9)**	**(693.9)**	**(32.0)**	**4.6%**
Football World Cup	*(46.0)*	*-*	*(25.7)*	*-*	*(71.7)*	*-*	*(71.7)*	*N/A*

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

Broadcasting

Revenue for the Broadcasting segment for the first nine months of 2018 was €43.4 million higher at €1,232.4 million. This rise was attributable mainly to a €25.9 million increase in TV advertising revenue for the five free-to-air channels and to revenues from agreements signed with all French telecoms operators, demonstrating the Group's ability to monetise the most popular content.

The **cost of programmes** for the five free-to-air channels for the first nine months of 2018 was €725.9 million, a net year-on-year increase of €32 million. That figure includes €71.7 million for the Football World Cup[6], but also savings of €39.7 million, showing that the Group has the agility to optimise its programming cost structure while keeping audiences high.

The Broadcasting segment reported a **current operating profit** of €93.3 million for the first nine months of 2018, up €9.8 million year-on-year.

Studios & Entertainment

Studios & Entertainment segment revenue for the first nine months of 2018 was €281.8 million, down €3.7 million year-on-year. After a favourable third quarter of 2017 in terms of deliveries, Newen Studios returned to more normal seasonal patterns of activity. Meanwhile, growth in production activities did not fully offset lower revenue at TF1 Studios; this was due to a less favourable line-up this year, and to a decrease in the physical video sales and home shopping businesses which are operating in declining markets. Segment revenues have also been impacted since the second quarter of 2018 by the reclassification of the segment's web activities (Neweb) to the new Digital segment.

The segment posted a **current operating profit** of €26.1 million for the first nine months of 2018, down €6.9 million year-on-year. The main impacts were costs associated with the buyout of the residual 30% equity interest in Newen at the start of July, and weaker performances from the film and entertainment businesses.

Digital

Revenue from the **new Digital segment** for the first nine months of 2018 totalled €61.4 million, and includes revenue from the aufeminin group (consolidated from May 2018 onwards).

The segment made a **current operating profit** of €4.8 million over the same period, including the results of operations from the aufeminin group, which were affected by the recognition of costs associated with the acquisition.

[5] Accounted for by the equity method.
[6] The cost of replacement programmes was €13.4 million.

Financial position

Shareholders' equity attributable to the Group was €1,529.5 million at 30 September 2018, out of a balance sheet total of €3,156.0 million.

Cash and cash equivalents amounted to €117.7 million at 30 September 2018, versus €495.5 million at end December 2017. Net debt was €50.9 million at 30 September 2018 (versus a net cash surplus of €256.7 million at end December 2017), after taking account of (i) the acquisition of the aufeminin group, (ii) the impact of the buyout of the residual 30% interest in Newen Studios, and (iii) commitments/options to buy out non-controlling interests (mainly aufeminin, in connection with the squeeze-out).

The Board of Directors intends to carry out **a €50 million share buyback programme**[7], on the basis of the 11th resolution approved by the Annual General Meeting on 19 April 2018.

Outlook

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

- current operating margin (excluding major sporting events) up 4.5 points year-on-year, at 12.4%;
- cost of programmes (excluding major sporting events) of €654.2 million, versus €693.9 million a year earlier;
- revenue from sources other than advertising on the free-to-air channels representing 33% of consolidated revenue, versus 30% a year earlier.

Highlights of the fourth quarter of 2018 will include the screening of new series including *La Vérité sur l'Affaire Harry Quebert*; the return of light entertainment shows such as *The Voice Kids*; and a special evening to mark the 20th anniversary of the NRJ Music Awards. The policy of backing French drama will continue with the screening of *Jacqueline Sauvage* and *Balthazar*.

We are reiterating our guidance:

- **for 2018**:
  - **growth in current operating margin rate** at Group level (excluding major sporting events);
- **in 2019**:
  - **growth in revenue from activities other than TV advertising on the five free-to-air channels**, **with those other activities expected to account for at least one-third of consolidated revenue**;
  - **target of double-digit current operating margin rate**;
- **in 2021**:
  - **revenue from the digital segment of at least €250 million**;
  - **EBITDA margin from the digital segment of at least 15%**;
  - **improvement in return on capital employed**[8] for the TF1 group[9].
- Given the savings achieved in the cost of programmes to end September 2018, **we expect that by end 2018 we will have hit our target of €960 million** (excluding major sporting events) for our five free-to-air channels, and are **reiterating our guidance of an average cost of programmes of €960 million** (excluding major sporting events) **for the 2018-2020 period**.

Our Financial Information Report for the first nine months of 2018 is available at http://www.groupe-tf1.fr/en.
A conference call is scheduled for 30 October 2018 at 6.30pm (Paris time).
For details of how to connect to the conference call go to http://www.groupe-tf1.fr/en/investisseurs/en.

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[7] When the TF1 group decides to launch the buyback programme, an announcement will be made in accordance with the regulations.
[8] ROCE = the ratio of (i) current operating profit – theoretical income tax expense + net profit from associates to for a given year to (ii) average capital employed for that year and the previous year. Capital employed = shareholders' equity including non-controlling interests + net debt at period-end. TF1 group ROCE was 8.9% in 2017.
[9] 2021 ROCE higher than 2018 ROCE.