REPORT OF THE CHAIRMAN OF THE BOARD OF DIRECTORS ON CORPORATE GOVERNANCE

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A report on the composition of the Board of Directors and the preparation and organisation of its activities; the procedures governing corporate governance, executive compensation, and the participation of shareholders in Combined Annual General Meetings of the company; and the internal control and risk management procedures implemented by the company (Article L. 225-37 of the French Commercial Code).

Ladies and Gentlemen, Shareholders,

To supplement the Management report of the Board of Directors, and in compliance with statutory and regulatory requirements, the Chairman of the Board of Directors is reporting to you in this document, as approved by the Board of Directors at its Meeting on February 15, 2012, on the composition of TF1's Board of Directors and the application of the principle of balanced male/female representation, the way in which the Board conducts and organises its activities, the procedures relating to corporate governance, the principles and rules adopted by the Board to determine the compensation and benefits of any kind awarded to the corporate officers, the procedures governing the participation of shareholders in the company's Combined Annual General Meetings, and the internal control and risk management procedures implemented by the company.

The company follows the recommendations set forth in the Code of Corporate Governance published by AFEP and MEDEF. Those recommendations are set forth in an appendix to the Board's rules of procedure.

However, some of the Code's provisions may be set aside, or may be judged inappropriate for the functioning of the company, given its particular circumstances. Under the Privatisation Act of September 30, 1986, a Group of investors led by the Bouygues Group was assigned 50% of the capital of TF1 on April 4, 1987; and since January 27, 2006 Bouygues has been the sole participant in the privatisation of TF1. In that capacity it is responsible for honouring the commitments made by the Group of investors, particularly with regard to continuity of operations.

2.1 COMPOSITION OF THE BOARD OF DIRECTORS AND BOARD COMMITTEES

2.1.1 Composition of the Board of Directors

The Articles of Incorporation state that the company is managed by a Board of Directors of twelve members, of whom ten are appointed by the Combined Annual General Meeting, and two are selected by electoral colleges of employees in compliance with Article 66 of Act 86-1067 of September 30, 1986 on freedom of communication. This Act states that at least one-sixth of the company Board of Directors should be made up of employee representatives, and that one seat should be reserved for engineers, executives, and those in a similar category.

The term of office of Board members is two years.

As part of its assessment, the Board of Directors places particular emphasis on the training, skills and experience of each of its members, as well as their knowledge of the Group's business lines, which will enable them to make an effective contribution to the work of the Board and to that of the three committees that assist it: the Audit Committee, the Remuneration Committee and the Selection Committee.

The rules of procedure of the Board of Directors state that the company voluntarily applies the recommendations set out in the AFEP/MEDEF Code of corporate governance, appended to the rules of procedure.

With respect to this point, the Directors aim to improve governance in terms of independence and increasing the presence of women. Following the appointment of Laurence Danon, as a Director, the Board now has three female Directors and three independent Directors.

At the preceding Combined Annual General Meeting, held on April 14, 2011, the directorships of Patricia Barbizet, Claude Berda, Martin Bouygues, Olivier Bouygues, Laurence Danon, Nonce Paolini, Gilles Pélisson, the Bouygues company and Société Française de Participation et de Gestion (SFPG) were renewed for two years.

On February 15, 2012 the Board of Directors examined the terms of office that are scheduled to expire at the next Annual General Meeting, taking account of the expertise of existing Directors and the need to pursue the process of appointing more women, alongside the new provisions of Act 2011-103 of January 27, 2011 concerning the balanced representation of men and women on Boards of Directors and supervisory Boards, and gender equality in the workplace.

Accordingly, the Board of Directors, having sought the opinion of the Selection Committee, is proposing to shareholders at the Annual General Meeting that Janine Langlois-Glandier, Chairwoman of the Forum des Médias Mobiles, be appointed as Director to replace Alain Pouyat, whose term of office expires at the end of the Combined Annual General Meeting of April 19, 2012.

Ms Langlois-Glandier would qualify as a fully independent Director in accordance with the criteria set down in the AFEP/MEDEF Code.

A vote in favour of this proposal would mean that the Board of Directors had four independent Directors and four women, out of a total of 12 members.

Listed below are the terms of office and functions exercised by the Directors of TF1 in any company, in 2011 and over the past five years.

INFORMATION ON DIRECTORS AT FEBRUARY 15, 2012

NONCE PAOLINI Born April 1, 1949 – French citizenship

Nonce Paolini holds a Master of Arts degree and is a graduate of Sciences Po Paris (1972). He began his career at EDF-GDF, where he worked first in operational positions (customer relations/sales), and then in senior management (organisation, training, human resources, corporate communications). He joined the Bouygues Group in 1988 as Human Resources Development Director, and became the Group Corporate Communications Director in 1990. He joined TF1 in 1993 as Human Resources Director, and became Deputy CEO of the TF1 group in 1999. In January 2002 he was appointed Senior Vice President of Bouygues Telecom in charge of sales and marketing, customer relations, and human resources. He became Deputy CEO in April 2004 and Director in April 2005.

CEO of TF1 since May 22, 2007

Chairman and CEO of TF1 since July 31, 2008

Director of TF1 since May 22, 2007

Most recent renewal: April 14, 2011, expiring 2013

Holds 100 shares in TF1

Business address: 1, Quai du Point du Jour – 92100 Boulogne-Billancourt

Current appointments within the TF1 group

In France: Chairman and Director of TF1 Fondation d'Entreprise and Monte Carlo Participation; Chairman of TF1 Management, H.O.P- Holding Omega Participations, NT1, Programmes Européens Francophones Audiovisuels Spéciaux 4; Standing Representative of TF1, Director of Groupe AB, GIE TF1 Acquisitions de Droits, TF6 Gestion and Extension TV; Representative of TF1 Management, manager of La Chaîne Info and TF1 DS.

Outside France: Vice Chairman – Director of Télé Monte Carlo (TMC) (Monaco)

Appointments held outside the TF1 group

In France: Chairman of the Association des Chaînes Privées (ACP); Director of Bouygues* and Bouygues Telecom

Other appointments held within the last five years

2010 - Chairman of TF1 Publicité; Director of TF1 Thématiques (ex-TF1 Digital)

2009 - Member and Vice Chairman of the Supervisory Board of France 24; Representative of TF1, Director of Médiamétrie; Representative of TF1, Director of WB TELEVISION (Belgium)

2008 - CEO of TF1; Standing Representative of TF1, member of the Board of Directors of Monté Carlo Participation, Director of Télé Monte Carlo

2007 - Chairman and CEO of TF1 Digital; Deputy CEO of Bouygues Telecom, Director of Réseau Clubs Bouygues Telecom (RCBT), and Extenso Telecom

PATRICIA BARBIZET Born April 17, 1955 – French citizenship

A graduate of the École Supérieure de Commerce de Paris (ESCP) in 1976, Patricia Barbizet began her career with the Renault Group as treasurer of Renault Véhicules Industriels, then Finance Director of Renault Crédit International.

She joined the Pinault Group in 1989 as Finance Director. She became managing Director of Artémis in 1992, and of Financière Pinault in 2004. She was Chairman of the supervisory Board of Pinault Printemps-Redoute to May 2005 and has been Vice Chairman of the Board of Directors of Pinault Printemps-Redoute since May 2005.

Patricia Barbizet also sits on the Boards of Directors of Bouygues, Total, Air France-KLM and Fonds Stratégique d'Investissement.

Director of TF1 since July 12, 2000 – independent

Most recent renewal: April 14, 2011, expiring 2013

Chairman and member of the Audit Committee of TF1

Chairman and member of the Remuneration Committee of TF1

Holds 100 shares in TF1

Business address: 12, rue François-Ier – 75008 Paris

Appointments held outside the TF1 group

In France: CEO and Director of Artémis; CEO (non-proxy) and member of the supervisory Board of Financière Pinault; Director and Vice Chairman of the Board of Directors of PPR*; Director of Société Nouvelle du Théâtre Marigny; representative of Artémis, Director of Agefi, Sebdo le Point; Member of the supervisory Board of Yves Saint Laurent; Member of the Management Board of Société Civile du Vignoble de Château Latour; Director of Bouygues*, Fonds Stratégique d'Investissement, Total*, Air France – KLM*

Outside France: Chairman of the Board of Christies International (UK); Non Executive Director of Tawa PLC (UK); Member of the Board of Gucci (Netherlands); CEO and Director of Palazzo Grassi (Italy)

Other appointments held within the last five years

2012 - Deputy CEO of Société Nouvelle du Théâtre Marigny

2011 - Director of Fnac

2010 - Chair of the Board of Directors of Taillandier Editions

2009 - Standing representative of Artémis on the Board of Directors of Top Ticket.s; Manager of Misarte

2008 - Chairman of the Board of Directors and Director of Piasa

2007 - Chairman and CEO of Piasa

** Listed company.*

CLAUDE BERDA Born February 3, 1947 – French citizenship

Claude Berda founded the independent record label AB Productions in 1977. In 1987 he decided to diversify into audiovisual production. His Group quickly became market leader and added a new business: the distribution of TV programme rights. In 1996 Claude Berda floated Groupe AB on the New York Stock Exchange to finance growth in the new market for satellite-borne digital TV in France. He then positioned the Group to benefit from the creation of freeview Digital Terrestrial Television by founding NT1 in 2002 and acquiring TMC, alongside TF1, in 2005. In parallel, Claude Berda diversified his wealth management business, moving into real estate. In 2007 he sold 33.5% of Groupe AB to TF1. In 2010 he finalised an agreement for the sale of NT1 and TMC to TF1, thus refocusing Groupe AB on its catalogue and pay-TV channels.

Director of TF1 since February 17, 2010

Most recent renewal: April 14, 2011, expiring 2013

Holds 492,815 shares in TF1

Business address: 132, avenue du Président Wilson – 93210 Saint-Denis la Plaine

Appointments held outside the TF1 group

In France: Chairman and non-Executive Director of Groupe AB; Manager of Port Noir Investment; Chairman and CEO of RTL 9; Director of WB Télévision

Other appointments held within the last five years

2010 - Chairman of Monte Carlo Participation (MCP); Executive Vice President and Director of Télé Monte Carlo (TMC); Member of the supervisory Board of Groupe Lucien Barrière (SAS); Chairman and non-Executive Director of H.O.P - Holding Omega Participations (formerly Groupe AB)

MARTIN BOUYGUES Born May 3, 1952 – French citizenship

Martin Bouygues joined the Bouygues group in 1974 as works supervisor. In 1978 he founded Maison Bouygues, a company specialising in the sale of catalogue single-family homes. A Director of Bouygues since 1982, Martin Bouygues was appointed Vice Chairman in 1987. On September 5, 1989 he succeeded Francis Bouygues as Chairman and CEO of Bouygues. Under his direction, the Group pursued its development in construction and the media (TF1), and launched Bouygues Telecom in 1996. In 2006 Bouygues acquired a stake in Alstom and thus positioned itself in two new high-growth business lines: transportation and energy.

Director of TF1 since September 1, 1987

Most recent renewal: April 14, 2011, expiring 2013

Chairman and member of the Selection Committee of TF1

Holds 100 shares in TF1

Business address: 32, avenue Hoche – 75008 Paris

Appointments held outside the TF1 group

In France: Chairman and CEO of Bouygues SA*; Member of the supervisory Board of Paris Orléans (SADCS)*, Chairman of SCDM; Representative of SCDM, Chairman of ACTIBY, SCDM Participations and SCDM Invest – 3; Member of the Board of Directors of the Francis Bouygues Foundation

Other appointments held within the last five years

2010 - Representative of SCDM; Chairman of F1PARTICIPATIONS; Director of SODECI* (Côte d'Ivoire)

2009 - Representative of SCDM, Chairman of Investaq Energie

2007 - Director of HSBC France

OLIVIER BOUYGUES Born September 14, 1950 – French citizenship

Olivier Bouygues is a graduate of École Nationale Supérieure du Pétrole (ENSPM) and joined the Bouygues group in 1974. He began his career in the Group civil works branch. From 1983 to 1988 at Bouygues Offshore, he held the posts of Director of Boscam, a Cameroon subsidiary, then Director of the France Works and Special Projects Division. From 1988 to 1992, he was Chairman and CEO of Maison Bouygues. In 1992, he became Group Executive Vice President of Utilities Management, which grouped the international and French activities of Saur. In 2002, Olivier Bouygues was appointed Deputy CEO of Bouygues.

