Ladies and Gentlemen, Dear Shareholders,

We are assembled here today at the Ordinary General Meeting, as required by French law and by our Articles of Incorporation, to report to you on our management during the past business year, submit the accounts for the 2013 business year for your approval, and review the situation and growth prospects of the company and the Group.

This report also includes information on the social and environmental management of your company.

As in previous years, the accounts for 2013 are presented for both the TF1 group (consolidated accounts) and for the parent company, Télévision Française 1.

The consolidated accounts have been prepared in accordance with IFRS standards, as adopted by the European Union (EU), while the accounts for TF1 SA have been prepared according to accounting rules and principles applicable in France (French GAAP). The change made to the format of the financial statement is indicated on pages 119 and 179.

These financial statements were approved by the Board of Directors of TF1 SA on February 18, 2014.

Post balance sheet events are disclosed in this chapter.

# 3.1 2013 MARKET TRENDS

## 3.1.1 TELEVISION

Television remained a very attractive medium for the French population in 2013, both on a daily basis and for major events. The development of new technologies is opening up more possibilities, with a continuous improvement in TV set image quality, an ever-increasing choice of channels, and additional services alongside live viewing *via* the web and companion screens.

### HIGH PENETRATION OF TV SETS ENCOURAGES CONSUMPTION(1)

Almost every French home now has a TV set: 98% have at least one, and of these, 50% have more than one.

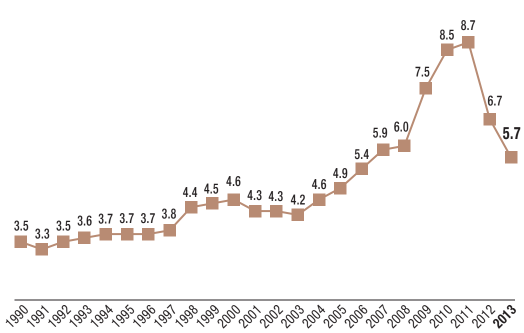
After setting an all-time sales record of 8.7 million units in 2011 with the completion of the transition to all-digital, TV set sales have gradually return to their earlier level, with 5.7 million sales for 2013.

Television technology in French households continues to become more modern. Now 84% have a 16/9 set (up 3 points in one year), and 83% a high-definition (HD) set (also up 3 points).

While the attractiveness of video equipment continues to rise, growth in audio equipment is relatively flat. As for home cinema systems, 15% of households now have one.

**SALES OF TELEVISION SETS, VOLUME**

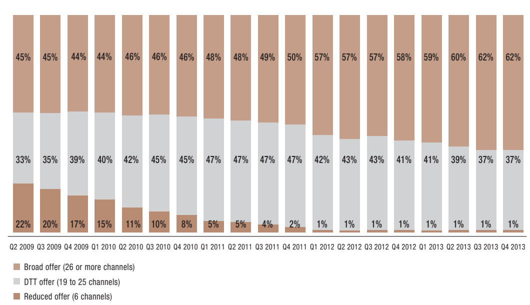
***(millions of units)***(2)




### MULTI-CHANNEL ACCESS NOW THE NORM(1)

In fourth-quarter 2013, apart from the 1% of households receiving television exclusively *via* analogue cable, all French households received at least the 19 freeview DTT channels. 67% of them also received all or some of the six HD channels launched in 2012, and 62% a broader channel offer *via* satellite, cable, ADSL or pay TV. This huge shift in the French broadcasting landscape has happened relatively quickly: at end-2006, only 39% of homes with TV sets could access multi-channel offerings.

**TREND IN MULTI-CHANNEL OFFERS IN HOUSEHOLDS WITH TV SETS**




DTT is the most popular way of receiving television, with 58% of homes having a DTT connection (*i.e.* an external or internal decoder combined with a Yagi aerial). Since the end of the switch to all-digital, this TV reception mode has declined slightly (by 2 points in one year), while high-definition reception (HD DTT) has stabilised (45% of households).

ADSL/fibre optic ranks second, with 41% of homes connected. It is the fastest-growing reception mode (up 4 points in one year).

Satellite, the longest-standing reception mode, has stabilised at 25% of households, with pay subscriptions accounting for 13% and free satellite (DTT and Fransat) for 12%.

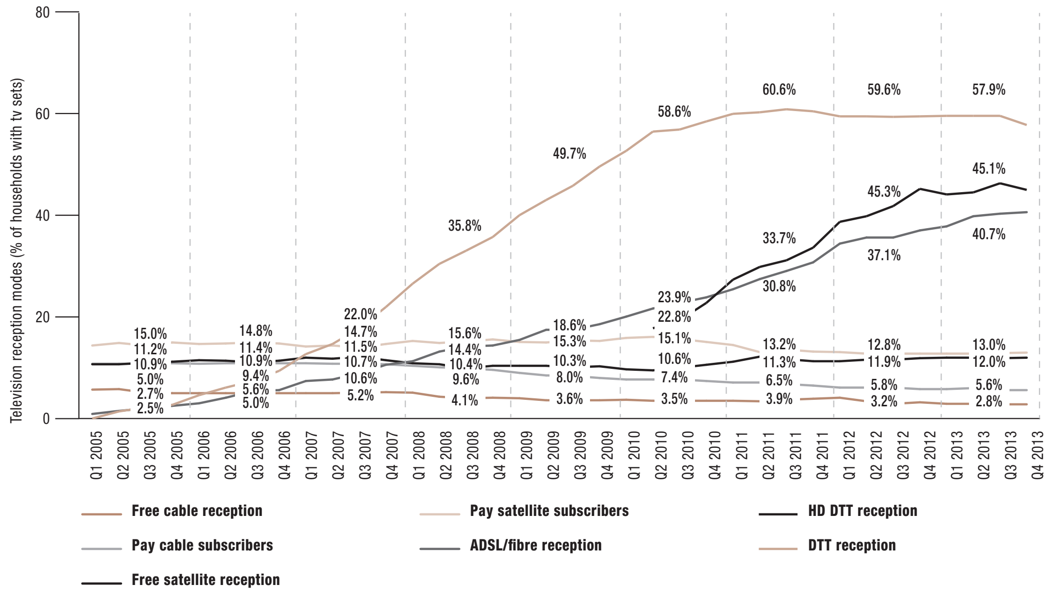
Cable continues to decline (8%, down 1 point in one year), both for pay offers (6%) and free offers (3%).

*(1) Médiamétrie/GfK – Référence des Équipements Multimédias – 4th quarter 2013 – Base: households with TV sets.*

*(2) GfK Retail & Technology – Annual sales (1990-2013).*

## TELEVISION RECEPTION MODES

*(% of households with TV sets)*[1]



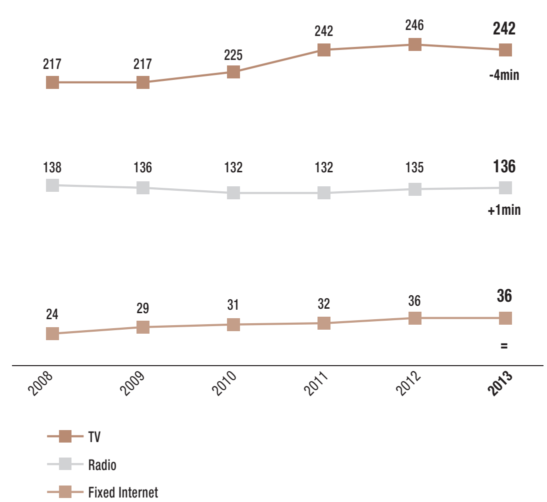

## TELEVISION – THE TOP MEDIA CHOICE[2]

Television has the broadest coverage of all media: 80% of French people (users aged 15 and over) have at least one contact a day with television, compared with 78% for radio and 45% for fixed internet (*via* a computer).

Television also ranked highest in terms of time spent on media consumption by French people during 2013. French people aged 15 and over spent an average of 4 hours and 2 minutes a day watching TV (down 4 minutes in one year), compared with 2 hours and 16 minutes listening to the radio (up 1 minute in one year), and 36 minutes of fixed internet surfing (stable in one year).

## DAILY MEDIA CONSUMPTION

*(in minutes, per french individual)*

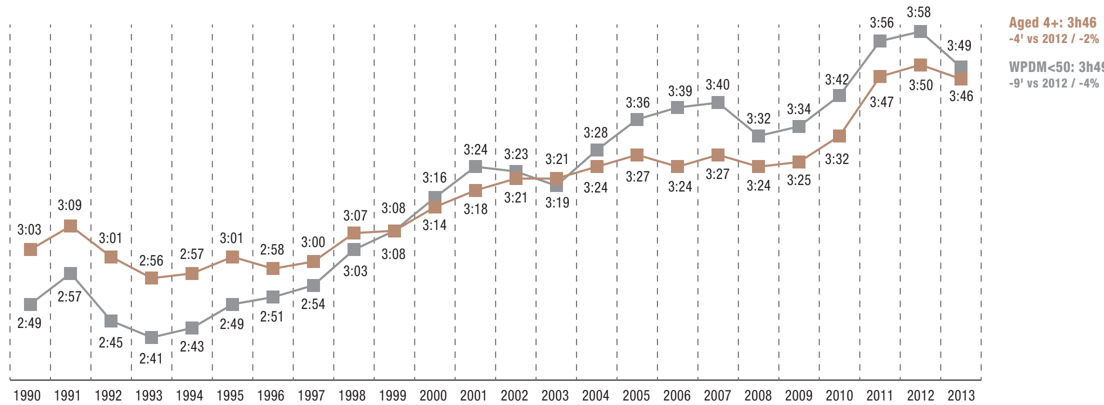



(1) Médiamétrie/GfK – Référence des Équipements Multimédias – 4th quarter 2013 – Base: households with TV sets.
(2) Médiamétrie – Médiamat/126.000 Radio/NetRatings – Cumulative for 2013.

Television consumption declined 2% in one year, but still remained very high.

**TRENDS IN TELEVISION CONSUMPTION(1)**

Individual viewing times for “Individuals aged 4 and over” and “Women under 50 purchasing decision-makers”.




## TV CONSUMPTION METHODS: CHANGING, BUT SLOWLY(2)

New ways to watch TV are developing, but are still only marginal.

Only 1 minute a day was spent watching live TV outside the home (“anywhere” viewing), equivalent to just 0.4% of live viewing, as measured by the Médiamat. This figure excludes viewing at relatives’ or friends’, which is already included in Médiamat statistics.

For non-TV set devices (computers, smartphones or touchscreen tablets – “any device” viewing) the average live viewing time was 2 minutes a day, or 0.8% of live TV consumption.

In terms of non-live, or “anytime”, viewing, a distinction is made between watching catch-up TV on sets, computers, smartphones and tablets, which amounts to 3 minutes a day, or 1.1% of live TV consumption, and viewing recordings made at home (timeshift viewing), which has been included in Médiamat statistics since January 3, 2011. Timeshift viewing boosted audience ratings by 2.0% (an extra 4 minutes and 42 seconds per day for French people aged 15+). Over 44% of timeshift viewing is VOSDAL (View on Same Day as Live).

In 2013, the vast majority of DTT channels were included in the Médiamat national viewing statistics, the only exceptions being LCP, BFM TV, i<Télé, France Ô and the six new freeview channels launched on December 12, 2012.

## A CHANGING TELEVISION LANDSCAPE IN FRANCE

The television landscape in France has changed considerably over the past several years. The number of freeview channels went from six in 2005 to 19 at end-2011 with the first wave of the DTT rollout. In December 2012, six more HD channels were added to the freeview line-up, bringing the total number in France to 25.

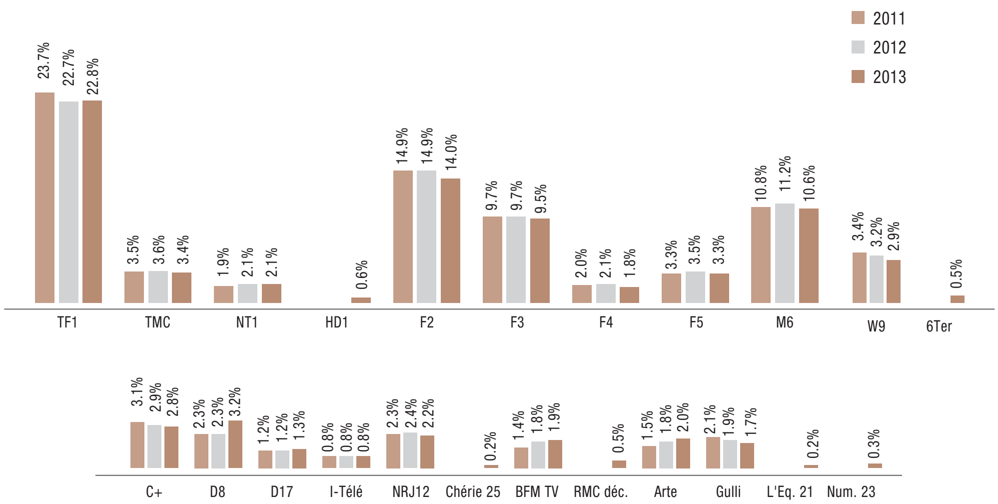
This growth has meant several things. First, new freeview television operators emerged in France (AB Group, Nextradio, NRJ group, Bolloré, Canal+, and Lagardère). The resulting market fragmentation has shrunk the audiences of the incumbent channels. The incumbent groups have sought to maintain their positions by acquiring more channels, either by bidding for spectrum offered by the French broadcasting regulatory authority (CSA) or buying channels from new entrants.

