

## TF1 GROUP 2018 FIRST-QUARTER RESULTS

**Group share of target audience<sup>1</sup>: 32.2%**

**Current operating profit of €38.3 million, up 3.8%**

**Current operating margin rate of 7.7%, up 0.4 of a point**

The TF1 Board of Directors, chaired by Gilles Pélisson, met on 25 April 2018 to adopt the financial statements for the three months ended 31 March 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 quarter of 2018 and on the TF1 group corporate website: <https://www.groupe-tf1.fr/en>.

CONSOLIDATED FIGURES (€m)	Q1 2018	Q1 2017	Chg. €m	Chg.%
<b>Revenue</b>	<b>499.3</b>	<b>503.4</b>	<b>(4.1)</b>	<b>-0.8%</b>
<i>TF1 group advertising revenue</i>	368.7	366.0	2.7	0.7%
<i>Revenue from other activities</i>	130.6	137.4	(6.8)	-4.9%
<b>Current operating profit/(loss)</b>	<b>38.3</b>	<b>36.9</b>	<b>1.4</b>	<b>3.8%</b>
<i>Current operating margin rate</i>	7.7%	7.3%	-	+0.4 pt
<b>Operating profit/(loss)</b>	<b>32.6</b>	<b>31.1</b>	<b>1.5</b>	<b>4.8%</b>
Cost of net debt	(0.4)	(0.9)	0.5	-54.7%
<b>Net profit/(loss) attributable to the Group</b>	<b>24.8</b>	<b>28.0</b>	<b>(3.2)</b>	<b>-11.4%</b>

**Consolidated revenue** for the first quarter of 2018 was **€499.3 million**, versus €503.4 million a year earlier, a slight decrease of 0.8%. This comprised:

- advertising revenue of €368.7 million, up €2.7 million (0.7%) on the first quarter of 2017;
- revenue from other activities of €130.6 million, down €6.8 million year-on-year. This reflects the fact that TF1 Studio<sup>2</sup> had no films that went on theatre release in the first quarter of 2018, plus lower interactivity revenues due to an unusually tough comparative from the first quarter of 2017 (the gameshows: *The Wall* and *Les 12 coups de Midi*, and the World Handball Championships).

First-quarter 2018 **current operating profit** was **€38.3 million**, against €36.9 million a year earlier, **a rise of €1.4 million**. This improvement is linked to cost control, including the €3.5 million savings on cost of programmes.

The current operating margin rate rose by 0.4 of a point to 7.7%, compared with 7.3% a year earlier.

The Group posted an **operating profit** of **€32.6 million**, after charging €5.7 million of non-current expenses related to the amortisation of audiovisual rights remeasured in connection with the Newen Studios acquisition.

The overall result was a **net profit attributable to the Group** of **€24.8 million**, down €3.2 million. However, the 2017 first-quarter figure includes part of the gain arising on the divestment of TF1's equity interest in Groupe AB.

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

<sup>2</sup> TF1 Studio produces and distributes made-for-cinema films; it is separate from TF1 Films Production, which finances films in accordance with the Group's obligations to invest in cinema.

## Audiences<sup>3</sup>

The **TF1 group** registered a 32.2% share of the target audience of W<50PDM in the first quarter of 2018, in line with 2017 as a whole and slightly down (by 0.3 of a point) on the first quarter of 2017. This fine performance was achieved in spite of a one-week suspension by Canal+ of access to the TF1 group's channels, and strong competition from coverage of the Winter Olympics on France Télévisions.

The **TF1 core channel** increased its share of the W<50PDM target audience for the second consecutive quarter, reaching 22.1% in the first quarter of 2018 (up 0.2 of a point year-on-year) and widening the gap from its nearest private-sector rival by 0.6 of a point. The channel attracted all of the top 30 audiences in the quarter thanks largely to its prime-time range of general-interest, must-see programmes. There were ratings successes in entertainment (*Les Enfoirés* with 10.2 million viewers, *The Voice* with up to 7.1 million); French drama (*Les Innocents* with up to 7.1 million, *Les Bracelets Rouges* with up to 6.8 million, and *Sections de Recherches* with up to 6.7 million); and movies (*Les Tuche* with 7.7 million, *Rien à Déclarer* with 7.1 million). Weekday access prime time<sup>4</sup> is also up year-on-year (W<50PDM audience +0.6 of a point), thanks largely to the success of *Demain nous appartient*.