Director of TF1 since April 12, 2005

Most recent renewal: April 14, 2011 expiring in 2013

Holds 100 shares in TF1

Business address: 32, avenue Hoche – 75008 Paris

Other appointments within the TF1 group

In France: Director of Eurosport

Other appointments outside the TF1 group

In France: Deputy CEO of Bouygues*; Standing Representative of SCDM, Director of Bouygues*; CEO of SCDM; Director of Colas*, Bouygues Telecom, Bouygues Construction, Alstom*, Finagestion; Chairman of SAGRI-E and SAGRI-F; Chairman of SCDM Énergie; Manager (non-partner) of SIB and SIR

Outside France: Chairman of the Board and Director of Bouygues Europe (Belgium); Chairman and CEO and Director of SECI (Côte d'Ivoire); Director of Sénégalaise des Eaux (SDE) (Senegal), SODECI – Société de Distribution d'Eau de la Côte d'Ivoire* (Côte d'Ivoire), and Compagnie Ivoirienne d'Électricité* (Côte d'Ivoire)

Other appointments held within the last five years

2011 - Representative of SCDM, Chairman of SCDM Energie

2010 - Member of the Management Committee of Cefina; Representative of SCDM, Chairman of SCDM Investur, and SCDM Investcan

2009 - Chairman of the Board of Finagestion

LAURENCE DANON Born January 6, 1956 – French citizenship

A graduate of École Normale Supérieure (Ulm) and of the Corps des Mines, Laurence Danon holds a teaching qualification in physics and a post-graduate diploma in organic chemistry. She began her career in 1984 at the French Ministry of Industry as head of the Industrial Development Division working in industry and research for the Picardy region. In 1987 she joined the Hydrocarbons Division of the Ministry of Industry, as head of the Exploration-Production Department.

In 1989 she joined the Elf Group, where she exercised commercial responsibilities within the Polymers Division. In 1991 she became Director of the Industrial Specialties Division, and in 1994 Director of the Global Division of Functional Polymers. In 1996 she became CEO of Ato Findley Adhesives, which became Bostik following the merger with Total in 1999. Bostik is world no. 2 in adhesives.

In 2001 she was appointed Chairman and CEO of Printemps. Following the successful sale of Printemps in October 2006, she left her job in February 2007.

Laurence Danon then joined Edmond de Rothschild Corporate Finance in 2007, as member of the Executive Committee, and is now Chairman of the Executive Committee.

Laurence Danon also chairs the "Prospective" (outlook) commission of the MEDEF.

Director of TF1 since July 22, 2010 - independent

Most recent renewal: April 14, 2011, expiring 2013

Member of the TF1 Audit Committee

Holds 100 shares in TF1

Business address: 47, rue du Faubourg Saint-Honoré - 75008 Paris

Appointments held outside the TF1 group

In France: Chairman of the Executive Board of Edmond de Rothschild Corporate Finance; Member of the Supervisory Board and Chairman of the Appointments and Remuneration Committee of BPCE (Banques Populaires – Caisse d'Épargne)

Outside France: Director of Diageo plc (UK)

Other appointments held within the last five years

2011 - Director of Rhodia

2010 - Director of Plastic Omnium

2009 - Director of Experian

2008 - Director of Lafuma

** Listed company.*

ALAIN POUYAT Born February 28, 1944 – French citizenship

Alain Pouyat, a graduate of École Nationale Supérieure des Arts et Métiers (ENSAM), joined Bouygues in 1970. Starting his career as an IT engineer, he was appointed IT manager in 1981 and then Group IT Director in 1986. He has been Executive Vice President for Information Systems and New Technologies of the Bouygues group since 1988.

Director of TF1 since March 18, 1998

Most recent renewal: April 15, 2010, expiring 2012

Member of the Selection Committee of TF1

Holds 100 shares in TF1

Business address: 32, avenue Hoche – 75008 Paris

Appointments held outside the TF1 group

In France: Director of Bouygues Telecom, ETDE, Société Parisienne d'Études d'Informatique et de Gestion (SPEIG); Representative of Bouygues*, Director of C2S; Non-voting Director of Bouygues*

Other appointments held within the last five years

2010 - Director of C2S

SFPG – SOCIÉTÉ FRANÇAISE DE PARTICIPATION ET DE GESTION

RCS Paris 332 888 916

Director of TF1, represented by Olivier Roussat since July 31,2007

Most recent renewal: April 14,2011, expiring 2013

Holds 100 shares in TF1

Business address: 32, avenue Hoche – 75008 Paris

Appointments held outside the TF1 group

None

Other appointments held within the last five years

None

OLIVIER ROUSSAT Born October 13, 1964 – French citizenship

A graduate of INSA in Lyons, Olivier Roussat began his career in 1988 at IBM, where he occupied a number of positions in data network services, service delivery, and pre-sales. He joined Bouygues Telecom in 1995 to set up the network management centre and network processes. He then became head of network operations and telecoms and IT service delivery.

In May 2003 he was appointed network manager and became a member of the Executive Committee. In January 2007 Olivier Roussat took charge of the performance and technology unit which combines Bouygues Telecom's cross-functional technical and IT Departments, including networks, information systems, process engineering, purchasing, corporate services and property development. He was also given responsibility for Bouygues Telecom's new headquarters and technical centre.

Olivier Roussat became Deputy Chief Executive Officer on February 20, 2007. He was appointed Chief Executive Officer on November 29, 2007.

Standing representative of Société Française de Participation et de Gestion (SFPG), Director of TF1 since April 9, 2009

Most recent renewal: April 14, 2011 expiring 2013

Business address: 32, avenue Hoche – 75008 Paris

Appointments held outside the TF1 group

In France: CEO and Director of Bouygues Telecom; Director of Extenso Telecom, Réseau Clubs Bouygues Telecom (RCBT), and ETDE

Other appointments held within the last five years

2008 - Director of Stock com

2007 - Deputy CEO of Bouygues Telecom

** Listed company.*

BOUYGUES

RCS Paris 572 015 246

Director of TF1, represented by Philippe Marien since February 20, 2008

Most recent renewal: April 14,2011, expiring 2013

Holds 91,946,297 shares in TF1

Business address: 32, avenue Hoche – 75008 Paris

Appointments held outside the TF1 group

Director of Bouygues Telecom, Colas*, Alstom*, Bouygues Immobilier, GIE 32 Hoche, C2S, Bouygues Construction; Associate Member of Organisme Gestionnaire du Centre Gustave Eiffel (Association Loi 1901 – not-for-profit organisation); Member of the Board of Directors of Organisme Gestionnaire du Centre Gustave Eiffel (Association Loi 1901) and of the Fondation Dauphine.

Other appointments held within the last five years

2008 - Director of Bouygues Bâtiment International, SOTEGI, Bouygues Travaux Publics, Bouygues Bâtiment Île-de-France, CATC

PHILIPPE MARIEN Born June 18, 1956 – French citizenship

A graduate of École des Hautes Études Commerciales (HEC), Philippe Marien joined the Bouygues group in 1980 as international finance manager. He was special advisor in 1984 for the takeover of the AMREP oil services Group before being named Finance Director of Technigaz, a liquefied gas engineering contractor, in 1985.

In 1986 he joined the Group's Finance Division to take responsibility for the financial aspects of the takeover of Screg. He was successively head of finance and cash management of Screg in 1987 and Finance Director of Bouygues Offshore in 1991.

He was appointed Senior Vice President for Finance and Administration of Bouygues Offshore in 1998, before moving to Bouygues Bâtiment in 2000 as Chief Financial Officer.

In March 2003 Philippe Marien became Chief Financial Officer of the Saur Group. He managed the sale of Saur by Bouygues to PAI partners, then by PAI partners to a new Group of shareholders led by Caisse des Dépôts et Consignations. He was named Chief Financial Officer of the Bouygues group in September 2007. On February 18, 2009 Philippe Marien was appointed Chairman of Bouygues Telecom's Board of Directors, replacing Philippe Montagner.

Standing representative of Bouygues – Director of TF1 since February 20, 2008

Most recent renewal: April 14, 2011, expiring 2013

Member of the Audit Committee of TF1

Member of the Remuneration Committee of TF1

Business address: 32, avenue Hoche – 75008 Paris

Appointments held outside the TF1 group

In France: Chairman of the Board of Directors of Bouygues Telecom; Representative of Bouygues, Director of Colas*, Alstom*, Bouygues Construction, Bouygues Immobilier; CEO of SCDM; Liquidator of Finamag

Outside France: Director of Bouygues Europe (Belgium)

Other appointments held within the last five years

2009 - Representative of Bouygues, Director of Bouygues Telecom

2007 - Non-partner manager of Les Collines; Director of La Compagnie des Eaux de Royan and Cise Maintenance

* *Listed company.*

GILLES PÉLISSON Born May 26, 1957 – French citizenship

A graduate of ESSEC and holder of an MBA from the Harvard Business School, Gilles Pélisson started his career in 1983 with the Accor Group, first in the United States and then in Asia-Pacific. At Accor he served as the co-Chairman of the Novotel hotel chain. He was named CEO of Euro Disney in 1995 and Chairman and CEO in 1997. He moved to the Suez Group in 2000 and then to Bouygues Telecom, where he served as CEO before being appointed as Chairman and CEO (a position he held from February 2004 to October 2005). He was appointed CEO of Accor in January 2006, then Chairman and CEO up to December 2010.

Director of TF1 since February 18, 2009 - independent

Most recent renewal: April 14, 2011, expiring 2013

Holds 3,000 shares in TF1

Business address: Groupement des Professions de Services – 55, avenue Bosquet – 75007 Paris

Appointments held outside the TF1 group

In France: Director of BIC and Groupe Lucien Barrière

Outside France: Director of the Global Business Coalition on HIV/AIDS, Tuberculosis and Malaria, Inc. (USA)

Other appointments held within the last five years

2011 - Chairman of the Board of Directors of Accor*

2010 - Chairman and CEO of Accor*; Chairman of la Fondation Accor; Vice Chairman and member of the Supervisory Board of Groupe Lucien Barrière; Representative of Accor on the Board of Directors of ASM and the Supervisory Board of Lenôtre; Representative of Accor on the Board of Directors of ASM; Director of Accor Partecipazione Italia (Italy), Sofitel Italia (Italy), and Accor Hospitality Italia (Italy)

2009 - Chief Executive Officer of Accor*; Chairman of the Supervisory Board of Essec

2007 - Director of Scapa Italia (Italy)

JEAN-PIERRE PERNAUT Born April 8, 1950 – French citizenship

A graduate of École Supérieure de Journalisme in Lille, Jean-Pierre Pernaut joined the ORTF in 1972 as a reporter and newscaster. In 1975 he became the editor-in-chief and presenter of TF1's late-night news broadcast, 23h.

From 1978 to 1980 he co-anchored the midday news programme, Journal de 13h, with Yves Mourousi. He rejoined the show in February 1988 and continues to present the news today, more than 24 years later.

For the past 24 years Jean-Pierre Pernaut has also been the Deputy Director for Information and a Director of the TF1 group.

He presented the programme Combien Ça Coûte on TF1 between July 1991 and June 2010 and has presented the Paroles de Français programmes with the French President since 2010.

Jean-Pierre Pernaut has received five "Sept d'Or" awards for his presentation of the Journal de 13h. In 1999 he was awarded the Roland Dorgeles prize, which recognises broadcast professionals who best respect the French language.

Director of TF1, representing the staff, since February 23, 1988

Most recent renewal: April 15, 2010, expiring 2012

Holds 49,402 shares in TF1

Business address: 1, Quai du Point du Jour – 92100 Boulogne-Billancourt

Appointments held outside the TF1 group

None

Other appointments held within the last five years

None

CÉLINE PETTON Born on February 20, 1971 – French citizenship	
Holder of a degree in archiving and documentation, Céline Petton joined TF1 in November 1994 as an assistant archivist. Since March 2009 she has held the post of senior logistics technician. **Director of TF1, representing the staff, since March 19, 2002** Most recent renewal: April 15, 2010 expiring 2012 Holds 10 shares in TF1 Business address: 1, quai du Point du Jour – 92100 Boulogne-Billancourt	**Appointments held outside the TF1 group** *None* **Other appointments held within the last five years** *None*

PROPOSALS FOR THE COMPOSITION OF THE BOARD OF DIRECTORS SUBMITTED TO THE COMBINED ANNUAL GENERAL MEETING OF APRIL 19, 2012

DIRECTOR (NOT REPRESENTING EMPLOYEES)

Alain Pouyat's term of office as Director expires at the end of the General Meeting convened to approve the 2011 financial statements. The Board is submitting to approval of shareholders the appointment of Janine Langlois-Glandier as Director for two years, *i.e.* until the General Meeting convened to approve the 2013 financial statements.