*(1) Médiamétrie – Médiamat – Cumulative for the year.*

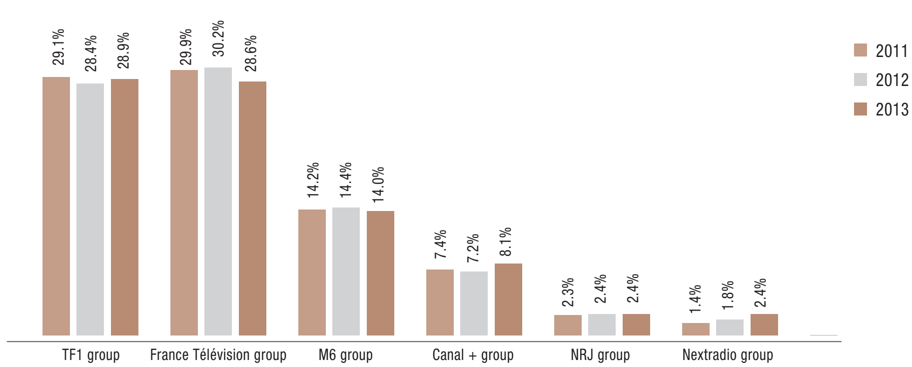
*(2) Médiamétrie – Global TV – October/November 2012; Médiamétrie – Médiamat – Cumulative for 2013.*

As a result of the larger channel offering and the altered television landscape, the channels' audience shares have evolved as shown in the graphs below.

**AUDIENCE SHARE OF INDIVIDUALS AGED 4 AND OVER(1)**

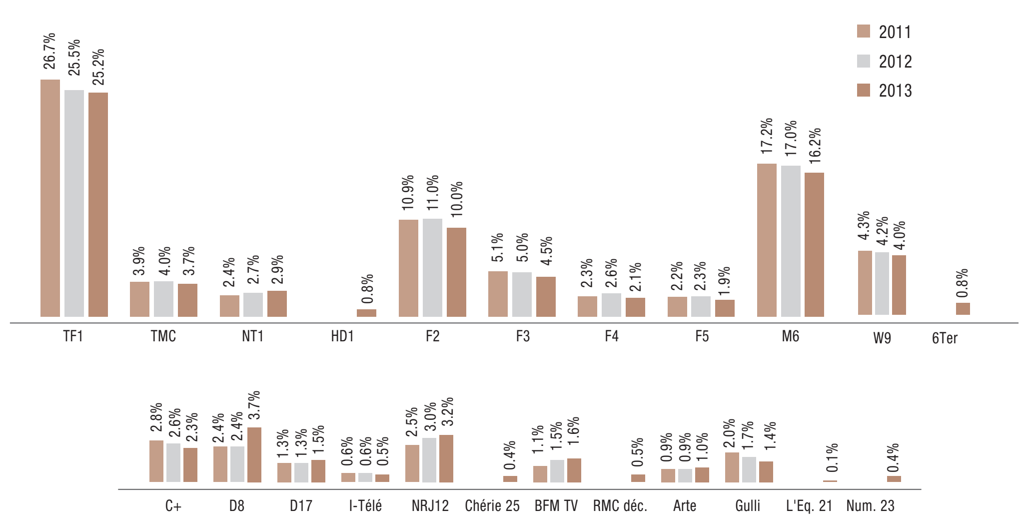



**GROUP AUDIENCE SHARE OF INDIVIDUALS AGED 4 AND OVER(1)**

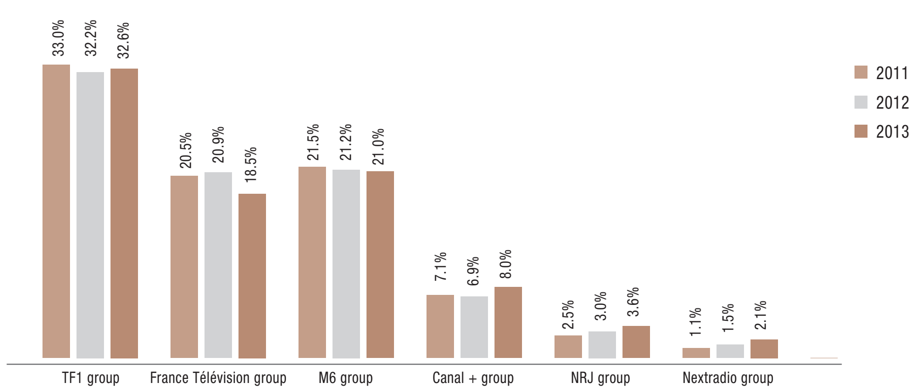



(1) *Médiamétrie – Médiamat – 2013.*

### AUDIENCE SHARE – WOMEN UNDER 50 PURCHASING DECISION-MAKERS(1)




### GROUP AUDIENCE SHARE - WOMEN UNDER 50 PURCHASING DECISION-MAKERS(1)




## FUTURE TV-SET TRENDS: IS UHD NEXT(2)?

### CONNECTED TV SETS

Some 1.6 million connectable TV sets or smart TV were sold in France in 2013, a decline of 6% (compared with a 15% decrease for all TV sets). Connectable TV sets accounted for 27% of units sold in 2013 (up from 25% in 2012), they are expected to continue gaining in popularity and to account for almost all TV set sales in five years.

Smart TV user interfaces (pointer, voice and gesture control) have improved and now deliver a very different experience from tablets and PCs. More and better quality applications are available in stores. The channels' HbbTV (Hybrid broadcast broadband TV) service has improved, too (the user interface is now commonly displayed at the bottom of the screen), and TF1 has launched an experimental service, MYTF1VOD, on the brands of TV partners. So far, however, Smart TV has not radically altered viewing habits and is not boosting manufacturers' sales.

### 3D AND UHD (ULTRA HD)

While 3D seems to have permanently passed from the scene, the first consumer models of 4K TV or UHD have debuted with relative success. Offered only with large screens (a minimum of 55") and a high-end finish, these TV sets sell for between €5,000 and €9,000. According to the manufacturers, (Samsung, SONY, and LG), several tens of thousands of units have been bought. GFK announced sales of 10,000 units in 2013.

The resolution of these screens termed "4K" (referring to the 4,000 pixels per line) or UHD (Ultra High Definition) is double that of HD, *i.e.* there are four times as many pixels. However, it is still too early to predict the future of 4K or UHD. Several obstacles lie in their path. First, the manufacturing and broadcasting capabilities are not ready.

*(1) Médiamétrie – Médiamat – 2013.*

*(2) Source: GFK.*

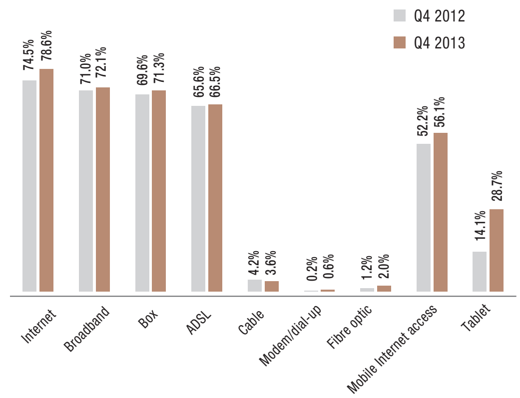
## 3.1.2 THE INTERNET AND NON-LIVE VIEWING: FOUR ACCESS OPTIONS

### PENETRATION OF INTERNET ACCESS AMONG FRENCH HOUSEHOLDS(1)

An ever-growing number of French people have broadband internet access: 20 million households are connected to the Internet *via* ADSL or cable (a penetration rate of 72%, up 1 point on the fourth quarter of 2012), and ultra-high-speed services are now on the market, with nearly 4% of households connected *via* a fibre optic network. In all, 21.5 million homes have an internet connection (a penetration rate of 77%, up 3 points in one year).

**TYPE OF INTERNET ACCESS**

(Basis: 27.6 million French households)




*Source: Observatoires Médiamétrie. REM. Q4 2013*

### INTERNET USE IN FRANCE(2)

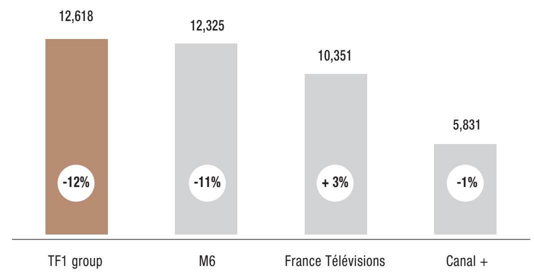
Some 44 million people in France connect to the Internet from their computer (up 1 million in one year), or 72% of the population (up 2 points). However, those people are spending less time on the web (down 2 hours and 24 minutes). This trend is explained in large part by the increased use of mobile devices to connect to the Internet.

The TF1 group ranks 19th among all groups on the Internet in France (computer access) thanks to the performance of sites associated with the TF1 channel (MYTF1 and MYTF1News), other media holdings (Eurosport and Metronews), and pure player sites such as WAT and Plurielles.fr.

MYTF1 is the number one TV channel on the Internet, with over 9 million unique visitors (UV). Eurosport.com ranks second in the Sports category, with 2.9 million UV.

TF1 held onto its No. 1 internet ranking ahead of the M6 group throughout 2013.

**INTERNET COMPETITION AMONG TELEVISION GROUPS (ONE-YEAR TREND)**




### TV ON THE MOVE: COMPANION SCREENS AS TV SCREEN EXTENSIONS(3)

Smartphones and tablets are now common devices with very high penetration rates. Nearly 30 million people in France have a mobile phone enabling them to connect to the Internet (a 56% penetration rate in the fourth quarter of 2013), and nearly 8 million households now have one or more tablets (close to 30% penetration in the third quarter of 2013).

There are 24 million mobile internet users in France (up 2.5 million in one year), with a penetration rate of 47% (up 4.5 points). They go online an average of 183 times a month, up 56% from a year ago.

In the mobile internet market, the TF1 group ranks 15th, with over 4.2 million mobile visitors (up 14% in one year) and 17.6% coverage (up 0.5 points).

The Group's four leading sites for mobile internet use are: TF1 (1.6 million visitors), Eurosport (1.5 million), WAT (1.4 million) and Metronews (1.1 million).

*(1) Source: Observatoires Médiamétrie, REM, Q4 2013. Basis: French households.*

*(2) Sources: Panel Médiamétrie NetRatings, November 2013, all connection sites, users aged 2 and over, Observatoires Médiamétrie REM, TSM, Q4 2013.*

*(3) Sources: Panel Médiamétrie mobile, November 2013, all connection sites, mobile internet users aged 15 and over. Observatoires Médiamétrie REM, TSM, Q4 2013.*

In numbers of mobile internet visitors, TF1 is the leading television channel, Eurosport is second in the sports segment, WAT fourth in video, and Metronews seventh among news outlets.

The TF1 group is introducing innovative online products in step with these new usages.

In 2013, TF1 continued to develop its brands in the multi-screen universe: in February, the TF1 group's new site became MYTF1News, with the launch in July of an enhanced version for Android and iOS tablets. One new feature is video multitasking, which allows users to continue reading an article while watching a video.

With the launch of 4G, MYTF1 and MYTF1News for smartphones and tablets began offering new, innovative functionalities in October 2013 such as downloading of some programmes for replay, the possibility of returning to the start of the programme at any time during the broadcast, and visual display quality never before achieved on mobile devices.

*Connect* functions on television channel applications also made their debut in 2013. Observing that TV viewers frequently use a second screen (tablet, smartphone, the web) while watching television, the channels are offering synchronised services related to the TV program to enhance the viewing experience. These include:

- additional information (infographics, statistics, exclusive videos, etc. related to newscasts or soccer matches);
- real-time game modules (*Le 5e coach* on *The Voice*, *le Défi live* on the French soccer team's matches, etc.);
- instant replays, to share an excerpt of the programme being shown on TF1.

With the launch of *Connect* in February 2013, TF1 remains the leader in this functionality and lays claim to the term that will be used by the rest of the industry.

And since more and more viewers are communicating with one another over social networks while they watch the same show, TF1 has joined with Twitter to become the first channel to launch the Amplify programme in France, first for *Dancing with the Stars,* then for *Masterchef*, the French team's soccer matches, and the *NRJ Music Awards*. TF1 is the only French television channel to offer advertisers this innovation, with allows them to benefit from the social networking echo effect on Twitter.