The channel's regular news bulletins remained well ahead of the competition with an average of 6 million viewers on weekday evenings and 5.4 million on weekday lunchtimes. The TF1 channel has optimised the strategic 8pm-9pm time-slot with the launch in mid-March of *Le 20H Le Mag*, a new ten-minute current affairs programme.

The group's **DTT offer** (the TMC, TFX, TF1 Séries Films and LCI channels), which is France's leading DTT offer with a combined 10.1% share of the W<50PDM target audience, held its share of this target steady. In the first quarter of 2018, TMC was the most-watched DTT channel among the target audience of 25-49 year-olds thanks to *Quotidien* in access prime time (average of 1.3 million viewers in the quarter, 9% share of 25-49 year-olds) and to consistently strong prime-time programming such as the movie *Salt* (1.4 million viewers) and the France-Colombia football match (4.7 million). TFX and TF1 Séries Films were both benefited from the rebranding at the end of January, and increased their audience share among their respective targets: TFX had a strong start to the year among younger viewers (15-24 year-olds), with a 4.9% share (up 0.2 of a point year-on-year), while TF1 Séries Films progressed on the W<50PDM target, adding 0.3 of a point year-on-year to 2.5%.

LCI captured an audience share of 0.6% among individuals aged 4+, and has consolidated its status as France's no. 2 news channel over the last year. The weekday *La Matinale* current affairs magazine achieved further growth and posted an all-time high 2.1% audience share in March.

**MYTF1** performed well during the quarter with 365 million video views<sup>5</sup> (up 10% year-on-year) driven largely by flagship programmes such as *La Villa des cœurs brisés* (65 million video views), *Demain nous appartient* (44 million) and *The Voice* (33 million).

## Analysis by segment

€m	Q1 2018	Q1 2017	Chg. €m	Chg. %
<b>Consolidated revenue</b>	<b>499.3</b>	<b>503.4</b>	<b>(4.1)</b>	<b>-0.8%</b>
<b>Broadcasting</b>	<b>402.3</b>	<b>404.9</b>	<b>(2.6)</b>	<b>-0.6%</b>
<i>TV advertising on unencrypted channels</i>	349.8	348.9	0.9	0.3%
<i>Other revenues</i>	52.5	56.0	(3.5)	-6.3%
<b>Studios &amp; Entertainment</b>	<b>97.0</b>	<b>98.5</b>	<b>(1.5)</b>	<b>-1.5%</b>
<b>Current operating profit/(loss)</b>	<b>38.3</b>	<b>36.9</b>	<b>1.4</b>	<b>3.8%</b>
<b>Broadcasting</b>	<b>26.4</b>	<b>26.6</b>	<b>(0.2)</b>	<b>-0.8%</b>
<i>of which unencrypted platforms</i>	15.3	13.9	1.4	10.1%
<b>Studios &amp; Entertainment</b>	<b>11.9</b>	<b>10.3</b>	<b>1.6</b>	<b>15.5%</b>
<b>Cost of programmes</b>	<b>(230.0)</b>	<b>(233.5)</b>	<b>3.5</b>	<b>-1.5%</b>

<sup>3</sup> Source: Médiamétrie-Médiamat.

<sup>4</sup> 6pm-8pm, Mondays to Fridays.

<sup>5</sup> Excluding news content, XTRA content and live sessions.

## Broadcasting

**Broadcasting segment revenue** for the first quarter of 2018 was €402.3 million, down €2.6 million year-on-year. Lower interactivity revenue due to less favourable programming than a year earlier was partly offset by a €0.9 million rise in advertising revenue for the five unencrypted channels and growth in revenue from digital activities and distribution of the Group's channels.