Following the advice of the Selection Committee, the Board believes that Ms Langlois-Glandier's appointment to the Board of Directors would further extend the Board's expertise, owing to her in-depth knowledge of the French audiovisual environment, strengthen the Board's independence and improve the representation of women on the Board.

Janine Langlois-Glandier is a graduate of Institut d'Études Politiques de Paris, holds a post-graduate degree in private law and is a qualified lawyer with the Paris bar. She began her career in 1967 as a manager in the Management Control and Finance Department of ORTF, the national agency in charge of TV and radio broadcasting in France. In 1974, Ms Langlois-Glandier joined Radio France, before moving to Société Française de Production (SFP), becoming CEO in 1982. In 1985, Ms Langlois-Glandier was appointed Chairwoman of France 3 and in 1986 was appointed to chair La Sept (which would later become Arte). From 1987 to 1990, she chaired the National Audiovisual Institute (INA), and was in charge of the Pathé Group from 1991 to 1997. Between 1997 and 2002, Janine Langlois-Glandier was a member of the Conseil Supérieur de l'Audiovisuel (CSA), France's audiovisual industry regulator.

Since 2005, Janine Langlois-Glandier has chaired the Forum TV Mobile, which became the Forum des Medias Mobiles in 2011. She sits on the Boards of SFPC, Agence France-Presse, the newspaper Libération, Cinémathèque Française, and the Fonds d'Action SACEM. She is a member of the Comite de Conservation des Archives Audiovisuelles.

Ms Langlois-Glandier holds the following distinctions: Officier de l'Ordre de la Légion d'Honneur, Officier des Arts et des Lettres and Chevalier de l'Ordre National du Mérite.

DIRECTORS REPRESENTING EMPLOYEES

In accordance with legal and regulatory provisions, employee-representative Directors are elected directly by TF1 employees.

The terms of office of the two employee-representative Directors, Jean-Pierre Pernaut and Céline Petton, expire in 2012. Elections will be held on March 13, 2012.

The Combined General Meeting on April 19, 2012 will be informed of the names of the employee-representative Directors elected for two-year terms by the electoral colleges and will be required to take note of their election and appointment as employee-representative Directors.

2.1.2 Composition of Board Committees

Each of the committees is governed by the Board's rules of procedure. The members of the committees are appointed by the Board of Directors and are chosen both for their experience and for the specific skills needed to carry out the duties of each committee. In particular, members of the Audit Committee have sound accounting and financial expertise by virtue of their training and duties.

AUDIT COMMITTEE

This committee was strengthened on April 14, 2011 by the appointment of Laurence Danon, independent Director, alongside Patricia Barbizet, Chairwoman, and Philippe Marien.

REMUNERATION COMMITTEE

Since renewal on April 14, 2011, the Remuneration Committee has been composed of Patricia Barbizet, Chairwoman, and Philippe Marien.

SELECTION COMMITTEE

Since renewal on April 14, 2011, the Selection Committee has been composed of Martin Bouygues, Chairman, and Alain Pouyat.

The Board will be called on to consider the composition of the Selection Committee at its next Meeting.

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 by Association Française des Entreprises Privées (AFEP) and Mouvement des Entreprises de France (MEDEF). The rules of procedure, which are available online at www.groupe-tf1.fr, describe the operating procedures, powers, duties and tasks of the Board and its committees. The rules also set the principles for the annual assessment of how the Board works. The code may be accessed online at the MEDEF website: www.medef.com.

The Directors deliberate the governance of the company while ensuring that essential requirements are met, *i.e.* equal treatment of shareholders and Boardroom efficiency.

When TF1 was privatised in 1987, to protect the interests of its shareholders, TF1 and its Directors set up a Remuneration Committee and limited the term of office for Directors and the Chairman and CEO to two years.

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 remuneration of executives of listed companies issued on January 9, 2007 by MEDEF and AFEP. The Board 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 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;
- 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;
- incorporating the recommendations of the Corporate Governance Code resulting from the consolidation of the co-reports of AFEP and MEDEF of October 2003, January 2007 and October 2008.

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".

Since 2011 black-out periods have begun 30 calendar days before the publication of annual, half-yearly and quarterly accounts and run until the day after publication. In July 2011 the Directors voted to revise the rules of procedure. The new text takes account of the most recent provisions on equal opportunities and pay, which the Board voted on for the first time at its Meeting on November 10, 2011. The new text also takes account of the most recent provisions on social and environmental information and the functioning of the Audit Committee, together with AMF recommendations on the prevention of insider misconduct.

To comply with AMF recommendations, the Board of Directors has appointed Sébastien Frapier, Group Legal and Business Affairs Director and Board Secretary, as compliance officer.

Directors seeking to make a trade in TF1 shares have the option of using a regulated trading mandate, which enables them to benefit from a rebuttable presumption that they have not committed insider misconduct or to consult the compliance officer in order to ensure that they are not acting as insiders. Under the revised rules of procedure, this consultation is obligatory for Executive Directors and salaried Directors.

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 at controlled companies, such as TF1. At February 15, 2012, 3 out of 12 Directors were independent, or 25%. If Janine Langlois-Glandier is appointed at the next Annual General Meeting, independent Directors will make up one-third of the Board;

- 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 adjusting Directors' terms of office to promote the smooth renewal of the Board.

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 comprised 12 members, including 3 independent Directors, as at February 15, 2012.

With a view to diversifying its make-up, the Board pays particular attention to the training, skills and experience 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 first steps to increase independence within the Board and its committees were therefore taken with Ms Danon's appointment to the Audit Committee.

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 want to continue opening up the Board to other independent Directors and increasing the presence of women on the Board.

As at February 15, 2012, the TF1 Board of Directors had 12 Directors, of whom 3 were women, including:

- 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 the electoral colleges of employees under Article 66 of Act 86-1067 of September 30, 1986.

TF1 has already begun taking steps to comply with the provisions of Act 2011-103 of January 27, 2011 concerning the balanced representation of men and women on Boards of Directors and supervisory Boards, and gender equality in the workplace by appointing two female Directors, who make up 20% of the members, not counting Céline Petton, the Director representing employees. The Board will meet the 40% requirement within the allotted timeframe.

If the proposal to appoint Janine Langlois-Glandier, who qualifies as an independent Director according to the criteria set down in the AFEP/MEDEF Code, is approved, the Board will have 12 Directors, four of whom are women, including:

- 4 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;
- 4 independent Directors;
- 1 non-independent Director;
- 2 Directors representing employees, elected by the electoral colleges of employees.

The expertise of the Directors, based on their experience, ability to understand the challenges and risks facing Group businesses, diverse and complementary backgrounds and training, 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.

BOARD ASSESSMENT

Each year, in accordance with the AFEP/MEDEF Code, the Directors scrutinise Board practices particularly with regard to composition, organisation and operation. They assess the Board's role and whether the Board is appropriately organised; and they do the same for its committees. The rules of procedure stipulate that the Selection Committee should periodically address issues relating to Board membership, organisation and operation with a view to making proposals to the Board.

The objectives of the annual assessment are to review the Board's operating methods, ensure that key questions are adequately prepared and debated, and measure the effective contribution of the Directors to the Board's work.

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

Once a year the Board of Directors devotes part of its agenda to a debate on its operation. A detailed questionnaire is sent in advance by the Board Secretariat to Directors so that they can make the necessary preparations. Directors talk freely and conduct a peer review. Feedback is reviewed by the Board Secretariat and compared against the responses given in previous years.

As a whole, the Directors' responses expressed a positive or very positive assessment of the operation and membership of the Board. The Directors considered that the Board was equipped with all the resources necessary to carry out its remit.

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 appreciated. However, Directors representing employees called for more discussions with senior management.

Some Directors expressed the view that debate on topics such as strategy, audiovisual rights management and HR policy could be expanded. Others spoke of the need to get complete documentation at an earlier stage before Meetings. However, improvements were noted on last year.

The remuneration system was considered satisfactory. Some Directors consider that Directors' fees are on the low end of the scale compared with those of other SBF120 companies. Suggestions were made concerning having an independent expert assess the Board of Directors every three or five years and strengthening the Board, and even the Audit Committee, through the presence of independent Directors.

The Committees were positively or very positively appraised. Members considered debates high level and answers clear.

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 and in monitoring the implementation of these policies.

The remit of the Board of Directors is thus 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 remuneration 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 six times in 2011 and constituted an *ad hoc* committee on an exceptional basis in March 2011.

The following table details the Board's main decisions and attendance rates for 2011.

Board Meeting	Main decisions	Attendance
February 16	Review of activity in 2010 and the outlook for 2011; approval of individual and consolidated annual financial statements in 2010 and the proposed allocation of earnings, submitted to Annual General Meeting; approval of accounting and forward-looking documents; progress report on takeover of TMC/NT1 and the channel's major contracts; consideration of legal and regulatory changes in the audiovisual sector and current litigation; review of employee savings plan; review of reports from the Selection and Remuneration Committees; constitution of *ad hoc* committee to respond to the UEFA call for bids for the next two Euro football competitions; proposal to AGM to renew the terms of office of Directors; financial authorisations, approval of reports and resolutions presented at the Annual General Meeting.	83%
April 14 Pre-AGM	Review of written questions from shareholders; information on SPS disposal; talk on the report from the *ad hoc* committee; information on current files and litigation; authorisation to negotiate a new profit-sharing scheme for employees of the TF1 group.	83%
April 14 Post-AGM	Elections of Chairman and CEO and Committee members.	83%
May 12	Review of consolidated financial statements for first-quarter 2011 and strategic focuses; update of plan; examination of risk mapping; review of major channel contracts; review of legal and regulatory changes in the audiovisual sector and current files and litigation; review of new stock option plan; consideration of project to revise Board rules of procedure; labour review; approval of Aile Sud building acquisition (headquarters building).	92%
July 25	Review of first-half 2011 financial statements; update of accounting and forward-looking documents; review of current files and major channel contracts; review of legal and regulatory changes in the audiovisual sector and current litigation; labour review; adoption of new Board rules of procedure; adoption of performance criteria for stock options; review of themed channels.	92%
November 10	Review of financial statements for third-quarter 2011; analysis of activity and estimated results for 2011, the three-year plan, development and strategy; review of current files, legal and regulatory changes in the audiovisual sector and current litigation, review of specifications; Group policy on professional and pay equality; assessment of Board of Directors and report from Remuneration Committee.	100%

On average, the attendance rate of Directors in 2011 was 89%.

For major projects, the Board may ask some of its members to form *ad hoc* Committee in order to approve projects and assess the impact they have on the Group's accounts and financial position.

An *ad hoc* Committee of the Board of Directors was set up for the UEFA call for bids for the Euro competitions, to approve the conditions for the presentation of the offer for the television broadcasting rights for the matches in the next two Euro football competitions, in 2012 (Poland/Ukraine) and 2016 (France). The Committee, meeting on March 23, 2011 was composed of Nonce Paolini, Laurence Danon, Philippe Marien and Gilles Pélisson, and had interviewed the operational and functional managers concerned at TF1.

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.

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 Executive Vice President, Group Purchasing and Finance Director, the Director of Human Resources, and the Group Legal and Business Affairs Director, 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, helps to prepare the documents provided to shareholders ahead of the General Meeting and looks after relations with individual shareholders. The Secretary also acts as the Board's compliance officer.

Directors receive a Notice of Meeting around two weeks before each scheduled Meeting, together with the minutes of the previous Meeting. During the Meeting, Directors 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.

Directors periodically 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 significantly affect the Group's consolidated profits, and the main events pertaining to human resources and staffing levels.

On being appointed to the Board, each TF1 Director is given a presentation on the company, its business lines and sectors of activity and meets with 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.

Each Director may also 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 14, 2011.

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 16 or 20 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 Meeting of February 16, 2011 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 of 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 AND COMPLIANCE FOR DIRECTORS

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.