## VIDEO USAGES – REPLAY[1]

In November 2013, the time spent online by a web user in France was four hours[2], almost one hour less than a year earlier. An important factor in the decline is increased video viewing on mobile phones and tablets. The number of web users in France is now 36.4 million (up 2 million in one year).

In November 2013, the TF1 group ranked second in the Internet video market in France, with over 11 million hours viewed.

### RANKING OF THE PLAYERS

| Ranking | Player | Total time spent *(thousands of hours)* |
|---|---|---|
| 1 | Google | 81,991 |
| 2 | TF1 group | 11,168 |
| 3 | Dailymotion | 8,595 |
| 4 | Vivendi | 5,230 |
| 5 | France Télévisions | 5,224 |
| 6 | 6Play | 5,103 |
| 7 | Youwatch.org | 4,629 |
| 8 | Play Media | 4,136 |
| 9 | PureVID | 3,173 |
| 10 | RuTube | 2,684 |

*Source: Médiamétrie NetRatings – November 2013.*

### THE MAINSTAYS OF THE TF1 GROUP: REPLAY, LIVE AND VIDEO PRO

On average, 80% of TF1's programming is available on MYTF1 in live and replay versions as well as through exclusive content.

Live and non-live viewing of the programmes of the TF1 group's channels is increasingly done on multiple screens, with usages differing between screens.

While web viewing has fallen below 2012 levels, strong growth is observed for mobile screens, tablets and IPTV.

Usages vary from one screen to another, too: on tablets and mobile phones, the bonuses and excerpts account for a larger sharing of the viewing, while on IPTV, replays are the most popular content.

*(1) Source: Video panel, Player rankings, Médiamétrie/NetRatings, November 2013.*

*(2) For the time being, videos viewed on Facebook are not counted for technical reasons.*

Live viewing is also benefiting from multiple technical and product innovations:

- direct control (on the 4G version of the app), with the possibility of going back to the beginning of the program being shown;
- live online commentary: during *Danse avec les stars* in September 2013, live, behind-the-scenes reporting was done during the broadcast.

Innovation has played a key role in the new version of WAT.tv, the TF1 group's premium online video site, which was launched in May. The product has been rethought and adapted to satisfy web users' new expectations (*e.g.* a new video player and a wall for the most-watched videos on Facebook and Twitter).

### SOCIAL MEDIA TRENDS: SOCIAL TV(1)

How social networks are used has changed greatly over the past two years, with mobile phones and tablets becoming the main devices that their members rely on to communicate with one another.

Three of the leading social networks indicate that about 50% of their total traffic comes from mobile devices: Twitter (55%), Facebook (48%) and YouTube (41%).

The social networks are continuing to grow, and new ones are starting up.

Facebook says it has over 1.1 billion users, while Google+ has now reached 1 billion and Twitter more than 500 million. The majority of Facebook users are active, while for Google+, the figure is 35% and for Twitter, 40%.

In 2013, new networks with enormous appeal for young people – Instagram, Pinterest, and Snapchat – joined the ranks of the social media. The main loser in this trend was Facebook, which saw young members shift their interest to these new networks.

In France, the number of Facebook users declined on the web to 29.2 million (down 2.5 million, or 8%, in one year) and on mobile devices to 14.7 million (down 1 million), while Instagram added 1 million mobile users (up 71%), while fixed internet users remained stable at 2 million.

The TF1 group now has 20 million fans and about 40 fan pages, mainly on Facebook and Twitter.

By actively capitalising on social media in conjunction with the channel's leading programmes (*The Voice, Danse avec les Stars, NRJ Music Awards*), TF1 has become the channel generating the most exchanges on the social networks.

For example, almost 35 million tweets were posted concerning TF1's programmes.

By launching Connect with *The Voice* and then being the first channel to use the Amplify programme on Twitter, which it introduced with *Danse avec les stars*, TF1 demonstrated in 2013 its capacity to carry out a compelling and effective second-screen strategy.

## 3.1.3 ADVERTISING

The slowdown in advertising observed in 2012 continued in 2013. Net plurimedia advertising revenues fell by 5.7%(2) in first-half 2013 (excluding Search). The advertising market was expected to shrink by a lesser amount in the second half, though the data are not yet available.

Gross spend increased by 2.3%(3) year on year.

The following data are gross values. As such, they should be treated with caution owing to the strong pressure on prices in 2013, and hence the differing scope for price negotiations in the various media.

### TRENDS IN PLURIMEDIA ADVERTISING SPEND IN 2013(2)(3)

Plurimedia advertising spend rose overall in 2013, after declining in 2012, but individual results varied. There was a sharp upturn during the year, with a modest gain of 0.5% in the first half, followed by 4.0% in the second half.

The uneven performance was observed across all media.

Television (excluding sponsorship) was more than ever the top medium, accounting for 35.1% of gross plurimedia spending (up 1.4 points). Gross revenues for television rose 6.6% to €9.6 billion in 2013.

Within the TV category, the positive trend for incumbent channels continued, with a 4.3% increase in gross spend to €5.6 billion. The other freeview DTT channels also turned in strong performances once again,

*(1) Source: editors.*
*Panel Médiamétrie NetRatings, November 2013, all connection sites, internet users aged 2 and over.*
*Panel Médiamétrie mobile, November 2013, all connection sites, internet users aged 15 and over.*
*TV Tweet, 2013.*

*(2) Net advertising spend – source: IREP – H1 2013 compared with 2012 – National radio.*

*(3) Gross advertising spend – source: Kantar Média – Excluding self-promotion and subscriptions – 2013.*
*Constant internet advertising scope: 01 Régie, 20 minutes, 3W régie, Adverline, Amaury Medias, Boursorama, Caradisiac publicité, Conde Nast, Deezer Media, Espaces Libération, Express Roularta Services, Figaromédias, Francetélévisions Pub, Groupe Industrie Serv Inf, Hi Media, Horyzon Media, Interpsycho, Lagardère Publicité, Le Point MultiMedia, Leboncoin, M Publicite, M6 Publicité, NRJ Global, Orange Advert Network, Prisma Pub, Rue Du Commerce, TF1 Publicité, Yahoo.*

with spend up 15.3% to €3.2 billion, due in part to the contribution from the six new HD DTT channels, which alone generated €290 million in gross revenues. Excluding the HD DTT channels, advertising spend was up 4.9%. CabSat spend was down 7.1% to €794 million.

Gross advertising spend in television (excluding sponsorship) increased by 2.5% in the first half, while the net spend was down 6.8%, compared with the first half of 2012.

In terms of gross spend, print media remained the second-ranked market with €7.5 billion, despite a 1.1% contraction in revenues. The market share of print media was down 0.9 points to 27.3%.

A downward trend in gross spend was already visible in the first half, with a decline of 1.6%. Net spend, however, fell a much sharper 8.5%, compared with the first half of 2012.

Gross spend in radio was up 7.5% to €4.6 billion. Market share also rose, by 0.8 points to 16.9%. Also noteworthy was the strong performance of local stations, whose gross revenues went up 9%.

In the first half of 2013, net spend on national radio was down slightly, by 1.4%, compared with the year earlier period, in contrast to gross spend, which rose 6.5%.

Gross spend on internet (display) came to €2.5 billion, down 0.4%. Internet accounted for 9.2% of advertising spend, down 0.3 points from 2012.

Gross advertising revenues were down 1.7% in the first half of 2013, while net revenues rose 1.0% (excluding mobile).

It was another difficult year for outdoor advertising, with gross spend down 8.2%. Its market share was 9.9%, down 1.1 points.

In first-half 2013, outdoor spend declined in gross value by 7.3%, though the net value slipped a much smaller 1.3%.

Cinema is the most dynamic media, with gross spend up 10.3%. Its market share rose 0.1 points to 1.5%. Gross revenues increased by 6.0%, while net revenues plunged 22.4%.

## TRENDS IN GROSS PLURIMEDIA ADVERTISING SPEND[1]

| | Gross revenues | Change in revenues | Market share |
|---|---|---|---|
| | Jan-Dec 2013 | Jan-Dec 2013/ Jan-Dec 2012 | Jan-Dec 2013 |
| **Press** | **€7,457.3m** | **-1.1%** | **27.3%** |
| **Radio** | **€4,627.5m** | **+7.5%** | **16.9%** |
| **Television** | **€9,593.7m** | **+6.6%** | **35.1%** |
| Freeview | €8,799.8m | +8.0% | 32.2% |
| *o/w incumbent* | *€5,644.1m* | *+4.3%* | *20.7%* |
| *o/w DTT* | *€3,155.6m* | *+15.3%* | *11.6%* |
| TV CAB/SAT | €793.9m | -7.1% | 2.9% |
| **Internet** | **€2,516.8m** | **-0.4%** | **9.2%** |
| **Outdoor advertising** | **€2,693.2m** | **-8.2%** | **9.9%** |
| **Cinema** | **€420.0m** | **+10.3%** | **1.5%** |
| **TOTAL** | **€27,308.5M** | **+2.3%** | **100.0%** |

*(1) Gross advertising spend – source: Kantar Média (January-December 2013) – excluding TV sponsorship, excluding self-promotion and subscriptions.*

## TELEVISION IN 2013[1]

TF1 was the leading channel in 2013, with gross revenues of €3.4 billion, up 2.6% on 2012. Its market share (excluding sponsorship) was 35.1%, down 1.4 points from 2012. M6 was the number-two channel over the same period, with gross revenues of €1.7 billion (up 10.2%) and a market share of 17.4% (up 0.5 points).

TF1 Publicité was the number-one advertising airtime sales agency, with a market share of 38.5% in 2013, down 0.3 points. This places it ahead of M6 Publicité (a 23.6% market share, up 0.9 points), and the Canal+ agency (a 12.5% market share, down 0.2 points).

### GROSS MARKET SHARE OF TV CHANNELS – ALL TV UNIVERSE[1]

| | 2013 | 2012 | 2011 |
|---|---|---|---|
| **TOTAL MEDIA TELEVISION** | **100.0%** | **100.0%** | **100.0%** |
| **Incumbent TV** | **58.8%** | **60.1%** | **62.0%** |
| TF1 | 35.1% | 36.5% | 37.2% |
| M6 | 17.4% | 16.9% | 17.1% |
| France 2 | 2.6% | 2.9% | 3.6% |
| Canal+ | 1.9% | 1.9% | 2.0% |
| France 3 | 1.4% | 1.5% | 1.8% |
| France 5 | 0.3% | 0.3% | 0.4% |
| **Other DTT** | **32.9%** | **30.5%** | **28.0%** |
| **CabSat** | **8.3%** | **9.4%** | **10.0%** |

### GROSS MARKET SHARE OF FREEVIEW DTT CHANNELS – ALL TV UNIVERSE[1]

| | 2013 | 2012 | 2011 |
|---|---|---|---|
| **Other DTT** | **32.9%** | **30.5%** | **28.0%** |
| **DTT 2005** | **29.8%** | **30.5%** | **28.0%** |
| W9 | 4.7% | 4.7% | 4.1% |
| TMC | 4.5% | 4.9% | 4.3% |
| NRJ 12 | 3.6% | 3.9% | 3.7% |
| BFM TV | 3.5% | 3.3% | 2.6% |
| I Télé | 3.1% | 3.5% | 3.7% |
| NT1 | 3.1% | 3.2% | 2.6% |
| D8 | 3.1% | 2.9% | 2.9% |
| Gulli | 2.0% | 2.2% | 2.2% |
| D17 | 2.0% | 1.4% | 1.4% |
| France 4 | 0.3% | 0.3% | 0.3% |
| **HD DTT** | **3.1%** | | |
| HD1 | 1.1% | | |
| RMC Découverte | 0.5% | | |
| 6TER | 0.5% | | |
| Équipe 21 | 0.4% | | |
| Chérie 25 | 0.3% | | |
| Numéro 23 | 0.3% | | |

*(1) Gross advertising spend – source: Kantar Média (January-December 2013) – excluding TV sponsorship, excluding self-promotion and subscriptions.*

## DIGITAL MEDIA IN 2013[1]

According to the SRI group of advertising sales agencies, revenues in the Internet display advertising market (excluding search) totalled €753 million, an increase of 2%.

Growth in display advertising was driven primarily by three trends: a dynamic video segment, the development of real-time bidding (RTB), and accelerating growth in the mobile display advertising market.

Video (instream) continued to rise sharply (up 32%), generating revenues of €136 million in 2013. The strong momentum comes from high demand from advertisers as well as from growth in premium offers and video related to TV programming (catch-up TV, second screen, IPTV, etc.). TF1 Publicité has a strong position in this segment with MYTF1, which covers practically all TF1 programming between 6pm and midnight (excluding cinema) and is available on four digital screens (web, mobile, tablets and connected TVs).