By the end of March 2018, the TF1 group had signed three new agreements for the distribution of its unencrypted channels and associated services: with Altice-SFR in November 2017, Bouygues Telecom in January 2018 and Orange in March 2018. The TF1 group has today signed a new agreement with Iliad-Free, and negotiations with Canal+ are ongoing.

Advertising revenue from the TF1 group's five unencrypted channels amounted to €349.8 million (+0.3% year-on-year), and was impacted by negotiations on distribution agreements with some operators and by the first advertising revenue streams from Belgium.

The **cost of programmes** for the TF1 group's five unencrypted channels was €230.0 million, a reduction of €3.5 million relative to the first quarter of 2017. Those savings reflect: the initial benefits of the rights buying strategy adopted by the Group over the last two years; lower unit prices achieved by renegotiating programme buying deals; and optimization through multi-channel screening.

The **Broadcasting segment** reported a **current operating profit** of €26.4 million for the first quarter of 2018, stable year-on-year. This figure includes a higher level of amortisation expense on co-production shares delivered in the quarter than in the comparative period of 2017.

## Studios & Entertainment

**Revenue from the Studios & Entertainment** segment for the quarter was €97 million, a slight year-on-year decrease of €1.5 million. Increased revenue at Newen Studios, organic growth for the La Seine Musicale concert venue and expansion of the Play Two music production business partly offset lower revenue at TF1 Studio<sup>6</sup>, due mainly to the fact that no films went on theatre release in the quarter (versus two successful releases a year earlier).

The segment posted a **current operating profit** for the quarter of €11.9 million, up €1.6 million year-on-year, thanks to good performances from production activities.

## Financial position

Shareholders' equity attributable to the Group was €1,612.5 million as of 31 March 2018, out of a balance sheet total of €3,260.3 million.

Cash and cash equivalents amounted to €519.4 million as of 31 March 2018, versus €495.5 million as of 31 December 2017. The net cash position as of 31 March 2018 was €280.0 million (versus €256.7 million as of 31 December 2017), after taking account of the net debt carried by Newen Studios and options to buy out minority interests.

## Outlook

Since the start of the year, the TF1 group has been delivering on its previously-announced strategy: distribution agreements have been signed with Bouygues Telecom, Orange and Iliad-Free, and negotiations with Canal+ are ongoing; the TFX and TF1 Séries Films channels have been rebranded; the strategic 8pm-9pm time-slot on the TF1 core channel has had a makeover; and the acquisition of the 30% stake held by the minority interests in Newen Studios has been announced<sup>7</sup>.

During the second quarter, the Group will carry exclusive unencrypted coverage of Football World Cup matches across its channels, while also continuing to refresh French drama (*Traqués*, *Balthazar* and *Coup de Foudre à Bora Bora* on TF1) and entertainment (*Tattoo Cover* on TFX, *Burger Quiz* on TMC).

The planned acquisition of Axel Springer's 78.4% stake in the aufeminin group will enhance the TF1 group's digital offer, building on strong internet audiences delivered by highly-engaged web communities around aufeminin brands (aufeminin.com, Marmiton, My Little Paris). The French Competition Authority having given clearance for this deal on 23 April, all the conditions have been met for TF1 to acquire Axel Springer's 78.4% controlling interest and initiate a public tender offer.

<sup>6</sup> TF1 Studio produces and distributes made-for-cinema films; it is separate from TF1 Films Production, which finances films in accordance with the Group's obligations to invest in cinema.

<sup>7</sup> Pending clearance from the French Competition Authority.

The TF1 group's first-quarter results confirm the guidance previously issued:

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

The statutory auditors have conducted a review of the financial statements, on which they have issued an unqualified report. Our financial information report for the first quarter of 2018 is available on our corporate website: <http://www.groupe-tf1.fr/en>.

A conference call is scheduled for 25 April 2018 at 6.30pm (Paris time).

The presentation is available on <http://www.groupe-tf1.fr/en>.

For details of how to connect to the conference call go to <http://www.groupe-tf1.fr/en/investisseurs/en>.

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