In July 2011, the Board revised its rules of procedure, grouping all compliance-related obligations placed on Directors in a Directors Charter, which was appended to the rules of procedure.

Article 5 of the Charter 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"*.

To the knowledge of TF1, in the last five years no member of a Board body 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.

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 or her 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 are regularly reminded of the obligation placed upon them 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 or three 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, created on February 24, 2003 (as the Accounts Committee), is composed of Patricia Barbizet, Chair, qualifying as an independent Director, Laurence Danon, qualifying as an independent Director, and Philippe Marien. The members were chosen for their solid experience in accounting and finance acquired through their training and functions. Laurence Danon's appointment to the Committee in April 2011 strengthened its independence. Their biographies are included in chapter 2.1.1 of this document.

The Committee is tasked with monitoring 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, monitor cash flow and review internal audit and control reports before they are submitted to the Board.

The committee met four times in 2011 and once in the first two months of 2012. Each Meeting was attended by the Executive Vice President, Group Purchasing and Finance, the Director of Accounting, Tax and Financing, the head of Internal Audit, the head of Internal Control, and the Statutory Auditors. The attendance rate was 93%. Minutes were taken of each Meeting and subsequently sent to the Directors.

REMUNERATION COMMITTEE

The Remuneration Committee, created in 1989, is composed of Patricia Barbizet, Chair, deemed to be an independent Director, and Philippe Marien. Their biographies are included in chapter 2.1.1 of this document.

The remit of the Remuneration Committee is 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 remuneration 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 four times in 2011 and once during the first two months of 2012. The attendance rate was 100%. In particular the committee provided the Board with an opinion on setting the compensation of TF1's Executive Director. It also recommended the performance criteria to be applied when exercising new options allocated as part of the stock option plan granted by the Board of Directors. Minutes were taken of each Meeting and sent to the Directors.

SELECTION COMMITTEE

The Selection Committee was formed on February 24, 2003 and since April 14, 2011 has comprised Martin Bouygues, Chair, and Alain Pouyat.

Their biographies are included in chapter 2.1.1 of this document.

The remit of the Selection Committee is 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 2011 and once in the first two months of 2012, with a 100% attendance rate. It gave its position on the composition of the Board and recommended renewing the appointments of Patricia Barbizet, Claude Berda, Martin Bouygues, Olivier Bouygues, Laurence Danon, Nonce Paolini, Gilles Pélisson, Bouygues and Société Française de Participation et de Gestion (SFPG). Minutes of each Meeting were sent to the Directors.

The Board will be called on to consider the composition of the Selection Committee at its next Meeting.

PROCEDURES FOR THE PARTICIPATION OF SHAREHOLDERS IN THE GENERAL MEETING

Detailed procedures for the participation of shareholders in the General Meeting are provided in chapter 8.1, page 264 of this registration document and annual financial report.

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 chapter 6, "Information about the company and its capital", under the table presenting the ownership structure;
- legal restrictions on the exercise of voting rights: Article 7 in the Articles of Incorporation provides for a system whereby the voting rights of shareholders who fail to reveal their identities are forfeited; Article 8 of the Articles of Incorporation refers to Article 39 of the amended Act 86-1067 of September 30, 1986 that provides for a system of caps on voting rights, explained in point 6.2, "Legal framework", and point 6.4, "Ownership Structure";
- 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 in chapter 6, "Information about the company and its capital", under the table presenting the ownership structure;
- the list of holders of any securities with special control rights: not applicable;
- control mechanisms provided for in any personal shareholding system, when the control rights are not exercised by said person. The regulations of the FCPE TF1 Actions company investment fund stipulate that it is the Supervisory Board of the Fund that exercises the voting rights and rules on the contribution of shares in the event of a public offer and not directly the employees; the FCPE held 6.2% of voting rights at December 31, 2011;
- agreements between shareholders known to the company that may lead to restrictions on the transfer of shares and the exercising of voting rights: not applicable;
- the prevailing rules on the appointment and replacement of Board members: the company is managed by a Board of Directors of twelve members subject to the dispensations provided by law. In application of Article 66 of Act 86-1067 of September 30, 1986, two seats on the Board of Directors shall be allocated to staff representatives. The nomination and dismissal of Board members are subject to the legal and statutory rules set forth in Article 10 of the Articles of Incorporation. Directors who do not represent employees are appointed and renewed or may be dismissed at any time by the Ordinary Shareholders' Meeting. Directors representing employees are elected by TF1 employees and can be dismissed only for misconduct during the exercise of their activities by legal decision. Board members may always stand for re-election. Refer to the Chairman's report for more information;
- rules applicable to changes to the Articles of Incorporation. Such changes are made in line with the legal and regulatory provisions;

- the Board's powers to issue and buy back shares, information on which can be found in chapter 6 ("Information about the company and its capital") of this document;
- agreements signed by the company that are modified or come to an end owing to a change in control at the company: France's audiovisual industry regulator, CSA, may withdraw TF1's authorisation (more information on the authorisation system in chapter 6.2, "Legal framework");
- agreements on remuneration for Board members or employees if they resign or are dismissed with no real and serious cause or if their job position is discontinued as a result of a public offering: not applicable. Although the issue does not concern a severance package, a Director who is a salaried employee of the company benefits from the applicable company agreement and, hence, the severance package set out in that agreement in the event of termination of an employment contract. Jean-Pierre Pernaut and Céline Petton would qualify for such a severance package.

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 programmes (sport events 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. TF1 published its first Diversity Annual Report in 2011, addressing trade unions, staff representatives and employees and assessing the effectiveness of Group efforts with indicators on four key priorities: disability, seniors, gender equality and ethnic diversity.

The industry in which TF1 operates is constantly changing, primarily as a result of technological 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. 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. This initiative is closely linked to work on risk mapping, with the two processes reinforcing each other.

Following a trial campaign in 2008, the internal control system is now assessed every year across a broad spectrum that fully represents the TF1 group in terms of revenue and the issues and risks inherent to its activities. The assessment campaigns are based on rigorous and uniform self-evaluation 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.

In 2011 the assessment campaign focused in particular on the internal control principles specific to TF1's business lines, through a scope of more specifically concerned entities.

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.

In 2011, working with the other businesses of the Bouygues group, TF1 developed a tool for managing internal control campaigns that will enable it to historicise, secure and systematise the policy.

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.

In 2009 and 2010 this initiative led to 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.

The development of framework contracts and supplier listing agreements at TF1 group level has generated economies of scale and improved management of the procurement and supplier-relation processes.

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 replay) 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. This was followed by the creation of the Rights Acquisition and Trading Division (DGAAN) tasked with optimising the circulation of rights within the Group. TF1 Acquisition de Droits and the DGAAN buy rights to feature films and series to meet the needs of the Group's channels and sell rights to programmes that have not been used by the Group to third parties in order 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 IT Division guarantees broadcasting continuity by assuring that the necessary human and technical resources are available and deployed as needed.

For several years, the IT Division has also been responsible for managing the identification, control and prevention of major risks that could impact service continuity, in terms of signal broadcasting as well as the company's activity, premises and IT systems. As such, it analyses and manages risks on an operational basis, for example through the *Réagir* committee.

The *Réagir* 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. In 2011 an internal audit was made of emergency procedures and new Group activities joined the Emergency site (including Eurosport, Eurosport 2 and EurosportNews).

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. The divisions also disseminate cross-functional procedures and ensure compliance with them, while helping to approve specific procedures for the Group's business lines.

Procurement and Finance Division (DGAAF)

The DGAAF 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.

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.

Project Management Finance and Procurement Division and Data Management Unit

To support the implementation of the SAP software, the DGAAF introduced cross-functional structures in 2011 to coordinate its Financial IT System:

- a Project Management Finance and Procurement Division, to operate and maintain all the applications making up the Finance-Procurement IT System and monitor the implementation of the Finance-Procurement IT master plan;
- an SAP Data Management Unit, in charge of managing the Guidelines databases of the Financial IT System, approving SAP access rights, and strengthening the internal control of the accounting and finance activities in the use of these applications.

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 make monthly updates of the impact that events and ongoing projects will have on end-of-year financial statements.

Each structure and each business generates a monthly dashboard which includes a monthly financial statement, an end-of-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.

This approach has since 2010 been introduced at most subsidiaries, where the cockpits are to be used to capture all existing performance vectors at all levels of operational responsibility.

Investor Relations Division

The Investor Relations Division ensures, through press releases, press conferences, information items published on the Group website (www.groupe-tf1.fr) and regularly organised Meetings with financial analysts, that the market and the financial community are kept continuously and comprehensively abreast of the company's latest news and economic situation.

Group Purchasing Division

The TF1 Purchasing Division is tasked with optimising the performance of purchasing processes cross-functionally, in line with the Purchasing Charter drawn up by the Bouygues group and through a TF1 group purchasing policy based on six key components:

- a clear and objective purchasing process: purchasing decisions are documented and clearly justified, and supplier offers are reviewed on the basis of objective criteria established ahead of the tender;
- the global management of supplier relations: the Purchasing Department is the unique entry point for suppliers, excluding audiovisual rights, at the TF1 group;
- a Responsible Purchasing policy that fosters diversity: TF1 encourages extensive use of the sheltered sector and has its strategic suppliers assessed on CSR by an independent body (Ecovadis). TF1 also factors *Label Diversité* criteria into its purchases and includes clauses on sustainable development and diversity in most of its procurement contracts;
- ethics: the Purchasing policy is secure and TF1 is mindful of any conflicts of interest that may arise during calls for tender. Particular attention is paid to the reciprocal respect of contractual commitments with our suppliers;
- the implementation of framework contracts at TF1 group level, notably through the formation of technical partnerships with strategic suppliers;
- securing supply, assessing economic dependency risks and social risks, and validating the respect of prevailing regulations, insurance policies, etc.

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. TF1 cares about developing the skills of its staff and encourages job mobility between companies in the Group. In 2011 nearly 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.

To disseminate best practices in the field of diversity to all TF1 group companies and employees, a dual training programme was launched in 2010 and continued in 2011. One part of the programme is aimed at the 400 top managers, the other at 400 journalists, technicians and programmes advisers who contribute to ensuring that diversity is well represented on-screen. The programme was three-quarters completed in 2011 and will continue in 2012.

General Secretariat and Legal Affairs Division

The Group General Secretariat coordinates the following two functions:

- the General Secretariat, directly responsible for:
  - monitoring relations with external bodies and authorities (such as the CSA, the French competition authorities, government and parliament, and the European Commission) with the Institutional Relations and Regulatory Affairs Department;
  - monitoring laws, rules and decrees concerning the audiovisual sector, and in 2011 and 2012 in particular, the law on compensatory channels and the consequences of its repeal;
  - monitoring the respect of regulatory requirements (production obligations, CSA report, etc.) and competition requirements (representatives following the acquisition of TMC and NT1);
  - monitoring relations with inter-professional organisations in the audiovisual sector (including SACD and USPA) and major inter-professional agreements (broadcasting, production);
  - the major concentration transactions having structured the Group, with the competent authorities (especially CanalSat's purchase of TPS and the buy-out of TMC and NT1);
  - coordinating all Group pay-to-view channels in their negotiations with the main pay-to-view distributors and ISPs, and in particular administrative procedures with CSA and the competition authorities;
- the Legal Affairs Division (DAJ), responsible for:
  - determining and supervising the application of policy on contracts in the Group;
  - monitoring the various aspects of company law (including the secretariat of Board Meetings and General Meetings) and development within the Group;
  - 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;
  - the management of intellectual property rights (brands and domain names);
  - 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.

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 three 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.

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.)

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 the Financial Control and Strategic Planning Division (DCFPS) and in addition to the latter's assessments. It thereby 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 Central IT Division (DCSI) works closely with the Finance Division (DGAAF) 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.

At the end of 2008, TF1 launched an important project called SIGMA aimed at facilitating and streamlining the preparation of information while optimising processes in the areas of human resources, finance, and purchasing. The project includes the replacement by SAP of all or part of the applications formerly dedicated to these three functions and the new Finance/Purchasing solution has been successfully deployed at a number of entities (deployment to be completed in 2012). The Human Resources module for all TF1 group companies went in to production in January 2010.