Real-time bidding (RTB) exchanges generated €117 million in net revenues in 2013, a strong gain of 125% over 2012. They account for a substantial 16% of display revenues, and this trend is expected to accelerate. The International Data Conseil (IDC) is forecasting that RTB, which is commonly used in the ad exchanges, will grow annually by 51% worldwide and 39% in Europe by 2017[2].

France is one of the leading countries in this segment, owing notably to the development of premium ad exchanges like LaPlaceMedia. By joining with Amaury Médias, FigaroMedias and Lagardère to create LaPlaceMedia, TF1 Publicité gains a strategic position in this segment, where it auctions advertising space for "editorialised" content on websites. Nearly 30,000 advertisers bought online space through this exchange in 2013.

Mobile display advertising (including tablets) was very dynamic in 2013, with net revenues of €79 million (up 55%). In this segment, TF1 Publicité consolidated its leadership in the "second-screen" market by making it a strategic priority. Innovative offerings such as MYTF1 Connect and the partnership with Shazam were developed to further exploit screen interaction and synchronisation.

TF1 Publicité is also positioned in the fast-growing social TV segment, notably through its partnership with Twitter (the Connect & Amplify offer). TF1 group programmes demonstrated their viral potential in 2013 by accounting for 26 of the 30 most referenced shows on social networks (Twitter, Facebook, Instagram)[3].

TF1 Publicité is taking advantage of the specific features of digital screens (fixed web, mobile, tablet, connected TV) by launching special operations in this still-growing segment.

The number of households with a connected TV set increased by 35% in one year[4]. Connected TV is thus another strategic opportunity for TF1 Publicité, which is already offering innovative advertising and editorial services such as a "brand corner" and a channel dedicated to an advertiser.

## OUTLOOK FOR 2014

The economic context in 2014 should be fairly similar to 2013, with no signs of consumption recovery, households' purchasing power still under pressure due to high unemployment and increased fiscal pressure [5].

In France, a recovery in advertising spend seems quite uncertain, as reflected in agencies forecasts, a majority of which assume the market will remain stable; ZenithOptimedia anticipates a 0.3% plurimedia investment growth for whereas OMG is building on a 0.6% growth forecast[6][7] for 2014.

Against a backdrop of weak market and increased competition, TF1 Publicité keeps on implementing new ways of commercialisation for its offers, so as to answer market needs as fully as possible (Modulo, Events screens) and gain fluidity.

In an increasingly fragmented market, TF1 Publicité's strength relies on a relevant and efficient offer, rolled out on 3 complementary segments of the market:

- mass media (TF1);
- intermediate segment (HD1, N23, Les Indés Radios…);
- targeted segment (Metronews, thematic channels, digital offer).

Efficient coordination of these contact segments allows TF1 Publicité to respond effectively to all of our customers' communication needs.

Innovation is also a major asset, and remains a priority, with a two-fold strategy: TV-Digital convergence (interaction and synchronization of screens) and connected-TVs.

*(1) SRI net data - year 2013.*
*(2) IDC study: RTB global forecast 2013-2017*
*(3) Bilan Social TV NPA Conseil - December 2013.*
*(4) Médiamétrie – Référence des Equipements Multimédias – October-December 2013 vs 2012.*
*(5) Xerfi Previsis – December 2013-January 2014.*
*(6) Zentih Optimedia – December 2013.*
*(7) OMG – October 2013.*

## 3.1.4 REGULATION

### COMPENSATORY CHANNELS

Article 103 of Act 2007-309 of March 5, 2007, amending the Act of 30 September 30, 1986, and establishing that on the complete shut-down of analogue television, an additional channel, called a "compensatory channel", would be awarded to the three analogue private channels (TF1, M6, Canal+) was repealed by the Act of November 15, 2013, regarding public television independence. This Act was passed after the European Commission, in response to a complaint, addressed a formal demand to France on November 24, 2010, in which it judged the attribution of these compensatory channels incompatible with the European directives known as the "Telecoms Package" because it would represent a special and exclusive right, which in prohibited and would penalise competitors. In a substantiated opinion dated September 29, 2011, it called on France to take all necessary measures to put an end to this breach.

Taking account of this opinion, the French government repealed Article 103 of the Act of March 5, 2007, as well as Article 104, which stipulated the three analogue private channels could not claim any other kind of compensation.

### IMPACT OF THE INDEPENDENCE OF PUBLIC BROADCASTING ACT OF NOVEMBER 15, 2013

The Independence of Public Broadcasting Act was enacted on November 15, 2013, and published in the *Journal officiel* on November 16, 2013. This law amends several provisions of the Act of September 30, 1986, concerning the freedom of communication. The changes include the following:

- the Conseil Supérieur de l'Audiovisuel (CSA) will henceforth have seven instead of nine members. Only the Chairman will continue to be appointed by the President of the Republic, three members will be selected by the speaker of the Assemblée national and three by the speaker of the Sénat. The six members designated by the speakers will be appointed upon approval by the standing committee in charge of cultural affairs at a three-fifths majority of votes cast;
- a new sanctions procedure modelled on the Competition Authority's strictly separates the legal and investigative functions from the imposition of sanctions. The CSA continues to have the authority to impose sanctions, but only after referral of a matter by the rapporteur, who is independent from the CSA and the broadcasting sector. (The rapporteur is appointed by the Vice President of the Council of State, on the CSA's recommendation, from among the members of administrative jurisdictions for a four-year term, renewable once);
- the CSA may decide not launch a call for bids if a prior impact study or public consultation reveals that economic conditions in the market are unsuitable. The CSA may postpone call for a two-year period, renewable once;
- advertising will continue to be shown during the day on France Télévisions after 2015;
- compensatory channels cannot be granted;
- the CSA may give approval for a pay DTT channel to become freeview and vice versa. Approval requires a reasoned decision, a public impact study, and a hearing of all parties who request it. The stability of the advertising market must also be taken into consideration;
- the channels may have an equity interest in the works they co-finance with regards to independent production. A decree will specify how they may do this, *i.e.* the amount of financing by a channel that authorises an equity interest in the coproduction and the secondary rights the channel may hold (mandate, the term of the rights, secondary rights).

# 3.2 2013 ACTIVITY AND RESULTS

**In accordance with IFRS 5, the 2013 financial statements present separately the contributions from Eurosport International, which is currently being sold. To ensure comparability with previous publications and given that the sale of Eurosport International did not take place during the year ended December 31, 2013, the full-year results are presented on the basis of financial data before the adjustments required by IFRS 5. Note 6 to the consolidated financial statements provides a reconciliation between the financial data used in this document and the financial results published by the Group.**

### CHANGES IN PRESENTATION

TF1 changed the way it presents its segment information during 2013 (cf. notes 1, 2 and 6 to the financial statements).

## 3.2.1 THE GROUP

### CONSOLIDATED INDICATORS

These key figures are extracted from TF1 consolidated financial data, before the adjustments required by IFRS 5. It takes into account the results from Eurosport International entities.

| *(€m)* | 2013 | 2012 |
|---|---|---|
| **CONSOLIDATED REVENUE** | **2,470.3** | **2,620.6** |
| Group advertising revenue | 1,670.9 | 1,775.5 |
| Revenue from other activities | 791.3 | 845.1 |
| **CURRENT OPERATING PROFIT** | **223.1** | **253.1** (1) |
| **OPERATING PROFIT** | **223.1** | **210.4** (1)(2) |
| **NET PROFIT ATTRIBUTABLE TO THE GROUP** | **137.0** | **136.0** |

*(1) Includes a gain of €27.1m relating to a reimbursement of CNC tax.*
*(2) Includes non-recurring costs of €47.7m relating to phase II of the optimisation plan and to the TF1 Vidéo job protection plan.*

### REVENUE

For the year ended December 31, 2013, consolidated revenue amounted to €2,470.3 million, a year-on-year fall of €150.3 million (down 5.7%).

Advertising revenue was €1,679.0 million, 5.4% less than in 2012.

It comprised:

- €1,487.6 million for the Group's 4 free-to-air channels (down 5.0%). This docline reflecting very tough economic conditions and price erosion due to intense competitive pressure. However, the Group successfully adapted its commercial policy during the course of the year. That revenue for the 4 free-to-air channels – which fell by 8.8% in the first half of 2013 (13.0% in the first quarter and 4.9% in the second quarter) – fell by only 1.1% in the second half (stable in the third quarter of 2013 and down 1.8% in the fourth quarter);
- €83.7 million for other Broadcasting and Content segment media, flat year-on-year. Dynamic performances from internet advertising (e-TF1) and from TF1 Publicité's third-party airtime sales (especially the radio business) offset lower advertising revenue at Metro France;
- €107.7 million for Pay-TV segment media, 14.4% lower than in 2012. This drop was due partly to lower advertising revenue at the French pay-TV channels in tough economic conditions, and partly to a reduction in advertising revenue at the Eurosport group due to different seasonal advertising patterns in 2013 versus 2012 (when the Olympic Games and the UEFA Euro 2012 football tournament were shown).

Non-advertising revenue for the year to December 31, 2013 was €791.3 million, a drop of 6.4% versus 2012 (down €53.8 million). The Consumer Products Division saw revenue fall by €35.2 million. Higher revenue at TF1 Entreprises only partially offset the slippage at TF1 Vidéo (high comparative base owing to the success of *Intouchables* in 2012) and Home Shopping. Eurosport's non-advertising revenue was 3.7% lower, while Content revenue was down 1.1%.

## COST OF PROGRAMMES AND OTHER OPERATING INCOME AND EXPENSES

Phase II of the optimisation plan, launched in 2012, generated €41 million of recurring savings in 2013, including €22 million on the cost of TF1 programmes, €10 million on overheads and €9 million in productivity gains. These savings, added to the €15 million generated in 2012, add up to €56 million of recurring savings achieved since the optimisation plan began, out of the €85 million TF1 is committed to achieve by the end of 2014. The Group has already committed to cutting overheads by a further €17 million, and needs to generate savings of €29 million in 2014, of which €10 million will come from the cost of programmes at TF1 and €19 million from productivity savings.

The cost of programmes for the TF1 group's 4 free-to-air channels reached €946.7 million for the year to December 31, 2013, against €1,004.4 million a year earlier, a fall of €57.7 million year-on-year. Excluding major sporting events, the cost of programmes fell by €33.5 million, reflecting the fact that TF1 screened 9 matches from the UEFA Euro 2012 football tournament in 2012 at a cost of €24.2 million. These figures show that the TF1 channel made substantial savings, since the cost of programmes for 2013 includes HD1 (launched at the end of December 2012) and the strengthening of TMC and NT1 programme schedules in response to increased competition in Digital Terrestrial Television.

Other expenses and depreciation, amortisation, provisions and impairment were €57.6 million lower in 2013 than in 2012. Bear in mind that in 2012 the figure included a gain of €27.1 million from reimbursement of CNC (National Centre for Cinematography) taxes booked in the first quarter. The 2013 figure includes the gain from the sale of Place des Tendances, and a provision relating to the sale of some of the 2014 FIFA World Cup rights, booked in the fourth quarter of 2013.

## CURRENT OPERATING PROFIT

The TF1 group made a current operating profit of €223.1 million in 2013, versus €258.1 million for the previous year. Although this represents a €35.0 million year-on-year drop, bear in mind that revenue fell by €150.3 million over the same period. The 2013 figure includes the gain from the sale of Place des Tendances, and a provision relating to the sale of some of the 2014 FIFA World Cup rights, booked in the fourth quarter of 2013.

## OPERATING PROFIT

The Group posted a €223.1 million operating profit for the year to December 31, 2013, up €12.7 million on 2012. Operating margin was 9.0%, versus 8.0% a year earlier.

Bear in mind that 2012 operating profit included non-recurring costs of €47.7 million related to phase II of the optimisation plan and to the TF1 Vidéo job protection plan.

## NET PROFIT

Cost of net debt for the year to December 31, 2013 was positive at €0.4 million.

Other financial income and expenses showed net income of €0.8 million in 2013, versus €5.8 million a year earlier. Bear in mind that the 2012 second-quarter figure included the fair value remeasurement of the call option over TF1's 33.5% equity interest in Groupe AB granted to Claude Berda in June 2010.

Income tax expense amounted to €73.4 million in 2013, versus €70.5 million in 2012. Associates contributed net income of €0.8 million, up €7.2 million, thanks to a better performance from Groupe AB and the Q1 2013 sale of WBTV, which was loss-making in 2012.

Net profit attributable to non-controlling interests was €14.7 million in the year to December 31, 2013, versus €3.3 million a year earlier. This rise was due mainly to the Discovery Communications group having acquired an equity interest in Eurosport and a number of French pay-TV channels in December 2012.

Overall, the Group's net profit for the year to December 31, 2013 reached €137.0 million, versus €136.0 million a year earlier.

## FINANCIAL POSITION

Shareholders' equity attributable to the Group as of December 31, 2013 was €1,711.4 million, out of a balance sheet total of €3,529.8 million. The net cash surplus at end December 2013 was €255.5 million, compared with €236.3 million at December 31, 2012.

The Group had confirmed bilateral credit facilities totalling €1,025.0 million with various banks. None of these facilities was drawn down at the end of the period. The facilities are renewed regularly as they expire, so that the Group has sufficient liquidity at all times.

Consequently, the financial position of the TF1 group remains very healthy.

## INCOME STATEMENT CONTRIBUTIONS BY SEGMENT

The figures below are extracted from TF1 consolidated financial data, before the adjustments required by IFRS 5 (detailed in note 4 of the notes to the financial statement). They take into account the results from Eurosport International entities.

| | Revenue | | Current operating profit/(loss) | |
|---|---|---|---|---|
| *(€m)* | 2013 | 2012 | 2013 | 2012 |
| **Broadcasting and Content** | **1,725.6** | **1,809,3** | **101.6** | **160.1*** |
| Broadcasting | 1,654.9 | 1,737.8 | 92.8 | 154.9* |
| Content | 70.7 | 71.5 | 8.8 | 5.2 |
| **Consumer Products** | **205.1** | **240.3** | **25.3** | **18.0** |
| TF1 Vidéo | 58.0 | 84.1 | 0.8 | 0.3 |
| Home Shopping | 85.5 | 99.3 | 14.2 | 6.8 |
| TF1 Entreprises | 61.6 | 56.9 | 10.3 | 10.9 |
| **Pay-TV** | **530.7** | **562.7** | **79.5** | **64.3** |
| Eurosport group | 452.9 | 475.1 | 81.8 | 63.6 |
| Theme channels France | 77.8 | 87.6 | (2.3) | 0.7 |
| **Holding company & other** | **8.9** | **8.3** | **16.7** | **15.7** |
| **TOTAL** | **2,470.3** | **2,620.6** | **223.1** | **258.1*** |

* *Includes a gain of €27.1 million relating to reimbursement of CNC taxes.*

The figures below are extracted from TF1 consolidated financial data, after the adjustments required by IFRS 5 (detailed in note 4 of the notes to the financial statement).

| | Revenue | | Current operating profit/(loss) | |
|---|---|---|---|---|
| *(€m)* | 2013 | 2012 | 2013 | 2012 |
| **Broadcasting and Content** | **1,726.2** | **1,809.9** | **101.6** | **160.1*** |
| Broadcasting | 1,655.4 | 1,738.3 | 92.8 | 154.9* |
| Content | 70.8 | 71.6 | 8.8 | 5.2 |
| **Consumer Products** | **205.1** | **240.3** | **25.3** | **18.0** |
| TF1 Vidéo | 58.0 | 84.1 | 0.8 | 0.3 |
| Home Shopping | 85.5 | 99.3 | 14.2 | 6.8 |
| TF1 Entreprises | 61.6 | 56.9 | 10.3 | 10.9 |
| **Pay-TV** | **144.9** | **156.7** | **2.9** | **6.5** |
| Eurosport group | 67.1 | 69.1 | 5.2 | 5.8 |
| Theme channels France | 77.8 | 87.6 | (2.3) | 0.7 |
| **Holding company & other** | **8.9** | **8.3** | **16.7** | **15.7** |
| **TOTAL** | **2,085.1** | **2,215.2** | **146.5** | **200.3*** |

* *Includes a gain of €27.1 million relating to reimbursement of CNC taxes.*

## QUARTERLY REVENUE AND CURRENT OPERATING PROFIT

The figures below are extracted from TF1 consolidated financial data, before the adjustments required by IFRS 5 (detailed in note 4 of the notes to the financial statement). They take into account the results from Eurosport International entities.

| *(€m)* | Q1 2013 | Q1 2012 | Q2 2013 | Q2 2012 | Q3 2013 | Q3 2012 | Q4 2013 | Q4 2012 |
|---|---|---|---|---|---|---|---|---|
| **Broadcasting and Content** | **386.1** | **435.8** | **458.1** | **471.9** | **346.7** | **346.0** | **534.7** | **555.6** |
| Broadcasting | 374.4 | 420.1 | 439.7 | 458.0 | 331.8 | 335.5 | 509.0 | 524.2 |
| Content | 11.7 | 15.7 | 18.4 | 13.9 | 14.9 | 10.5 | 25.7 | 31.4 |
| **Consumer Products** | **54.2** | **67.2** | **46.4** | **52.7** | **47.7** | **47.4** | **56.8** | **73.0** |
| TF1 Vidéo | 16.5 | 29.2 | 13.4 | 16.8 | 13.3 | 15.8 | 14.8 | 22.3 |
| Home Shopping | 28.1 | 30.5 | 20.3 | 26.0 | 18.5 | 18.3 | 18.6 | 24.5 |
| TF1 Entreprises | 9.6 | 7.5 | 12.7 | 9.9 | 15.9 | 13.3 | 23.4 | 26.2 |
| **Pay-TV** | **123.1** | **123.5** | **135.7** | **145.8** | **141.4** | **156.1** | **130.5** | **137.3** |
| Eurosport group | 103.7 | 101.9 | 115.8 | 123.1 | 123.0 | 135.8 | 110.4 | 114.3 |
| Theme channels France | 19.4 | 21.6 | 19.9 | 22.7 | 18.4 | 20.3 | 20.1 | 23.0 |
| **Holding company & other** | **2.2** | **2.1** | **2.2** | **2.2** | **2.2** | **2.2** | **2.3** | **1.8** |
| **CONSOLIDATED REVENUE** | **565.6** | **628.6** | **642.4** | **672.6** | **538.0** | **551.7** | **724.3** | **767.7** |
| **Broadcasting and Content** | **(25.9)** | **38.3*** | **54.5** | **52.0** | **2.7** | **(7.6)** | **70.3** | **77.4** |
| Broadcasting | (26.6) | 35.0* | 52.5 | 53.8 | (1.6) | (10.3) | 68.5 | 76.4 |
| Content | 0.7 | 3.3 | 2.0 | (1.8) | 4.3 | 2.7 | 1.8 | 1.0 |
| **Consumer Products** | **2.9** | **10.4** | **1.9** | **(0.5)** | **1.9** | **3.6** | **18.6** | **4.5** |
| TF1 Vidéo | 1.4 | 7.8 | 1.3 | (6.5) | (0.8) | 1.1 | (1.1) | (2.1) |
| Home Shopping | 0.9 | 2.2 | (0.5) | 4.8 | (1.1) | (0.6) | 14.9 | 0.4 |
| TF1 Entreprises | 0.6 | 0.4 | 1.1 | 1.2 | 3.8 | 3.1 | 4.8 | 6.2 |
| **Pay-TV** | **3.0** | **3.5** | **26.1** | **22.2** | **24.7** | **21.0** | **25.7** | **17.6** |
| Eurosport group | 3.1 | 4.2 | 27.6 | 22.6 | 24.0 | 19.7 | 27.1 | 17.1 |
| Theme channels France | (0.1) | (0.7) | (1.5) | (0.4) | 0.7 | 1.3 | (1.4) | 0.5 |
| **Holding company & other** | **4.3** | **3.8** | **4.0** | **4.2** | **4.2** | **3.3** | **4.2** | **4.4** |
| **CURRENT OPERATING PROFIT** | **(15.7)** | **56.0*** | **86.5** | **77.9** | **33.5** | **20.3** | **118.8** | **103.9** |

* *Includes a gain of €27.1 million relating to reimbursement of CNC taxes.*

## BROADCASTING AND CONTENT

| *Revenue (€m)* | 2013 | 2012 | Chg. % |
|---|---|---|---|
| **Broadcasting** | **1,654.9** | **1,737.8** | **-4.8%** |
| Advertising – TV | 1,487.6 | 1,566.0 | -5.0% |
| Advertising – other media | 83.7 | 83.7 | = |
| Other revenue | 83.6 | 88.1 | -5.1% |
| **Content** | **70.7** | **71.5** | **-1.1%** |
| **BROADCASTING & CONTENT** | **1,725.6** | **1,809.3** | **-4.6%** |

| *Current operating profit (€m)* | 2013 | 2012 | Chg. (€m) |
|---|---|---|---|
| **Broadcasting** | **92.8** | **154.9** | **(62.1)** |
| **Content** | **8.8** | **5.2** | **+3.6** |
| **BROADCASTING & CONTENT** | **101.6** | **160.1** | **(58.5)** |

The Broadcasting & Content segment posted revenue of €1,725.6 million, down 4.6% (€83.7 million) year-on-year.

The segment made a current operating profit of €101.6 million, versus €160.1 million in the year to December 31, 2012 (down €58.5 million), though the 2012 figure included a gain of €27.1 million from reimbursement of CNC taxes. The 2013 figure includes a provision for the sale of some of the rights to the FIFA World Cup, booked in the fourth quarter of 2013.

## BROADCASTING

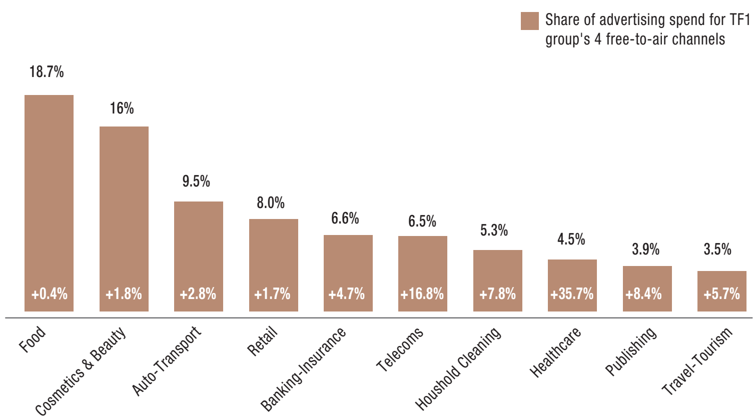
Broadcasting revenue to end 2013 declined by 4.8% (down €82.9 million) to €1,654.9 million. The figure comprises advertising revenues of €1,487.6 million for the Group's 4 free-to-air channels (down 5.0%) and €83.7 million for other media (stable year-on-year), and non-advertising revenue of €83.6 million (down 5.1%).

Current operating profit was €92.8 million, down €62.1 million on 2012, when a €27.1 million gain on reimbursement of CNC taxes was booked. The 2013 figure includes a provision for the sale of some of the rights to the FIFA World Cup, booked in the fourth quarter of 2013.

### ADVERTISING REVENUE(1)

The figures for plurimedia advertising spend in 2013 are detailed in chapter 3.1.3 page 88 of the present registration document and annual financial report.

**SPLIT OF GROSS ADVERTISING SPEND BY SECTOR FOR TF1 GROUP'S 4 FREE-TO-AIR CHANNELS, AND 2013 VS 2012 GROWTH**




*Source: Kantar Média - January-December 2013.*

Net advertising revenue for the Group's 4 free-to-air channels fell by 5.0% in 2013, but advertising revenue from other media was stable, thanks to growth in digital advertising and in TF1 Publicité third-party advertising airtime sales, offsetting lower revenue for Metro France.

After two quarters of declining advertising revenue for the Group's 4 free-to-air channels (down 13.0% and 4.9% respectively), the picture stabilised at zero growth in the third quarter and only a 1.8% fall in the fourth quarter.

Gross advertising market share in 2013 was 35.1%, down 1.4 points on 2012 for TF1 channel.

Advertising revenue from other media fell by 4.6% in the final quarter of 2013, after rising by 2.4% in the first nine months of the year, hit by lower revenue at Metro France.

### Free-to-air broadcasting

#### Market

Sales of televisions beat all records on completion of the transition to full digital in 2011, with 8.7 million units sold. Sales are now gradually returning to their previous level, with 5.7 million units sold in 2013[2].

Average daily TV viewing time remained high in 2013 at 3 hours 46 minutes for individuals aged 4 and over, 4 minutes less than in 2012. For the target audience of "women aged under 50 purchasing decision-makers", the figure was 3 hours and 49 minutes, 9 minutes less than in 2012.

The 6 new DTT HD channels launched on December 12, 2012 were accessible to over 67% of the French population on December 31, 2013. As of that date, these channels had a combined audience share of 2.3% among individuals aged 4 and over, and of 3.1% among "women aged under 50 purchasing decision-makers".

*(1) Plurimedia spend excluding sponsorship 2013 (6 media).*

*(2) GfK Retail & Technology – Annual sales in volume.*

## Audiences

In this more competitive marketplace, the TF1 group is for the first time the leading French broadcaster. The Group is striving successfully to provide its 4 channels with the most complementary and relevant range of programmes possible.

The combined audience share of the Group's 4 free-to-air channels to end December 2013 was 28.9% among individuals aged 4 and over, a rise of 0.5 of a point (or 1.8%) on 2012. For "women aged under 50 purchasing decision-makers", the combined audience share was 32.6%, versus 32.2% to end December 2012 (a 1.2% increase).