The SAP tool (ERP) is based on the principle of a unique record of operations necessary for financial information and guarantees the control of commitments and payments through:

- the approval cycle for commitments, pre-defined in the IT application and limited to authorised persons;
- the sourcing of invoices reflecting the commitments duly approved by the system.

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 for monitoring contracts on 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.

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.

SAP software has a fully integrated flow management system that enables using entities to observe details on results over time. For other entities, 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 (DGAAF), 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 (DGAAF).

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.groupe-tf1.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.groupe-tf1.fr website.

CONCLUSION AND OUTLOOK

Throughout 2011 TF1 continued to reorganise its key business processes, including rights acquisition and purchasing, to make them more efficient and flexible 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 2011 the Finance and Purchasing project went live for a new wave of Group entities including TF1 SA, TF1 Publicité and LCI, after the rollout of the Human Resources module across the Group in 2010. The new tool was deployed at Eurosport, Téléshopping and TF1 Entreprises on January 1, 2012.

Also in 2011, the Group conducted a new campaign to assess the application of internal control procedures addressing the risks inherent in its business areas (broadcasting, acquisitions, programming, inventories, rights purchases, programme grid management, royalties, etc.).

TF1 also pursued its risk mapping activities in 2011 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.

One of the additional works in 2012 will review and enhance the internal control policy to specific issues and risks of the TF1 group, on a thematic and organizational perimeter targeted.

2.3 REPORT ON REMUNERATION

Report on remuneration in accordance with Article L. 225-102-1 and L. 225-37 paragraph 9 of the Commercial Code.

This chapter contains the reports required by the Commercial Code as well as the tables recommended in the Code of Corporate Governance issued by AFEP/MEDEF in December 2008 and in the AMF Recommendation of December 22, 2008 on the information related to the remuneration of Directors of listed companies to be included in their registration document.

2.3.1 Remuneration of executives and non-executives directors

REMUNERATION OF THE EXECUTIVE DIRECTOR FOR 2011

Following consultation with the Remuneration Committee, which takes into account the AFEP/MEDEF recommendations on the remuneration of Executive Directors of listed companies, the Board of Directors determines the criteria for allocating the variable portion and decides on the amount of remuneration to be paid to TF1's Executive Director.

FIXED REMUNERATION AND BENEFITS IN KIND

Nonce Paolini

The fixed remuneration paid to Nonce Paolini stood at €920,000 in 2011. Fixed remuneration is determined according to the level and complexity of the person's responsibilities, his experience in the post and his length of service with the Group, as well as the practices followed by the Group or companies carrying on similar businesses.

The in-kind benefits received by Nonce Paolini in 2011 remain unchanged, consisting of the use of a company car and the part-time assignment of a personal assistant and a *chauffeur*/bodyguard. The benefits are valued at €5,037.

VARIABLE REMUNERATION

Nonce Paolini

Nonce Paolini's variable remuneration for 2011 is based on the performance of the TF1 and Bouygues groups, which is measured on the basis of significant indicators, namely:

- quantitative indicators:
  - the consolidated net profit attributable to the Bouygues group,
  - the consolidated net profit attributable to the TF1 group;
- qualitative indicators: a greater importance to qualitative criteria has been granted, on the grounds that the performance of senior managers extends to areas other than simply financial results. These criteria depend both on the duties assigned to the manager and on special situations.

The theoretical level of the variable portion has not been changed. By contrast, the Board of Directors reviews the evolution of TF1's consolidated net profit compared to the previous year.

Depending on their nature, these bonuses are individually weighted and capped. Overall, the variable remuneration corresponding to the aggregate value of these bonuses is capped at 150% of fixed remuneration.

Nonce Paolini's variable remuneration for 2011 amounted to €936,284.

OTHER INFORMATION CONCERNING REMUNERATION AND SUPPLEMENTARY PENSION

Nonce Paolini

As Nonce Paolini has an employment contract with the parent company Bouygues SA, the amount of fixed and variable remuneration granted by the TF1 Board of Directors is re-invoiced to TF1 by Bouygues.

In addition to his duties as Chairman and CEO of TF1, Nonce Paolini was given by Bouygues in 2009 an additional assignment, which began on July 1, 2009. He received €290,000 in 2010 for his assignment, which consisted in studying technological convergence between the Internet, the media industries and fixed and mobile telephony, and developing strategies and proposals for managing this convergence. The assignment was not renewed in 2011.

Under a policy governed by the French Insurance Code, Bouygues offers the members of its Executive Committee a supplementary pension set at 0.92% of the reference salary for each year of membership in the scheme. Nonce Paolini is a member of that committee. The supplementary pension is currently capped at eight times the upper earnings limit for social security contributions.

Bouygues re-invoices this supplementary pension to TF1 under a regulated agreement.

Lastly, Nonce Paolini does not benefit from payments, benefits in kind or advantages owing or likely to owe from any discontinuation or change in function. No payment relative to a non-compete clause has been planned.

SUMMARY OF REMUNERATION OF THE EXECUTIVE DIRECTOR

TABLE 1 – SUMMARY OF REMUNERATION, BENEFITS IN KIND AND STOCK OPTIONS GRANTED TO THE EXECUTIVE DIRECTOR IN 2011

Nonce Paolini – Chairman and CEO since 01/08/2008 (in euros)	2011	2010
Remuneration paid by TF1 for the year (details in Table 2)	1,917,321	1,811,037
Remuneration paid by Bouygues for the year (details in Table 2)	0	290,000
Value of options awarded during the year (details in Table 4)	135,595	201,916
Value of performance shares awarded during the year (details in Table 6)	0	0
TOTAL	**2,052,916**	**2,302,953**

TABLE 2 – REMUNERATION OF THE EXECUTIVE DIRECTOR

Nonce Paolini – Chairman and CEO since 01/08/2008 *(in euros)*	2011		2010	
	Amount due	Amount paid	Amount due	Amount paid
Fixed remuneration	920,000	920,000	700,000	700,000
Change	*+31%*	*+31%*	-	-
Variable remuneration(2)	936,284(1)	1,050,000	1,050,000	510,230
Change	*-11%*		*x 2.1*	
% Variable/Fixed	*102%*		*150%*	
cap	*150%*		*150%*	
Other remuneration(3)	-	-	290,000	290,000
Directors' fees(4)	56,000	56,000	56,000	56,000
Benefits in kind	5,037	5,037	5,037	5,037
TOTAL	**1,917,321**	**2,031,037**	**2,101,037**	**1,561,267**

(1) The variable remuneration to be paid in March 2012 to Nonce Paolini for his service as CEO in 2011 is €936,284 (102% of fixed remuneration, capped at 150% of it), reflecting the performance of TF1.
(2) The variable remuneration for 2010 paid in March 2011 was €1,050,000 (150% of fixed remuneration), reflecting the performance of TF1.
The variable remuneration for 2009 paid in March 2010 was €510,230, or 73% of fixed remuneration (capped at 150% of fixed remuneration), reflecting the performance of TF1.
(3) Remuneration paid for the assignment on technological convergence. This remuneration is paid directly by Bouygues. The preceding information is provided in accordance with Article L. 225-102-1, paragraph 2 of the Commercial Code (remuneration paid by companies that exercise control or by controlled companies).
(4) In 2010 this comprised €18,500 for TF1, €25,000 for Bouygues, and €12,500 for Bouygues Telecom.
In 2011 this comprised €18,500 for TF1, €25,000 for Bouygues, and €12,500 for Bouygues Telecom.

DIRECTORS' FEES AND OTHER REMUNERATION RECEIVED BY NON-EXECUTIVE DIRECTORS

The Combined Annual General Meeting of April 23, 2003 set the total amount of Directors' fees payable to the non-executive Directors and Directors of TF1 at €350,000 annually, leaving it to the Board of Directors to determine how this amount should be allocated.

Directors' fees for 2011 were allocated as follows:

- to Directors: the theoretical fee for each Director is €18,500 per year, of which half is allocated on the basis of his or her responsibility, and half on the basis of the attendance at Board Meetings;
- to committee members:
  - Audit Committee: €2,250 per quarter to each member,
  - Remuneration Committee: €1,350 per quarter to each member,
  - Selection Committee: €1,350 per quarter to each member.

Not all of the €350,000 available for Directors' fees was used in 2011.

Directors' fees totalling €257,941 were paid to Directors including Nonce Paolini, as indicated below.

TABLE 3 – DIRECTORS' FEES AND OTHER REMUNERATION PAID TO NON-EXECUTIVE DIRECTORS (IN EUROS)

Non-Executive Directors	Amounts paid in 2011	Amounts paid in 2010
BARBIZET Patricia	32,900	30,587
BERDA Claude[(1)]	18,500	18,500
BOUYGUES Martin	23,900	23,900
BOUYGUES Olivier	17,343	11,562
DANON Laurence[(2)]	24,093	9,250
MARIEN Philippe	32,900	32,900
PELISSON Gilles	18,500	13,875
PERNAUT Jean Pierre[(3)] (staff representative)	12,718	16,187
PETTON Céline[(3)] (staff representative)	18,500	18,500
POUYAT Alain	23,900	23,900
ROUSSAT Olivier	16,187	18,500
SABAN Haïm[(4)]	-	4,625
TOTAL	**239,441**	**222,286**

(1) Appointed as a Director on the recommendation of the Board of Directors on February 17, 2010.
(2) Appointed as a Director on the recommendation of the Board of Directors on July 22, 2010.
(3) Directors' fees due to employee representatives were paid to two trade unions: CFTC (€12,718) and FO (€18,500).
(4) Resigned on April 27, 2010.

The remuneration received in 2011 by Martin Bouygues and Olivier Bouygues is mentioned in Bouygues' registration document.

The salaried Directors, Jean-Pierre Pernaut and Céline Petton, received no exceptional remuneration in consideration of their corporate office in TF1 group.

Directors' fees paid to the Executive Director were as follows:

DIRECTORS' FEES PAID TO THE EXECUTIVE DIRECTOR

	Amount paid in 2011	Amount paid in 2010
Nonce Paolini	€56,000[(1)]	€56,000[(2)]
TOTAL	**€56,000**	**€56,000**

(1) Of which 18,500 for TF1, €25,000 for Bouygues, and €12,500 for Bouygues Telecom.
(2) Of which 18,500 for TF1, €25,000 for Bouygues, and €12,500 for Bouygues Telecom.

2.3.2 Stock options and performance shares

Presentation required by Articles L. 225-184 and L. 225-197-4 of the Commercial Code

This chapter contains the reports required under the Commercial Code. It also includes the tables recommended by the AFEP/MEDEF Corporate Governance Code of December 2008 and by the AMF Recommendation of December 22, 2008 on the information to be provided in registration documents concerning the remuneration of Directors. The Board of Directors has awarded stock options in 2011, but no performance share were distributed.

POLICY ON GRANTING STOCK OPTIONS AND BONUS SHARES (PERFORMANCE SHARES)

AUTHORISATIONS GRANTED TO THE BOARD OF DIRECTORS BY THE ANNUAL GENERAL MEETING

The 28th and 29th resolution of the Combined Annual General Meeting on April 14, 2011 authorised the Board of Directors on one or more occasions to allot stock options, calls and/or bonus shares, whether in existence or to be issued in the future. This authorisation was given for a period of thirty-eight months and requires the beneficiaries of these shares to be employees and/or corporate officers of TF1 or companies related to it.

To that end, the General Meeting delegated powers to the Board of Directors to set rules for grants of bonus shares, with a view to establishing closer links between senior executives and the performance of the Group and its future and also the results of their work.

There are plans for a common ceiling set at 3% of the authorised capital.

The 28th and 29th resolutions on options and bonus shares provide that:

- the Board of Directors sets the conditions, notably the maximum cap, for options or shares allotted to the Executive Directors, as well as the performance criteria applicable to them;
- the Board of Directors draws up a list or determines the categories of other beneficiaries of options or shares, and sets the criteria they must fulfil.

Furthermore, the 28th resolution rules out any discounts. Depending on the case:

- the subscription price of shares will be equal to or greater than the average share price over the 20 days prior to their allotment;
- the purchase price of shares will be equal to or greater than the average share price over the 20 days prior to their allotment, or to the average price at which they are purchased by the company, according to Articles L. 225-208 and L. 225-209 of the Commercial Code.

The Board of Directors granted options entitling their holders to subscribe for new TF1 shares, subject to company performance, in 2011.