### *TF1*

The TF1 channel was the only major French channel to increase its audience share to end 2013, reaching 22.8% for individuals aged 4 and over (versus 22.7% to end 2012). Among "women aged under 50 purchasing decision-makers", the audience share was 25.2%, 0.3 of a point lower than at end 2012 (a fall of 1.2%). TF1 has therefore increased its lead over its nearest private sector rival to 12.2 points for individuals aged 4 and over (versus 11.5 points to the end of 2012) and 9.0 points for "women aged under 50 purchasing decision-makers" (versus 8.5 points). This performance reflects the channel's ability to deliver innovative, unmissable programmes.

These figures confirm TF1's unique position and status as the must-see channel. It recorded 99 of the 100 best audiences of 2013 (all programmes combined). It also achieved the best audience (all channels combined) with 13.6 million viewers for *Le spectacle des Enfoirés* (on March 15th), again beating its previous record. TF1 achieved audiences of 8 million on 51 occasions; it was the only channel to attract more than 9 million viewers (which it did on 14 occasions), and 3 programmes were watched by over 10 million viewers.

The average prime time audience for the TF1 channel in 2013 was 6.0 million; it was the most-watched channel in 9 out 10 evenings.

Innovation is enabling the channel to refresh its strong brands and increase the number of regular viewers. The editorial policy adopted by TF1, based on a popular, must-see offer, has propelled the channel into no. 1 position in all the programme genres it offers, helping it achieve:

- 99 of the 100 best audiences for TV news

TF1's *Journaux Télévisés* are still Europe's most popular news programmes. Efforts to modernise the Group's news output are bearing fruit, with the audience shares for televised news programmes up sharply to end 2013: audience share for the lunchtime news bulletin rose by 1.2 points to 44.0% for individuals aged 4 and over, while the evening news bulletin reached 27.4% of this audience (up 0.7 of a point year-on-year). TF1's news bulletins increased their lead over their closest rival, which widened to 3.7 million viewers for the lunchtime bulletin (up 0.3 million year-on-year) and to 1.8 million for the evening bulletin (up 0.3 million).

- 94 of the 100 best audiences for American series

Two series were successfully launched this year: *Unforgettable* and *Person of interest*, which drew up to 9.0 million and 7.5 million viewers respectively. Series like *Mentalist* and *Criminal Minds* (French title: *Esprit Criminels*) also posted very good audience figures (peaking at 9.4 million and 8.5 million respectively).

- 87 of the 100 best audiences for French drama

*Profilage* enjoyed a record season, with a peak of over 8.2 million viewers. The audience for drama grew by 500,000 from one season to the next. *Nos Chers Voisins* attracted up to 8.2 million viewers and *Pep's* up to 8.7 million.

- 78 of the 100 best audiences for entertainment and magazines

*Les Enfoirés* attracted 13.6 million viewers on March 15th.

*The Voice* was also a great success, bringing in up to 9.6 million viewers in its second season. Finally, *Canteloup* attracted up to 9.9 million viewers, a record for the programme.

- 57 of the 100 best audiences for movies

TF1 recorded the best audience for a movie since November 2010 with *Rien à déclarer* (10.0 million). *Avatar* had 9.7 million viewers.

Finally, the France v. Ukraine football match broadcast on November 19, 2013 achieved a TV audience of 13.6 million, the highest figure for a qualifier since 1993.

### *TMC*

In an intensely competitive environment, TMC had audience share of 3.4% among individuals aged 4 and over in 2013 (down 0.2 of a point year-on-year), rising to 3.7% among "women aged under 50 purchasing decision-makers" (versus 4.0% a year earlier).

TMC once again ranked as the no. 5 channel nationwide in 2013 and is still no. 1 among DTT channels with individuals aged 4 and over. In the evening slot, it is the nation's fourth most popular channel among "women aged under 50 purchasing decision-makers".

The channel enjoyed an average prime time audience of 800,000, stable year-on-year. Prime-time movies proved to be particularly popular, and TMC was the best performing of the DTT channels, averaging 1.0 million viewers. TMC had the highest audience figure for a DTT channel in 2013 for *Despicable Me* (French title: *Moi, moche et méchant*) (2.3 million viewers). TMC also broadcast the 2013 FIFA Confederations Cup, with 1.9 million viewers watching the Spain/Italy semi-final on June 27th.

TMC also achieved the highest audience figure for a DTT magazine programme with *90' enquêtes* (1.4 million viewers), and in the autumn of 2013 launched the magazine programme *Sans Aucun Doute*, which attracted up to 700,000 viewers in access prime time.

### *NT1*

NT1 again posted strong year-on-year growth to end December 2013 among "women aged under 50 purchasing decision-makers", as audience share reached 2.9% (up 7.4%). Among individuals aged 4 and over, audience share was stable year-on-year at 2.1%. These figures show that NT1 is proving resilient in the face of increased competitive pressure. The channel had an average prime time audience of 500,000 (versus 600,000 a year earlier).

NT1 attracted particularly high ratings for the reality show *Bachelor* (reaching 1.3 million viewers in prime time and 9% audience share among "women aged under 50 purchasing decision-makers"). NT1 also demonstrated the pulling power of its movie offer with 1.5 million viewers for *X-Men: The Last Stand* (French title: *X-men, l'affrontement final*) and of successful American series such as *Vampire Diaries* and *The Walking Dead*.

#### *HD1*

Launched on December 12, 2012, HD1 is the TF1 group's fourth free-to-air channel. Devoted to all forms of narrative, the channel was accessible to over 67% of the French population as of December 31, 2013.

At end 2013, HD1 was market leader among the 6 new HD channels launched in late 2012. In 2013, the channel achieved audience share of 0.6% among individuals aged 4 and over, and 0.8% among "women aged under 50 purchasing decision-makers".

The channel had an average prime-time audience of 141,000 and attracted the highest viewing of any of the 6 new HD DTT channels in 2013 with the movie *Braquage à l'Italienne (The Italian Job)* peaking at 494,000. HD1 also has the strongest brand recognition of these 6 channels[1].

Month after month, HD1 is building on the success of its launch, and adding further audience share.

#### *e-TF1*

e-TF1, the TF1 group's digital subsidiary, continued to innovate during 2013 *via* the launch of MYTF1 Connect, a live second-screen extension to MYTF1 and MYTF1News, and an ambitious new version of the MYTF1News website.

Online video once again performed very well on MYTF1.fr and WAT.tv. The TF1 group is the leading French media group in terms of time spent on video, ranking alongside the multinational giants[2], with over 9 million unique visitors watching an average of around 1 hour 10 minutes of videos per month.

The MYTF1 app is also going from strength to strength, with over 8.0 million downloads to end December 2013[3].

There was no let-up in the momentum of e-TF1 during 2013, with revenue up 1.3% year-on-year at €102.6 million.

This good performance was driven not only by higher revenue from online advertising, but also by a further rise in non-advertising revenue.

Topline growth coupled with ongoing cost control helped e-TF1 post current operating profit of €21.1 million to end 2013 (compared with €18.3 million a year earlier), taking current operating margin to 20.6% (versus 18.1% a year earlier, a rise of 2.5 points).

The success of e-TF1, in terms of both consumption and profitability, is a clear vindication of the TF1 group's digital strategy.

### Other media

#### Metro France

The print media advertising market contracted by 1.1% versus 2012[4]. Daily freesheets saw gross revenue drop by 1.8%[5].

Metro France continued to transform its model: on May 29, 2013 it changed its name, launching an "all media" news offer under the Metronews banner.

Metronews is the 2nd most-read daily newspaper in France, with nearly 2.9 million readers. The strategy adopted at the start of 2012 is paying off in terms of readership, with a significant increase of 2.2% since the last survey, thanks to the geographical rollout and the reverse publishing policy. The audience for the Metronews.fr site broke through the 3 million unique visitor mark in November 2013, reaching 3,108,000, a rise of 94% year-on-year[6].

Given the contraction in the print media market and strong competition, Metro France saw revenue and current operating profit fall in 2013.

#### TF1 Publicité (third-party advertising sales)

The third-party advertising airtime sales business continued to expand, with new additions both in radio (M FM) and TV (BeIN SPORT, Numéro 23).

## CONTENT

Revenue for the Content business was down slightly by 1.1% at €70.7 million to end 2013, with good performances by TF1 Production and TF1 Films Production outweighed by the fall-off in revenue at TF1 Droits Audiovisuels. Current operating profit for 2013 was €8.8 million, versus €5.2 million a year earlier.

### Movie market[7]

Cinema footfall reached 192.8 million in 2013, down 5.3% year-on-year. For the last four years footfall has been over 200 million.

The market share of French movies fell sharply to 33.3% in 2013, against 40.3% for 2012.

#### TF1 FILMS PRODUCTION[8]

In 2013, TF1 Films Production co-produced 19 movies shown on cinema screens, against 14 in 2012. Of these, 7 had exceeded the 1 million admissions mark by December 31 (against 8 in 2012).

*(1) Brand recognition observatory: add-on channels, 2013 wave, CSA.*
*(2) Source: Médiamétrie NetRatings – November 2013.*
*(3) Source: XiTi, estat Médiamétrie, iTunes Connect, Google Play.*
*(4) Source: Étude One 2012-2013 (July 1, 2012-June 30, 2013).*
*(5) Source: AdExpress/Metronews Universe.*
*(6) Source: NNR panel – November 2013 – UV ('000) – All localities.*
*(7) Source: CNC.*
*(8) Source: Écran Total.*

| Movie | General release date | No. of admissions 2013 *(in millions)* |
|---|---|---|
| BOULE & BILL | 27/02/2013 | 2.0 |
| 20 ANS D'ÉCART | 06/03/2013 | 1.4 |
| JAPPELOUP | 13/03/2013 | 1.8 |
| LES GAMINS | 17/04/2013 | 1.6 |
| LES PROFS | 17/04/2013 | 4.0 |
| LA CAGE DORÉE | 24/04/2013 | 1.2 |
| EYJAFJALLAJÖKULL | 23/10/2013 | 1.8 |

Co-production revenues rose as a result.

### TF1 DROITS AUDIOVISUELS

TF1 Droits Audiovisuels saw revenue fall to end 2013. 10 movies went on general release during 2013, compared with 15 a year earlier. However, TF1 Droits Audiovisuels did distribute the movie *Les Profs*, which was the best performing French movie of 2013, with 4.0 million admissions.

Current operating profit increased, thanks to strong sales for the movie catalogue and series.

### TF1 PRODUCTION

TF1 Production posted a slight year-on-year rise in revenue in 2013.

TF1 Production produced *Splash* and a scripted reality show (*Petits secrets entre voisins*) for TF1 channels and delivered the new *Crossing Lines* series to TF1 in the third quarter of 2013. It was TF1 Production that handled the production of the UEFA Euro 2012 football tournament.

Cost containment measures meant that current operating profit rose proportionately more than revenue during the period.

## CONSUMER PRODUCTS

| Revenue *(€m)* | 2013 | 2012 | Chg. % |
|---|---|---|---|
| TF1 Vidéo | 58.0 | 84.1 | -31.0% |
| Home shopping | 85.5 | 99.3 | -13.9% |
| TF1 Entreprises | 61.6 | 56.9 | +8.3% |
| **CONSUMER PRODUCTS** | **205.1** | **240.3** | **-14.6%** |

| Current operating profit *(€m)* | 2013 | 2012 | Chg (€m) |
|---|---|---|---|
| TF1 Vidéo | 0.8 | 0.3 | +0.5 |
| Home shopping | 14.2 | 6.8 | +7.4 |
| TF1 Entreprises | 10.3 | 10.9 | (0.6) |
| **CONSUMER PRODUCTS** | **25.3** | **18.0** | **+7.3** |

Revenue for the Consumer Products Division fell by 14.6% to €205.1 million, and current operating profit was €7.3 million higher at €25.3 million. The division's results incorporate the effects of the sale of Place des Tendances which was deconsolidated on November 5, 2013.

### TF1 VIDEO[1]

The Video market again contracted sharply in 2013. The physical video market declined by 16.7% by volume and 14.1% by value to €929.1 million. The main reasons for this were falls of 18.8% in revenues from DVD sales to €724.2 million and of 8.5% from Blu-ray sales to €204.9 million. Blu-ray represented 22.1% of video sales revenue in 2013, against 20.1% in 2012.

The VoD market also contracted in 2013.

In this very tough market, TF1 Vidéo posted revenue of €58.0 million, compared with €84.1 million in 2012. This €26.1 million reduction was largely due to the success of the movie *Intouchables*, which went on general release in 2012 and had a massively big impact on that year's results. New movies launched in 2013 did not have the same success as the star performers of 2012 like *Polisse, Foresty Party* and *La Vérité si je mens 3*. Bear in mind also the good performances from MYTF1VOD, which managed to introduce an ambitious strategy in 2013 in a market where there is heavy competition from illegal downloads. The number of sessions sold in 2013 was up 21% by volume year-on-year.

Current operating profit for the Video business rose by €0.5 million to €0.8 million. Bear in mind that although 2012 current operating profit was boosted by the performance of *Intouchables*, the effect was partially offset by restructuring costs under the job protection plan.

### HOME SHOPPING[2]

French consumers carried out more than 600 million transactions online during 2013, worth €51.1 billion. Total sales were up 13.5% year-on-year, while the number of transactions leapt by 17.5%.

The Home Shopping business generated revenue of €85.5 million in 2013, versus €99.3 million a year earlier, a fall of 13.9%.

*(1) CNC-GFK 2013 Physical Video Barometer.*

*(2) Fevad e-commerce review – France 2013.*

In an economic environment characterised by sluggish consumer spending, this fall was attributable mainly to reduced order volumes for the flagship Téléshopping brand, a less favourable product mix, and weaker revenue for the Infomercials activity. In addition, Place des Tendances has not been included in the consolidation since November 5, 2013.

Current operating profit reached €14.2 million in 2013, versus €6.8 million in 2012. The 2013 figure includes a non-recurring gain on the sale of Place des Tendances.

#### TF1 ENTREPRISES

TF1 Entreprises posted revenue of €61.6 million in 2013, up 8.3% on the previous year.

The current operating profit of TF1 Entreprises was €10.3 million, down slightly by €0.6 million on 2012.

All departments of the subsidiary performed well:

##### Games(1)

The games market has been stable in 2013 (-0,3%). TF1 Entreprises continued to grow its games business. *Boom boom Balloon* won the prize for the best new children's game at the 2013 "Grand Prix du Jouet" awards. TF1 Entreprises' market share fell to 7.0%, from 7.4% in 2012.

### PAY-TV

| Revenue *(€m)* | 2013 | 2012 | Chg. % |
|---|---|---|---|
| **Eurosport group*** | **452.9** | **475.1** | **-4.7%** |
| o/w Advertising | 90.2 | 98.6 | -8.5% |
| o/w Other revenue | 362.7 | 376.5 | -3.7% |
| **Theme channels France** | **77.8** | **87.6** | **-11.2%** |
| o/w Advertising | 17.5 | 27.2 | -35.7% |
| o/w Other revenue | 60.3 | 60.4 | -0.2% |
| **PAY-TV** | **530.7** | **562.7** | **-5.7%** |
| * *o/w Eurosport International* | *385.8* | *406.0* | *(20,2)* |
| *o/w advertising* | *81,2* | *88,8* | *(7,6)* |
| *o/w other revenues* | *304,6* | *317,2* | *(12,6)* |

| Current operating profit *(€m)* | 2013 | 2012 | Chg. (€m) |
|---|---|---|---|
| **Eurosport group*** | **81.8** | **63.6** | **+18.2** |
| **Theme channels France** | **(2.3)** | **0.7** | **(3.0)** |
| **PAY-TV** | **79.5** | **64.3** | **+15.2** |
| * *o/w Eurosport International* | *76,6* | *57,8* | *+18.8* |

Pay-TV segment revenue for 2013 was €530.7 million, down 5.7%.

Current operating profit was sharply higher at €79.5 million, against €64.3 million in 2012 (up €15.2 million).

##### Music(2)

After contracting for 12 years running, the music market grew by 2.3% to €603.2 million. Physical sales were 1.0% higher, while the digital market increased by 0.5% to €125 million, representing 25.5% of sales. Associated rights were up 8.9%. Against this background, TF1 Entreprises had a very fine year, driven both by its own productions and co-productions (*Thérèse*, *Les Stentors*, etc.), the success of partnerships (*Céline Dion, Johnny Hallyday,* etc.), co-produced live shows (*Disney on Ice, Cirques phénix*), and show production (*Stars 80, The Voice* roadshow, etc.).

##### Licences

TF1 Entreprises continued to exploit its licence portfolio effectively (*Mille Bornes*, *Hello Kitty*), including some spin-offs from TF1 channel programming (*The Voice, Masterchef*).

##### Publishing

Since 2011, TF1 Entreprises has been developing successful collections like the *Tintin* figurines (more than 2 million sold) and *Barbapapa*, and has been expanding abroad with the *Laurel and Hardy* collection in Germany, and *DC Chess* in New Zealand and Great Britain.

Finally, in 2013 TF1 Entreprises set up a structure to operate venues in the entertainment hub being created in the Cité Musicale on the Île Seguin near Paris, due to be inaugurated at end 2016.

#### EUROSPORT GROUP

Eurosport group revenue was down €22.2 million (or 4.7%) year-on-year at €452.9 million.

Non-advertising revenue was 3.7% lower year-on-year, at €362.7 million, due to difficulties in the Spanish market and in Scandinavia, partially offset by the channel's success in Eastern and Central Europe and the growth of Eurosport Asia-Pacific.

The strong sporting calendar of 2012 (UEFA Euro 2012 football tournament and the London Olympics) proved a tough comparative. As a result, Eurosport's advertising revenue fell by 8.5% year-on-year in 2013 to €90.2 million (after a 15.6% rise in 2012).

Profitability at Eurosport is continuing to improve, with current operating profit rising by €18.2 million year-on-year to €81.8 million. Operating margin was 18.1% in 2013, up 4.7 points year-on-year.

In the fourth quarter of 2013, Eurosport revenue fell 3.4% to €110.4 million. Current operating profit rose by €10.0 million to €27.1 million thanks to very good cost control, giving operating margin of 24.5%, versus 15.0% in the fourth quarter of 2012.

*(1) Source: The NPD group.*
*(2) Source: SNEP (Syndicat National de l'édition Phonographique).*

### Operating performance

At end 2013, the Eurosport channel was being received by 132.8 million households in Europe, 1.0 million more than at end 2012. The number of paying households was up 0.3%.

The HD rollout continued, extending to 32.2 million homes (up 32.5%). Eurosport 2 is now received by 68.1 million households (up 8.8%) and Eurosport 2 HD by 16.6 million households (up 59.6%). Eurosport Asia-Pacific is available to 9.3 million households, against 7.6 million at end 2012. Eurosportnews is received by 2.4 million households.

In an increasingly fragmented market that remains fragmented, TV audiences contracted slightly, by 0.8%, though this is to be seen in the light of the rich sporting calendar in 2012, with the London Olympics in the summer. However, the decline in audiences during 2013 was limited, thanks to a strong winter sports season and the other stalwarts of Group channels (Alpine skiing World Championships, Roland Garros, African Cup of Nations, etc.).

Internet audiences also grew, placing Eurosport in the top flight of sport programming networks[(1)].

With 14 local versions on its website, the Eurosport network was attracting an average of 3.7 million unique visitors to end December 2013[(2)], up 12.2% year-on-year.

During 2013, the partnership launched at end 2012 with Discovery Communications fed through into a number of operational and organisational initiatives. In addition, TF1 and Discovery Communications signed an agreement in January 2014 under which Discovery was to become the majority shareholder of Eurosport International in the near future.

## THEME CHANNELS FRANCE[(3)]

At a time when the range of free-to-air channels in France is increasing, pay-TV channels as a whole had a 10.8% audience share to end December 2013, down 0.4 of a point year-on-year.

TF1 theme channel revenue for 2013 was €77.8 million, down 11.2% year-on-year, reflecting a €9.7 million reduction in advertising revenue.

The division posted a current operating loss for 2013 of €2.3 million, against a profit of 0.7 million in 2012. The improvement in the cost base, particularly on LCI and the Découverte Division channels, has to some extent offset the drop in revenue in 2013.

### LCI

LCI is maintaining an editorial stance focused on analysis and explanation of news stories. The channel also continues to offer strong brands like Le Club LCI. In response to falling advertising revenue, LCI is continuing to adjust its cost base.

### TV Breizh

TV Breizh confirmed its position as the leading general interest mini-channel on cable and satellite, with audience share of 1.2% among individuals aged 4 and over, rising to 1.4% among "women aged under 50 purchasing decision-makers".

Since March 2013, the channel has been transmitted from the TF1 site in Boulogne, rather than its historical base in Lorient.

In a tough competitive and economic context, TV Breizh reported a fall in both revenue and operating profit in 2013.

### Histoire, Ushuaïa, Stylía[(4)]

Since April 2013, the Découverte channels have also been transmitted from the TF1 site in Boulogne-Billancourt rather than from their historical base in Lorient.

Ushuaïa TV is maintaining its editorial policy, with the emphasis on adventure and discovery; this policy is paying off, with the channel enjoying the highest brand recognition in the discovery/lifestyle segment.

Histoire is continuing to focus on its editorial policy and on building awareness of its brand as the benchmark history channel on cable, satellite and ADSL. The channel has moved up one place to 6th in the brand recognition rankings for the discovery/lifestyle segment.

Finally, Stylía continues to base its editorial policy on women's lifestyle issues.

The division's revenues are proving resilient in a challenging market, and cutting the cost base has helped the division improve margins substantially.

### TF6 and Serieclub

Full-year revenue and current operating profit for these two channels – owned 50/50 by TF1 and M6 – were down year-on-year.

TF6 continues to add new first-run series and new entertainment shows. The channel's audience share is 0.6% among individuals aged 4 and over, rising to 1.3% among "women aged under 50 purchasing decision-makers".

Serieclub has been pulling in excellent audiences thanks to ambitious scheduling of first-run series, and is one of the fastest-growing French pay-TV channel among "women aged under 50 purchasing decision-makers". The channel has a 1.1% share of this audience (versus 0.8% a year earlier). Among individuals aged 4 and over, the audience share also increased (by 0.1 of a point, to 0.6%).

*(1) Source: ComScore Networks, 1st site in Europe with 17.5 m UV in November 2013.*
*(2) Source: Nedstats, UV cookies on internet.*
*(3) Source: Médiamat'Thématik (January 25, 2013-June 2013 wave) Pay-TV universe.*
*(4) Brand recognition observatory: add-on channels, 2013 wave, CSA Institute.*

### HOLDING COMPANY AND OTHER

| Revenue *(€m)* | 2013 | 2012 | Chg. % |
|---|---|---|---|
| Holding company & other | 8.9 | 8.3 | +7.2% |

| Current operating profit *(€m)* | 2013 | 2012 | Chg. (€m) |
|---|---|---|---|
| Holding company & other | 16.7 | 15.7 | +1.0 |

The "Holding company & other" segment, which includes the Group's property and transmission entities, posted revenue of €8.9 million (up 7.2%) and current operating profit of €16.7 million (an increase of €1.0 million).

The bulk of this segment's revenue is generated internally. However, its current operating profit includes all margin generated by entities in the segment.

## 3.2.2 OUTLOOK

For the TF1 group 2013 was a highly satisfactory year in terms of editorial performance and audience figures but more difficult in economic terms. However, despite the deeply disturbed environment, the Group managed to preserve its operating profitability.

2014 will be an atypical year, with a rich programme of major events to be broadcast on the Group's channels. It will be a year of elections, both municipal and European, and of World War commemorations, with the centenary of the First World War and the 70th anniversary of the Liberation of France in the Second World War. 2014 will also be the year of the Football World Cup in Brazil, the rights to which, acquired in 2005 for €130 million, will weigh on the Group's profitability.

The TF1 group is likely to be operating in an economic environment characterised by an absence of signs of recovery, continuing poor visibility and a declining television advertising market. 2014 will mark the completion of phase II of the optimisation plan, with a further €29 million of recurring savings to be generated by the end of the year.

2014 will probably also see the sale of 31% of Eurosport International to Discovery Communications, after the sale of an initial 20% in 2012.

2014 is therefore destined to be an important transitional year which will lay the foundations for the TF1 group's future growth.

Aware of the challenges ahead, freed of constraints, keen to create and seize new opportunities, and supported by a solid financial structure, the TF1 group is mobilised to continue its transformation by shifting its business, its model and its profitability up a gear, and making growth a priority.

### IDENTIFYING THE CHALLENGES

Knowing what is at stake and how much is at stake, we have identified the challenges to be overcome:

- an uncertain economic environment and trading conditions that are likely to remain lacklustre for some time to come;
- intense competition;
- regulations that continue to be restrictive;
- the arrival of new international players in September 2014.

### NEWFOUND AGILITY

To meet these challenges, the Group has revitalised itself, thanks to the work that has been done over recent years.

Since 2007, the contours of the Group have evolved considerably. At the same time, the Group has improved its ability to anticipate and strengthened its ability to act.

The TF1 group now has a multi-channel offering characterised by the recent moves towards complementary scheduling and circulation of rights, with a digital offering deployed across all platforms.

In audiovisual rights, the Group has gained flexibility with the ending of volume deals with producers. The Group's strategy has also evolved in the area of sports rights, which have been abandoned or renegotiated on a new economic basis, such as the French national football team rights.