RULES APPLICABLE TO GRANTS OF STOCK OPTIONS AND BONUS SHARES

It should be noted that:

- stock options or bonus shares are granted to attract senior executives and employees and thereby to secure their loyalty, reward them and give them a medium- and long-term interest in the company's development, in the light of their contribution to value creation;
- more than 150 employees benefit from each plan. The beneficiaries are selected and individual grants are decided upon in accordance with each beneficiary's responsibility and performance, with particular attention paid to potential high potential managers;
- no discount is applied to grants of options and shares;
- a rule has been set that prohibits employees from exercising their options or selling option shares in the thirty calendar days leading up to release of the quarterly, half-year and full-year financial statements, or the day of this release.

SPECIFIC RULES APPLICABLE TO DIRECTORS

The 28th and 29th resolutions on options and bonus shares provide that the number of options granted to Executive Directors of the company may not represent more than 5% of each of the allotments made by the Board during this 38 month period.

The Board of Directors has incorporated the following AFEP/MEDEF recommendations into its rules of procedure:

- stock options or bonus shares are not granted to senior executives upon leaving the company;
- hedging the risk relating to the exercise of stock options or the sale of bonus shares is forbidden;
- executives are obliged to retain a certain number of bonus shares or option shares until their term of office expires.

This provision was applied for the first time to stock options granted in 2009. The Board decided to set the proportion of option shares that Directors would be required to retain throughout their term of office at 25% (after selling the number of shares necessary to cover the cost of option exercise and paying any related taxes or social charges).

It should be noted that options granted to the Chairman and CEO have since 2009 been subject to performance criteria.

GENERAL INFORMATION: CHARACTERISTICS OF STOCK OPTIONS

All the stock options granted by the Board of Directors have the following characteristics:

- exercise price: average of the opening prices quoted on the 20 trading days prior to the option grant, with no discount;
- validity period: seven years as from the date the options are granted;
- lock-up period:
  - Plan nos. 10 and 11: three years following the date the options are granted (negotiable from fourth anniversary),
  - Plan no. 12: four years following the date the options are granted;
- exercise period: during the period after the lock-up expires;
- automatic cancellation if the employment contract or corporate office is terminated, unless given special authorisation or in the event of disability, departure or retirement.

STOCK OPTIONS GRANTED OR EXERCISED IN 2011

DETAILS ON THE SHARE SUBSCRIPTION OPTION PLAN IN 2011

In 2011 the Board of Directors introduced a TF1 subscription option plan, called Plan no. 12, granting options entitling their holders to subscribe for new shares, subject to company performance.

The grant date was June 10, 2011. The number of options granted was 1,500,000 at €12.47.

The options were granted to 130 beneficiaries, senior managers or salaried employees of the company or Group companies, belonging to one of the three management bodies, excluding the Chairman.

The exercise price of the options was calculated on the basis of the average of the opening prices quoted on the 20 trading days prior to the date of June 10, 2011 (from May 13, 2011 to June 9, 2011). No discount has been applied.

These options are valid for seven years after the date granted.

Exercise of the options is subject to performance conditions. The Board of Directors has set the performance criteria, independently of each other, that determines the number of options that can be definitively acquired. Options are acquired depending for one half on the trend in consolidated revenue on a consistent basis and for the other half on the ratio of ordinary operating income to consolidated Group revenue on a consistent basis.

For each criterion:

- if performance is equal or superior to 90% of objectives, 100% of the options may be exercised;
- if performance is equal or superior to 70% and inferior to 90% of objectives, the options may be exercised at the percentage of the performance achieved in a linear manner;
- if performance is lower than 70% of objectives, no options may be exercised.

The calculation will be made on the basis of the arithmetic average of performances in 2011, 2012 and 2013 on a consistent basis, compared with the budgets set in 2010, 2011 and 2012 for the respective fiscal years of 2011, 2012 and 2013.

The Remuneration Committee will review the fulfillment of performance criteria on which the exercising of options depends. The Board of Directors decides on the number of options that beneficiaries may exercise from June 10, 2014, the first day after the lock-up period.

At February 15, 2012 there were no truly exercisable TF1 share subscription options (those no longer in lock-up period and whose exercise price was lower at the date, than the market price).

OPTIONS TO SUBSCRIBE OR PURCHASE SHARES GRANTED DURING THE YEAR TO THE EXECUTIVE DIRECTOR BY THE ISSUER AND BY ANY GROUP COMPANY

In 2011 Nonce Paolini did not benefit from TF1 purchase or subscription options. As such, he received no option subscription in Plan no. 12.

As part of his functions at Bouygues, in the 2011 fiscal year he received options entitling him to subscribe new Bouygues shares, granted, effective on June 14, 2011, by the Board of Directors of the Bouygues company at a Meeting on May 16, 2011.

TABLE 4 – OPTIONS GRANTED TO THE EXECUTIVE DIRECTOR IN 2011

Name of Executive Director	Plan number and date	Nature of options (purchase or subscription)	Valuation of options according to method used in consolidated financial statements	Adjusted number of options granted during the year*	Adjusted exercise price*	Exercise period
Nonce Paolini	Bouygues Plan Board Meeting date: 16/05/2011 Grant date: 14/06/2011	Subscription	€1.38	98,257	€31.43	June 14, 2015 to December 14, 2018
TOTAL			**€135,595**	**98,257**		

** Adjustment following the 2011 Bouygues share repurchase tender offer*

The exercise price was calculated on the basis of the average of the opening prices quoted on the 20 trading days prior to June 14, 2011, with no discount.

TABLE 5 – OPTIONS EXERCISED BY THE EXECUTIVE DIRECTOR OF TF1 IN 2011

No options were exercised by the Executive Director of TF1 in 2011.

SUBSCRIPTION OPTIONS GRANTED DURING THE YEAR TO SALARIED DIRECTORS BY THE ISSUER AND BY ANY GROUP COMPANY

The Board of Directors of TF1 granted, effective on June 10, 2011, options entitling the beneficiary to subscribe new TF1 shares to a salaried Directors, owing to the person's mandates and functions at the company.

Jean-Pierre Pernaut, a salaried employee and Director of TF1, benefitted from this plan. The company's other salaried Directors did not in the 2011 fiscal year receive options granted by the companies linked to the company under the conditions set forth in Article L. 255-180 of the Commercial Code or by companies controlled by the company as provided for by Article L. 223-16 of the Commercial Code.

Name of salaried Director	Plan number and date	Nature of options (purchase or subscription)	Valuation of options according to method used in consolidated financial statements	Number of options granted during the year	Exercise price	Exercise period
Jean-Pierre Pernaut	Plan no. 12 Board Meeting date: 12/05 and 25/07/2011 Grant date: 10/06/2011	Subscription	€1.18	7,200	€12.47	June 10, 2015 to June 10, 2018
TOTAL			**€8,496**	**7,200**		

PERFORMANCE SHARES

TABLE 6 – PERFORMANCE SHARES GRANTED TO THE EXECUTIVE DIRECTOR

No performance shares were granted by the company in 2011.

TABLE 7 – PERFORMANCE SHARES THAT BECAME AVAILABLE TO THE EXECUTIVE DIRECTOR DURING THE YEAR

No performance shares became available since none were granted by the company to the Executive Director, Nonce Paolini.

STOCK OPTION ALLOCATION HISTORY AND OTHER INFORMATION

TABLE 8 – STOCK OPTION ALLOCATION HISTORY

	Plan no. 10	Plan no. 11	Plan no. 12
Date of General Meeting	17/04/2007	17/04/2007	14/04/2011
Date of Board Meeting	20/02/2008	18/02/2009	12/05 and 25/07/2011
Grant date	20/03/2008	20/03/2009	10/06/2011
Total subscription options granted	2,000,000	2,000,000	1,500,000
to Directors	*56,000*	*56,000*	*7,200*
Nonce Paolini	50,000	50,000	0
Jean-Pierre Pernaut	6,000	6,000	7,200
to the 10 employees receiving the highest grants	*340,000*	*340,000*	*272,000*
Total options granted subject to performance	0	50,000	1,500,000
Options exercisable beginning	20/03/2011	20/03/2012	10/06/2015
Expiry date	20/03/2015	20/03/2016	10/06/2018
Subscription price *(euros)*	€15.35	€5.98	€12.47
Exercise rules	Exercisable on 3rd anniversary. Negotiable on 4th anniversary.		Exercisable and negotiable on 4th anniversary.
Number of shares subscribed as of 31/12/2011	0	11,111	0
Total number of subscription or purchase options for cancelled, non allocated or forfaited shares	198,000	219,103	28,800
Options outstanding at the end of the year	1,802,000	1,769,786	1,471,200

The above options are currently the only instruments issued by TF1 that have a potentially dilutive effect.

In view of the average TF1 share price in 2011, a dilutive impact has been taken into account for Plan no. 11.

The change in the number of currently valid options is presented in note 32.2 on page 151 of chapter 4 in this annual financial report and registration document. The cost of option subscription plans granted by TF1 is presented in note 20.1 on page 135 of chapter 4 in this annual financial report and registration document.

Earlier matured plans: Plan no. 1 lapsed on October 10, 2002, Plan no. 2 lapsed on April 8, 2004, Plan no. 3 lapsed on March 18, 2005, plan no. 4 lapsed on September 20, 2006, plan no. 5 lapsed on December 6, 2007, plan no. 6 lapsed on December 11, 2008, plan no. 7 lapsed on March 12, 2010 and Plan no. 8 lapsed on September 16, 2011. Plan no. 9 on the allocation of free shares lapsed on March 31, 2010.

A total of 11,111 share subscription options were exercised by Group employees in 2011 as part of Plan no. 11. The exercise price was €5.98, with no discount.

TABLE 9 – STOCK OPTIONS GRANTED TO OR EXERCISED BY THE TEN TF1 EMPLOYEES (NON DIRECTORS) RECEIVING THE HIGHEST GRANTS IN 2011

	Total number of attributed options/ subscribed or purchased shares	Average weighted price	Maturity	Plan no.
Options granted during the fiscal year by the issuer, and any company included in the scope of option allocation, to the ten employees of the issuer and of any company included in this perimeter, with the highest number of granted options	272,000	€12.47	10/06/2018	12
Options held by the issuer, and the aforementioned companies, exercised during the fiscal year by the ten employees of the issuer and said companies with the highest number of options thus purchased or subscribed	11,111	€5.98	20/03/2016	11

2.3.3 Other information concerning the executive director

TABLE 10 – OTHER INFORMATION CONCERNING THE EXECUTIVE DIRECTOR

	Employment contract(1)		Supplementary pension plan (see § 1.3)(2)		Remuneration or benefits due or likely to be due in connection with relinquishing or changing post(3)		Remuneration related to a non-compete clause	
	Yes	No	Yes	No	Yes	No	Yes	No
Nonce Paolini – Chairman and CEO since 01/08/2008	X		X			X		X

(1) Nonce Paolini has an employment contract with Bouygues SA, not TF1 SA.
(2) The annual supplementary pension entitlement, i.e. 0.92% of the reference salary for each year of scheme membership, is capped at eight times the annual upper limit for social security contributions (currently €290,976). Note that the Bouygues group does not have to set aside a provision for the supplementary scheme, which takes the form of an insurance policy taken out with an insurer outside the Group. The annual supplementary pension has been brought within the scope of the regulated agreement procedure.
(3) Golden parachutes: neither the company nor its subsidiaries have made any commitment or promise to award severance pay either for the Executive Director or for salaried Directors.

Since the Executive Director has an employment contract with the parent company, he is subject to the collective bargaining agreement for construction company executives in the Paris region. Nonce Paolini is entitled to the remuneration provided for under that agreement if his employment contract is terminated by Bouygues SA.

2.4 RISK FACTORS

The risk factors presented in this chapter are the following:

- **operational risks**
  - risk of losing key programmes,
  - risk of non-reimbursement of advances paid,
  - risks related to the economic crisis;
- **industrial and environmental risks**
  - industrial risks related to TF1 programme broadcasting: risk of signal transmission interruption and non-execution risk,
  - competition risks,
    - risks related to the growth of Digital Terrestrial Television and the development of internet and new media,
    - risk related to the transition to digital transmission;
- **legal risks**
  - risks related to regulation:
    - authorisation to transmit and CSA sanction power,
    - risks related to additional taxation,
    - risks related to the rights of individuals (privacy, slander, libel),
    - risks related to intellectual property rights (copyright, related rights),
    - risks related to certain reality TV shows,
    - risks related to competition rights,
  - process of acquiring 100% of NT1 and Groupe AB's 40% shareholding in TMC;
- **credit and/or counterparty risk;**
- **financial risks**
  - liquidity risk,
  - market risk.

2.4.1 Operational risks

RISK OF LOSING KEY PROGRAMMES

Thanks to the talent of its creative staff and its privileged, long-standing relations with French and foreign producers, TF1 has always provided superior programming. These factors considerably reduce the risk that TF1 will lose key programmes, which would result in decrease in audiences and, in the pay-to-view television sector, strained relations with the distributors of channels in a market that is increasingly limited to a handful of players.

Particular attention should, in the light of the arrival of new players, also be placed on the acquisition of television broadcasting rights for sports events, which may change the current balance in the rights market.

However, although the level of advertising revenue is correlated with a channel's viewership and audience share, the relationship is not linear. A one-point decrease or increase in audience share does not necessarily result in an equivalent variation in advertising market share or gross or net advertising sales.

RISK OF NON-REIMBURSEMENT OF ADVANCES PAID

TF1 enters into long-term contractual agreements for major events (for example, sports contracts) that require advance payment of broadcasting rights. TF1 is thus exposed to the risk that such advances will not be reimbursed if the event is totally or partially cancelled because of *force majeure*. TF1 negotiates clauses covering the reimbursement of advances and whenever possible considers the advisability of hedging this risk.

RISKS RELATED TO THE ECONOMIC CRISIS

TF1 and its partners, like the rest of the global economy, were affected by the 2009 economic crisis. The economic situation in third- and fourth-quarter 2011 has led the Group to update its action plans.

To soften the impact of any future shocks to the economy and to be able to react even more effectively in the event of another downturn, the Group reorganised in 2009, introducing new processes, making part of its costs variable, and adapting its business model. The Group pursued its action plan by creating a committee to monitor the crisis, equipped with an alert system and operational action plans for reducing costs in the event of a decrease in earnings. The action plan includes a range of measures to be implemented, with deadlines set for each area of activity.

In 2011 the Group continued its efforts on programming costs and purchasing policy, in particular by better matching rights acquisitions with needs based on confirmed audience. Cost reduction measures were proposed in functional sectors and for programming costs. Implementation of these measures is predicated on any drift detected in the alert system indicators and their impact is adapted to the magnitude of the drift in order to maintain the channel's audience and image at the highest possible level.

RISK MANAGEMENT POLICY

The TF1 group has put in place systems for monitoring and controlling risk across all the Group's activities. These risk management policies are detailed in the report of the Chairman on Corporate Governance and Internal Control in section 2.2.2 in the 2011 Registration Document and Annual Financial Report.

With regard to operational risk, the TF1 group carries:

- civil liability insurance covering the consequences of TF1 or its current or future subsidiaries' being found liable for damages caused to third parties. The amount of coverage is based on the risks incurred;
- property damage insurance covering TF1 and its current and future subsidiaries in France and abroad, wherever the TF1 group conducts activities. This policy covers material damages to TF1 group assets in an amount usually equal to the insured assets' value. The policies provide coverage for events involving acts of terrorism.

These contracts are taken out for the TF1 group by the Legal Affairs Division with major insurance companies.

The deductible for each of these policies has been set according to the risks incurred and the premium reductions offered to optimise the overall cost of covering the Group's risks.

2.4.2 Industrial and environmental risks

INDUSTRIAL RISKS

TF1 PROGRAMME BROADCASTING – RISK OF SIGNAL TRANSMISSION INTERRUPTION AND NON-EXECUTION RISK

TF1's programmes are currently broadcast to French homes by:

- radio waves in freeview standard definition (SD) DTT *via* the 124 main and 1,502 secondary transmission sites operated by TDF, TowerCast, OneCast, and Itas TIM;
- radio waves in freeview High Definition (HD) DTT *via* the 124 main transmission sites and 843 secondary sites operated by TDF, TowerCast, OneCast and Itas TIM;
- satellite in freeview SD and HD digital on the Astra 1 position from SES in the DTT SAT offering, and on Eutelsat's Atlantic Bird 3 in Fransat's offering;
- cable in SECAM analogue in some networks;
- cable in SD digital;
- satellite in SD digital in the packages offered by CanalSatellite (SES Astra 1) and AB (Eutelsat AB3);
- ADSL and fibre-optic cable in SD digital simulcast *via* all internet access providers: Orange, Free, SFR, Bouygues Telecom and Darty;
- cable, satellite, and ADSL in HD digital *via* a growing number of networks.

TDF is by far the leading national TV signal transmission operator, with a network and technical resources currently unmatched by any other company.

TF1 is therefore dependent on TDF for signal transmission. Despite the emergence of alternative transmission operators, TF1 cannot do without TDF's broadcasting facilities. As a consequence, if the TDF network breaks down, TF1 cannot switch to other terrestrial transmission systems to provide quick and economical coverage of its full broadcast area.

Multi-platform radio wave transmission (analogue, SD DTT, and HD DTT) will gradually reduce the impact of any failures, since these networks are not connected to each other and have separate staffs.

Broadcasting sites are generally reliable because of the redundancy of broadcast transmitters. However, incidents can occur with the antenna system (antenna, wave guides and frequency multiplexers), and the power supply is not under TDF's control, being the responsibility of EDF.

There have been disruptions of TF1 signal transmissions for technical reasons such as transmitter failures or power outages. The contract penalties are not commensurate with potential operating losses to TF1 during these incidents (including loss of audience, damage to TF1's image, reductions demanded by advertisers, and loss of merchandising rights).

Lastly, since there are no back-up measures for TF1's HD signal transmission and since the signal is transmitted *via* TDF's TMS terrestrial network (deployed and operational but due to be finalised in June 2012), disruptions in multiplex transmission to groups of broadcasting sites are possible and happen periodically. The TMS network will become more robust in the long term and the implementation of a back-up transmission for TF1 HD will be reviewed ahead of the discontinuation of TF1 DTT SD broadcasting.

Furthermore, the current labour climate brings a risk of malicious actions that could have an impact on TF1's broadcasting. There have been several minor service interruptions at transmission sites in the past.

The loss that TF1 could incur in the event of a transmitter failure is proportional to the number of television viewers served by the transmitter. A failure in the Paris region (10 million viewers) could have serious economic repercussions. For this reason, TF1 has negotiated an agreement for its digital transmissions requiring TDF to intervene very quickly in the event of a failure. TF1 has also requested reinforced back-up measures.

In addition, the reallocation of frequencies with the deployment of the new R7 and R8 multiplexers could have an impact on existing multiplexers and cause local disturbances in our networks.

INDUSTRIAL RISK MANAGEMENT POLICIES

The *Réagir* Committee created in 2003 continues to work on monitoring and preventing the major risks associated with the Group's key processes. It also updates and regularly tests rapid recovery plans that may be triggered when an exceptional event results in an interruption in signal transmission or loss of access to the TF1 building.

A secure external backup site set up in 2007 is operational for programme transmission, the production of newscasts (TF1 and LCI), and the preparation of advertising spots for the TF1 channel. The company's vital functions are included in the security plan through an alert and activity-resumption process. Besides real-time security, numerous areas such as accounting, treasury, payroll, Eurosport, e-TF1 and the IT are protected by multiple-level security systems. Procedures are tested periodically so that the system can be adjusted, if necessary. Broadcasting continuity is ensured 24/7, and an operations simulation is performed every month.

In 2011 seventy people in the company took part in a daylong simulation to test the back-up site. The exercise showed that it was possible to resume TV newscasts by using the new news production system. PNS2 (Process News and Sport 2) has been installed at the back-up site to ensure that current stories are always available. Tests and real-life try-outs of channel continuity have been carried out and advertising activity has been tested in complex conditions equivalent to those in real life.

Back-up measures in the *Réagir* plan were implemented twice in 2010 for incidents having no direct impact on the broadcast channel.

The *Réagir* system was activated twice (for an IT virus and a nighttime incident). The problems were solved without having to call on back-up installations.

As with operational risks, TF1 carries insurance (both civil liability and property damage) that covers some of the risks mentioned above.

COMPETITION RISKS

RISKS RELATED TO THE GROWTH IN DIGITAL TERRESTRIAL TELEVISION AND TO THE DEVELOPMENT OF INTERNET AND NEW MEDIA

(Source: Médiamétrie.)

The TF1 group operates in a constantly evolving competitive environment in which changes have been accelerated by:

- the development of Digital Terrestrial Television (DTT); and
- the gradual evolution in entertainment consumption behaviour due to the development of Web-based media, whose revenues will grow in coming years, in part from below-the-line budgets and whose non-inear television consumption should grow at the expense of part of our pay-television activities (pre-packaged programs);
- the growth of connected television, offering a new space that adds to non-linear programme broadcasts with the arrival of powerful players such as Apple, Google and Netflix.

The impact of these changes may also be heightened by the call for tender launched in late 2011 by the CSA on the attribution of six new DTT frequencies. The TF1 group presented three projects to take advantage of this new DTT audience share and so limit the impact on its premium channel.

The launch of DTT in March 2005 marked the end of a television landscape in which access to freeview terrestrial television was limited owing to the small number of six broadcasters with an analogue broadcasting licence.

The deployment of DTT has brought new channels and split the television audience among a larger number of players. The audiovisual landscape is changing fast. In January 2007, 40% of French households received multi-channel offerings; by the end of December 2011, that figure had risen to 100% (99% in average for the entire year of 2011).

With the growth in freeview television offerings, it would be normal to expect TF1's audience share to decline. However, the channel's audience has held relatively stable: while multi-channel offerings have increased by a factor of three in six years, TF1's audience share for people four years of age or older declined from 31.8% in 2004 to 23.7% at end-December 2011. Meanwhile, DTT's aggregate audience share increased from 5.8% in 2007 to 23.1% in December 2011, or 17.3 points.

TF1 is the only channel that continues to attract audiences of more than nine million viewers, and it also had 99 of the 100 most-watched shows in 2011. The risk of audience fragmentation facing TF1 will be reduced by TF1's move into DTT with the acquisition of full control of TMC and NT1.

With leisure time spent on entertainment – and television media in particular – steadily increasing, the Group is consolidating TF1's leadership position by:

- limiting the impact of these changes on its audience through powerful programmes;
- becoming a major DTT player through its holding in TMC (the DTT leader and number-five channel in France in 2011) and NT1;
- establishing MYTF1 as the leading French media website.

TF1 is also present in the connected television market, with reasonable investments, by signing partnerships with manufacturers.

RISK RELATED TO THE TRANSITION TO DIGITAL TRANSMISSION

One risk related to the competitive environment is the reallocation of frequencies to new players (*e.g.* reallocation to broadcasting of some bandwidth from the digital dividend). The announcement of the abrogation of compensatory channels for incumbent broadcasters following the motivated opinion by the European Commission and the launch of a call for bids for the R7 and R8 multiplexers reduce visibility on future developments in the audiovisual sector.

2.4.3 Legal risks

At the present time, there are no governmental, legal or arbitration procedures, or other procedures of which the company is aware that are pending or that threaten it that could have or have had over the past twelve months a material impact on the financial situation or the profitability of the company/Group.

The procedure for a claim of CNC taxes, as mentioned in note 3.9 to the parent company Financial Statement of this Registration Document and Annual Financial Report, page 172, found a favorable outcome for the TF1 group during the first quarter of 2012.

REGULATION RISK

AUTHORISATION TO TRANSMIT AND CSA SANCTIONING POWER

TF1 is a licensed audiovisual communications service. The company's initial authorisation to use frequencies for a period of 10 years starting April 4, 1987 (Act of September 30, 1986) expired in 1997. Based on decision 96-614 of September 17, 1996, the channel received an initial five-year renewal of this authorisation, without a call for bids, effective April 16, 1997.

The TF1 channel's broadcast authorisation was automatically renewed by the CSA for the period 2002-2007 on November 20, 2001. Under the provisions of Article 82 of the amended Act of September 30, 1986, this authorisation could be automatically extended to 2012 on account of the simulcasting of the freeview digital terrestrial channel. In a decision dated June 10, 2003, the CSA modified the TF1 authorisation and its agreement to include the provisions relating to DTT broadcasting of the programming.