Innovation is key in all aspects of the business – channels, customer service and digital.

All the changes that have been ongoing for several years – the rationalisation of structures and operations, and the two phases of the optimisation plan (€211 million of savings generated between 2008 and 2013, €29 million more to be generated in 2014) – are important for the years to come because they are making the TF1 group more responsive and better able to meet new challenges.

### GENUINE STRENGTHS

The readiness to take up new challenges is backed by rigorous management, a tighter organisation, rationalised operations and financial solidity.

Alone or with the help of first-rate partners, the TF1 group is now in a position to make long-term investments in new, complementary and original businesses, either through organic growth or via acquisitions.

### MANY OPPORTUNITIES

More than ever, the Group now needs to move up a gear and be ready to seize all organic and external opportunities that arise.

First of all, the Group will be working to strengthen the identity of each of its channels, being careful to maximise their complementarity and optimise synergies between them, particularly in terms of audiovisual rights exploitation, while complying with undertakings made to the relevant authorities.

In order to secure content for the various channels, the Group will be pursuing its investment policy, alone or in partnership, or via in-house productions, while maintaining tight cost control.

In 2015, under the terms of the undertakings made to the competition authorities, the TF1 group will have to rethink its commercial offering.

The Group will continue to develop ever closer relations with all its audiences. The arrival of new technologies is opening up new prospects for intensifying links with individual consumers on all available platforms.

In addition, the Group is paying particular attention to external development opportunities via in-depth analysis of certain markets, exploring the progress of new technologies (in the field of advertising for example), and anticipating new trends.

### CLEAR PRIORITIES

The priority of the TF1 group is to create value for its shareholders.

The probable sale in 2014 of 31% of Eurosport International to Discovery Communications will strengthen the liquidity of the TF1 group, which will be careful to maintain its solid financial structure.

The Group will also use its cash to support two other ambitions: growth, which may be achieved organically – if necessary bolstered by acquisitions – and providing a return to shareholders.

Prudence and determination will continue to be the watchwords for action in 2014, confirming the stance adopted by the Group in recent years.

### CORPORATE RESPONSIBILITY

Aware of its responsibilities as a leading media group, TF1 incorporates corporate social responsibility into its strategic planning.

On the environment, the Group takes care that its productions, products and innovations build sustainable development into their design and use.

In industrial relations, the Group ensures that it offers a high quality working environment and tackles discrimination. The awarding and re-awarding of the Diversity Label attest to the Group's continuing efforts in this area.

In terms of social impact, key issues are the quality of the news produced and broadcast on the Group's channels and websites, and making sure that all programmes comply with the undertakings made to the authorities.

The Group's corporate responsibility policy is also based on applying ethical and responsible principles vis-à-vis all stakeholders.

2014 will also see further developments around the economic contribution of the TF1 group and consideration of its role in society.

Finally, the Group will continue to play a federating role in the profession through its management of the Media CSR Forum, which produces sector indicators for media companies and disseminates good industry practice.

### REAFFIRMED AIMS

The TF1 group will continue to strengthen its dual role as France's leading news and entertainment group.

The strategic choices it has made have paid off: the Group has now been transformed and has provided itself with the resources to realise its aims.

Rigorous day-to-day management is proving to be the best guarantee of future growth, which will be achieved by seizing or creating new opportunities to consolidate multimedia offerings and develop multi-channel offerings.

## 3.2.3 POST BALANCE SHEET EVENTS

Further to the agreements signed on January 21, 2014, Discovery Communications is shortly to acquire an additional 31% equity interest in Eurosport SAS (see § 1 of the notes to the consolidated financial statements on page 117 of the present registration document and annual financial report).

## 3.2.4 THE ROLE OF TF1 *VIS-Ã-VIS* ITS SUBSIDIARIES AND RELATIONS WITH THE PARENT COMPANY

The positions held by TF1 Executive Directors in the principal subsidiaries are disclosed on page 6 of the registration document and Annual Financial Report.

The TF1 group comprises about 40 directly or indirectly owned operating subsidiaries (see the organisation chart on page 216 of this registration document), most of them located in France.

The role of TF1 is to define the overall strategic priorities of the Group, and to provide leadership in areas such as identifying synergies and standardising procedures. It also provides corporate support functions to its subsidiaries in fields such as management, human resources, advisory services and finance. These services are invoiced by TF1 to the subsidiaries involved; for details, refer to the disclosures about related-party agreements on page 286 of the registration document and Annual Financial Report and to the Statutory Auditors' report on such agreements (page 202 of the registration document and annual financial report).

For information about services provided by Bouygues to TF1, refer to the disclosures about related-party agreements on page 287 of the registration document and Annual Financial Report and to the Statutory Auditors' report on such agreements (page 202 of the registration document and annual financial report).

From a financial standpoint, TF1's Treasury Department manages and pools the cash positions of all the Group's subsidiaries owned at 50% or more, except for Serieclub which treasury management and financing are handled by M6, and real estate subsidiaries Perelie and Firelie.

## 3.2.5 THE TF1 PARENT COMPANY

### RESULTS OF TF1 SA

In 2013, TF1 SA (the parent company) generated revenue of €1,275.1 million (down 6.0% versus 2012), comprising €1,261.7 million of advertising revenue (down 5.8%). Operating profit for the year increased by €9.1 million to €84.5 million.

The parent company reported net financial loss of €38.9 million in 2013 (versus a profit of €32.2m in 2012).

Net profit for the year was €16.9 million, versus €120.5 million in 2012.

Expenses falling within the scope of Article 39-4 of the French General Tax Code, which are non-deductible for corporate income tax purposes, amounted to €254,514 in the year ended December 31, 2013. These expenses will be submitted to the Annual General Meeting for approval, in accordance with Article 223 *quater* of the French General Tax Code.

### APPROPRIATION OF PROFITS

In the resolutions submitted for your approval, we are asking you to approve the individual financial statements and the consolidated financial statements for the year ended December 31, 2013 and, and, having noted the existence of distributable profits of 316,868,711.42, comprising net profit for the period of €16,937,937.71 and retained earnings of €299,930,773.71, to appropriate this sum as follows, as proposed by the Board of Directors:

- distribution of a cash dividend of €116,193,007.15 (*i.e.* a dividend of €0.55 per €0.20 par value share);
- the balance of €200,675,704.27 to be carried forward as retained earnings.

The ex-date of the dividend on the Euronext Paris market will be April 24, 2014. The date of record (*i.e.* the day at the end of which the postsettlement positions entitled to the dividend are determined) will be April 28, 2014. The payment date of the dividend will be April 29, 2014.

We are also asking for your authority to transfer to retained earnings the amount of dividend accruing to any of its own shares that TF1 may hold, in accordance with Article L. 225-210 of the French Commercial Code.

The amount of dividend distributed in respect of the three previous financial years was as follows:

| Year ended | Net dividend per share |
|---|---|
| December 31, 2010 | €0.55 |
| December 31, 2011 | €0.55 |
| December 31, 2012 | €0.55 |

### ANALYSIS OF TF1 SA TRADE CREDITORS BY DUE DATE

The table below gives disclosures about trade creditors by due date, as required by Articles L. 441-6-1 and D. 441-4 of the French Commercial Code.

In most cases, TF1 SA applies agreed payment terms of 45 days from the end of the month in which the supplier invoice was issued.

| *(€m)* | Dec. 31, 2013 | Dec. 31, 2012 |
|---|---|---|
| **Total trade creditors** | **234.0** | **284.0** |
| **Total trade creditors used in the analysis*** | **181.7** | **255.2** |
| Of which non past due | 176.6 | 247.9 |
| Of which past due | 5.1 | 7.3 |
| *Of which past due by less than 30 days* | *2.3* | *4.6* |
| *Of which past due by between 30 and 90 days* | *0.8* | *0.4* |
| *Of which past due by more than 90 days* | *2.0* | *2.3* |

* *The trade creditors total included in the analysis as of December 31, 2013 comprises all trade creditors except for trade bills payable, which amounted to €52.3 million (compared with €28.8 millions of December 31, 2012).*

## 3.2.6 PRINCIPAL ACQUISITIONS AND DIVESTMENTS

### NEWLY CONSOLIDATED ENTITIES, CHANGES IN SCOPE OF CONSOLIDATION AND ACQUISITIONS OF EQUITY INTERESTS

#### SALE OF PLACE DES TENDANCES

On November 5, 2013, the TF1 group sold its entire equity interest in Place des Tendances (representing 80% of the capital), and the associated receivables, to Printemps Holding France SAS. The impact of this sale is recognised in current operating profit for the year ended December 31, 2013.

Place des Tendances generated revenue of €8.7 million and an operating profit of €0.3 million in the first 10 months of 2013 (versus revenue of €9.4 million and an operating loss of €1.6 million in the year ended December 31, 2012).

### TF1 SA OTHER COMMITMENTS

As a result of the partnership agreement signed in December 2012 (see the shareholders' agreement on page 235, chapter 6 of this 2013 registration document and annual financial report) and the further agreements signed on January 21,2014 with the Discovery Communications group, the following commitments were entered into:

**a.** The Discovery Communications group committed to acquiring, once clearance is obtained from the competition authorities, a 31% interest in Eurosport SAS (the parent company of the Eurosport group), there by taking its equity interest in that company to 51%;

**b.** Before the above commitment is effectively fulfilled, TF1 SA or any of its subsidiaries is committed to acquiring an 80% equity interest in Eurosport France, and to granting Eurosport SAS a right to buy out the investment in Eurosport France exercisable between January 1, 2015 and December 31, 2017.

The details of the commitments given and received with Discovery are presented in note 5.1 of the notes to the parent company financial statements on page 192 of the present registration document and annual financial report.

# 3.3 AVAILABLE INFORMATION IN OTHER PART OF THE REGISTRATION DOCUMENT

## 3.3.1 RISKS FACTORS AND REPORT ON REMUNERATION

With regard to risk factors and compensation of the Executive Director, see chapter 2, pages 62-77 of the registration document.

## 3.3.2 HUMAN RESOURCES AND ENVIRONMENT UPDATE

With regard to human resources and environment update, see chapter 7, pages 258-279 of the registration document.

## 3.3.3 INFORMATION CONCERNING THE TF1 COMPANY AND ITS CAPITAL

With regard to Information concerning the TF1 company and its capital, see chapter 6, pages 215-240 of the registration document.

# 3.4 STATEMENT OF COMPANY OPERATIONS OVER THE LAST FIVE BUSINESS YEARS

| Nature of indicators *(in €)* | 2009 | 2010 | 2011 | 2012 | 2013 |
|---|---|---|---|---|---|
| **I – End of year financial position** | | | | | |
| a) Company capital | 42,682,098 | 42,682,098 | 42,206,601 | 42,124,864 | 42,252,003 |
| b) Number of shares issued | 213,410,492 | 213,410,492 | 211,033,003 | 210,624,321 | 211,260,013 |
| c) Number of convertible bonds | | | | | |
| **II – Overall operational results** | | | | | |
| a) Turnover excluding taxes | 1,376,578,316 | 1,484,569,148 | 1,447,246,247 | 1,356,804,475 | 1,275,062,633 |
| b) Profits before tax, employee participation, liquidations and provisions | 201,671,020 | 225,847,859 | 210,521,154 | 101,904,156 | 121,264,543 |
| c) Tax on profits | (17,671,273) | 33,468,225 | 45,163,305 | 17,693,069 | 16,963,332 |
| d) Employee participation | 256,981 | 4,645,162 | 4,620,881 | 1,761,302 | 312,086 |
| e) Profits after tax, employee participation, liquidations and provisions | 198,396,034 | 157,208,740 | 114,484,653 | 120,521,749 | 16,937,938 |
| f) Amount of profits distributed | 91,766,512 | 117,375,771 | 116,013,152 | 115,658,171 | 116,193,007(1) |
| **III – Operational results per share** | | | | | |
| a) Profits after tax and employee participation but before liquidations and provisions | 1.03 | 0.88 | 0.76 | 0.39 | 0.49 |
| b) Aggregate employment earnings | 0.93 | 0.74 | 0.54 | 0.57 | 0.08 |
| c) Expenditure on benefits | 0.43 | 0.55 | 0.55 | 0.55 | 0.55(1) |
| **IV – Employees** | | | | | |
| a) Number of employees(2) | 1,597 | 1,604 | 1,633 | 1,562 | 1,636 |
| b) Total payroll costs(3) | 118,312,622 | 120,882,687 | 124,695,330 | 147,100,157 | 130,600,972 |
| c) Total of employee benefit costs | 69,307,854 | 64,780,999 | 61,269,845 | 67,676,216 | 60,215,561 |

*(1) Dividend submitted for approval to the General Meeting of April 17, 2014.*
*(2) Permanent Contracts.*
*(3) Included expenses to be cashed out.*