A law passed on March 5, 2007 aimed at modernising future audiovisual broadcasting included two automatic five-year extensions of TF1's authorisation. The first is compensation for the early termination of analogue broadcasting on November 30, 2011, on condition the channel is a member of a public interest Group implementing the measures necessary for such termination. The second extension is on account of the channel's commitment to provide DTT coverage to 95% of the French population. TF1's term of authorisation therefore comes to an end in 2022.

It should be noted that the TF1 group must meet a variety of general obligations regarding broadcasting and investment in production, either because of its Terms of Reference or regulations applicable to its activity. A change to the regulations could add to current constraints on TF1, with a possible negative impact on the company's profitability.

If TF1 fails to meet its contractual obligations, the CSA can, after giving formal notice, impose one of the penalties set forth in Article 42-1 of the Act of September 30, 1986, *i.e.* fines; a temporary ban (not to exceed one month) on publishing, broadcasting, distribution of service, a category of programming, a part of the programming, or one or more advertising slots; or the reduction of its broadcast authorisation period by up to one year. TF1's respect for these obligations is strictly monitored. As such, it has created the Programme Compliance Department to ensure that its channels respect the regulation in this area.

RISKS RELATED TO ADDITIONAL TAXATION

Article 53 of the Act of September 30, 1986 calls for a complete end to advertising on France Télévisions, the public service broadcaster, in 2012. An amendment to this article in the 2011 Finance Act deferred the ban until January 1, 2016. In exchange for this postponement, the tax paid by the channels to make up the deficit of France Télévisions was lowered to 0.5% of their revenues, a rate that will apply until January 1, 2016.

This case illustrates the economic risk to which television channels are exposed owing to the introduction of new taxes like the tax on advertising investments.

RISKS RELATED TO THE RIGHTS OF INDIVIDUALS (PRIVACY, SLANDER, LIBEL)

No case currently in progress presents a major financial risk for TF1.

RISKS RELATED TO INTELLECTUAL PROPERTY (COPYRIGHT, RELATED RIGHTS)

The TF1 group has been the victim of pirating of content on which it has rights. Legal action was taken in 2008 to put a stop to it and to claim damages from media such as Dailymotion and YouTube. These cases were originally brought before the Paris commercial court, but have been transferred to the Paris magistrates' court, which under amended laws is now the only court with jurisdiction over copyright violations. The TF1 group was obliged to update its claims in these two cases, as the alleged violations continued after the writs were issued. Hearings will begin in early 2012 for the YouTube case and, in theory, in first-half 2012 for the Dailymotion case.

The TF1 group also took legal action against the website Wizzgo, which offered an online video copying service. On November 25, 2008 that service was held to be illegal by the Paris magistrates' court. Wizzgo appealed that decision, before being placed in liquidation on January 22, 2009. The companies of the TF1 group filed their submission of claims with the liquidator in April 2009. However, the liquidator took the case to the appeals court and the case was heard by the Paris appeals court on October 19, 2011. In a decision handed down on December 14, 2011 the Paris appeals court confirmed the original judgment, considered that the service proposed by Wizzgo infringed the intellectual property rights of the television channels, and set their claims as part of the collective proceedings between Wizzgo and its creditors (TF1: €1,120,418; NT1: €482,566).

RISKS RELATED TO CERTAIN REALITY TV SHOWS

Glem, which on January 1, 2009 became TF1 Production, TF1's audiovisual production subsidiary, is the defendant in a number of legal proceedings concerning the programme *Île de la Tentation*. The plaintiffs are seeking not only to convert the "participation contracts" into "work contracts", but also to be recognised as "actors". In 2008 differing rulings were handed down in these cases. In three of them, the Paris appeals court ruled on February 11, 2008 that three contestants in the programme were salaried employees of the producer, Glem, but said they did not qualify for actor's status. In its decision of December 22, 2008, the Saint Étienne industrial tribunal held that no work contract existed.

Glem then appealed the three decisions considering the participants as salaried employees.

In a ruling on June 3, 2009, the Court of Cassation held that there had indeed been a work contract, but it rejected the appeals court's finding that there was concealed employment, as intent of concealment had not been proven.

The industrial tribunal of Boulogne-Billancourt has also heard other suits brought by contestants in other seasons of *Île de la Tentation*. There are also suits targeting other programmes for which TF1 has acquired the rights from external producers, such as *Koh Lanta*. Some of the plaintiffs have named the channel TF1 (the purchaser of the broadcasting rights), along with the producer of the programme, as possible "co-employers".

The tribunal has handed down contrasting rulings. It has either (i) ruled against the producer, but awarded relatively modest sums (about €1,000 per plaintiff), while rejecting the claims of "concealed employment"; or (ii) referred the cases to arbitration. (iii) However, there have been no adverse rulings against TF1 SA.

In decisions issued on September 15, 2009, the tribunal decided the cases involving *Koh Lanta* in the same way as it had *Île de la Tentation*, while ordering one of the plaintiffs, who had been declared the winner, to repay TF1 the money he had received.

Several plaintiffs were dissatisfied with the monetary damages awarded in the initial judgements and filed appeals.

The Versailles appeals court, under the terms of the November 9, 2010 judgements, assessed only the claims of contestants whose "employee" suit was time-barred, but awarded them damages for the harm they allegedly suffered because of the way in which the programme was recorded. TF1 Production decided to appeal the decision. The court handed down its initial rulings on April 5, 2011, in favour of the contestants whose "employee" suit was not time-barred. After the conversion of their participation contract into work contract, they were awarded damages that were slightly higher than those of the time-barred contestants. The court continued to refuse them actor's status and did not consider TF1 as a co-employer. TF1 was thus systematically cleared.

These decisions were appealed both by the candidates and by TF1 Production. The Court of Cassation is expected to hand down its ruling by the end of 2012.

On December 13, 2011 the Versailles appeals court handed down a series of rulings on these disputes. Apart from those concerning programmes produced by TF1 Production, which do not differ from those mentioned above, the rulings notably concerned *Koh Lanta* contestants. The Court also confirmed the conversion of the contestants' participation contracts to work contracts and awarded them sums of money as a consequence of this conversion. However, the Court continued to refuse them actor's status and did consider TF1 as a co-employer.

As far as the TF1 group is concerned, its subsidiary TF1 Production is not specialised in reality TV (even though it has produced *Île de la Tentation* and *Greg le Millionnaire*), but in studio-based entertainment programmes, magazine programmes and drama.

Although the financial impact of these cases is not non-existent, it remains relatively small with regard to the latest decisions. The rulings handed down in cases of contestants whose "employee" suits were not time-barred have not called into question the analysis made concerning the financial impact for the structure in this type of dispute. The current trend in judicial practice has already led the industry to reconsider the conditions under which these reality shows are produced, and this could affect the cost of these shows.

RISKS RELATED TO COMPETITION RIGHTS

It will be recalled that on January 12, 2009 TF1 received a statement of complaint from the French Competition Authority relating to practices in the pay-television sector.

A complaint was upheld against TF1 SA for anti-competitive practices regarding the exclusive distribution of some of its themed pay channels.

In a ruling on November 16, 2010, the Competition Authority rejected the complaint for anti-competitive practice on the ground that the decision to authorise the CERES operation, whereby TF1 had granted this exclusivity, constituted a vested interest for the parties.

Nevertheless, the Competition Authority decided to refer a number of points to its investigative offices:

- the definition of the relevant fibre-optic and catch-up television markets;
- a determination as to whether such exclusive agreements can have the cumulative effect of locking up the pay-television market.

PROCESS OF ACQUIRING 100% OF NT1 AND GROUPE AB'S 40% STAKE IN TMC

The TF1 group and Groupe AB signed an agreement on June 11, 2009 for the acquisition by TF1 of 100% of NT1 and Groupe AB's 40% stake in TMC.

The French Competition Authority approved the deal on January 26, 2010 on condition that TF1 complied with certain "behavioural commitments".

COMMITMENTS MADE BY TF1

The Competition Authority ruled on January 26, 2010 that the deal would strengthen TF1's position in the markets for rights and advertising. To remedy the identified risks to competition, TF1 made a number of substantial commitments to the Competition Authority.

The commitments were made as from the date of the Authority's decision to approve the deal and are to be implemented as of the formal notification of the decision. They are made for a five-year period and may be reviewed at TF1's request or at the behest of the Authority in the event of a substantial change in the *de jure* or *de facto* circumstances prevailing when the Authority made its decision.

The commitments with regard to rights and audiences are aimed at facilitating the circulation of rights for the benefit of competing channels and to limit the rebroadcasting of programmes to no more than two non-scrambled channels.

TF1 has also undertaken not to engage in any form of cross-promotion on TF1 of programmes aired on the acquired channels.

In the advertising market, these measures are intended to keep TF1's offer of advertising space independent from that of TMC and NT1. TF1 has undertaken in particular not to engage in any form of coupling, subordination, rebates or quid pro quos between the advertising space on TF1 and that on TMC and NT1. It has also promised that TMC and NT1's advertising space would be marketed independently by a different company from the one that manages TF1's advertising offer.

An independent, authorised representative of the Competition Authority, ensures that these commitments are met.

The commitments have been posted on the Competition Authority's website at http://www.autoritedelaconcurrence.fr/pdf/engag/10DCC11 engagementsversionpublication.pdf.

Failure to abide by these commitments can result in the imposition of the penalties specified in Article L. 430-8 of the Commercial Code.

The French audiovisual industry regulator (CSA) reviewed the acquisition to determine whether it complied with the Freedom of Communication Act of September 30, 1986. The CSA concluded that it did comply with the rules restricting concentration in the Digital Terrestrial Television (DTT) market and obtained commitments from TF1 to ensure pluralism and programming diversity for the benefit of television viewers:

- some of the commitments made to the Competition Authority will be included in the channels' agreements for the same duration (no cross-promotion; limitation of the rebroadcast of certain programmes already shown on TF1 to one of the two channels; no bidding for sports broadcasting rights for more than two non-scrambled channels);
- commitments will be made in terms of audiovisual regulations for the duration of the agreements (with a period review clause), including:
  - the extension of TF1's production obligations (Group agreement), with the guarantee of original programming on TMC and NT1;
  - the revision of NT1's prime time slot, with noon-to-midnight maintained in 2010 and a transition to 6pm-to-11pm starting in 2011;
  - the obligation for TMC and NT1 to broadcast, respectively, 365 and 456 hours of original programming a year;
  - the enhancement of NT1's content with innovative programming, cultural programmes and live entertainment;
  - the early release of rights to audiovisual works on their last broadcast;
  - better accessibility to NT1's programmes for people with partial or total hearing disabilities.

The commitments made by the TF1 group to the two oversight authorities do not diminish the economic or operational benefits of these acquisitions, which make TF1 a leading player in freeview DTT.

The transaction between TF1 and Groupe AB was concluded on June 11, 2010.

Métropole Télévision, part of the M6 Group, filed an interim appeal and main appeal of the decisions of the Competition Authority and the CSA with the Conseil d'État, France's supreme administrative court. The court rejected the interim appeal on April 22, 2010 and the main appeal on December 30, 2010.

These decisions constitute final validation of the TF1 group's acquisition of TMC and NT1. The representatives of the parties are proceeding with their remit. On January 26, 2010 the TF1 group set up the structures and procedures needed to perform all commitments to the Competition Authority.

The respect of the commitments made by TF1 to the Competition Authority is regularly monitored by independent agents. The independent agents have established procedures to be implemented by the TF1 group to facilitate their task. After carrying out a series of tests, they noted that the entire set of commitments had been respected. Reports on these procedures and tests were transmitted to the Competition Authority.

RISK MANAGEMENT POLICY

To manage legal risk, the TF1 group carries civil liability insurance to cover the consequences if TF1 or its current or future subsidiaries are found liable for damages caused to third parties. The amount of coverage is based on the risks involved.

The Legal Affairs Division obtains this insurance for the TF1 group from major insurance companies.

The deductible for this policy has been set according to the risks incurred and the premium reductions offered to optimise the overall cost of covering the Group's risks.

2.4.4 Credit and/or counterparty risk

Credit and/or counterparty risks are dealt with in the present registration document and annual financial report in chapter 4, note 31, on pages 143 to 150.

2.4.5 Financial risks

Financial risks, which are liquidity risks and market risks, are dealt with in the present registration document in chapter 4, note 31, on page 143 to 150.