



Press release



FY 2009 operating profit: €101 million
FY 2009 net profit: €115 million

Consolidated revenue: 1% growth in Q4 2009
Operating margin: 9.2% in Q4 2009

Boulogne, February 18, 2010

The TF1 Board of Directors, chaired by Nonce Paolini, met on February 17, 2010 to adopt the financial statements for the year ended December 31, 2009.

Consolidated Figures (€m)	2009 9 months	2008 9 months	Change (%)	Q4 2009	Q4 2008	Change (%)	2009	2008	Change (%)
Revenue	1,628	1,864	-13%	737	731	+1%	2,365	2,595	-9%
<i>Incl. TF1 Channel advertising</i>	967	1,188	-19%	462	460	+1%	1,429	1,647	-13%
<i>Incl. Other activities</i>	661	676	-2%	275	271	+1%	936	948	-1%
Operating profit	33	130	-75%	68	47	+45%	101	177	-43%
Cost of net debt	-15	-20	+25%	-7	-2	ns	-22	-22	0%
Net profit attributable to the Group	51	111	-54%	64	53	+21%	115	164	-30%

Like all European media groups, TF1 was hit by the effects of the economic crisis in 2009, while at the same time coping with profound changes in the French media landscape. For TF1, this was a year marked not only by rigorous management in all areas but also by a host of initiatives, helping the Group adapt to change while continuing to deploy its medium-term strategy.

Still the clear leader in a changing market

In terms of audience ratings, TF1 confirmed its status as the clear market leader in France during 2009, with audience shares of 26.1% among individuals aged 4 and over and 29.8% among women aged under 50 purchasing decision-makers. TF1 recorded 96 of the top 100 audiences, and was the only French channel to attract more than 9 million viewers – a feat it achieved on 23 occasions. In 2009, TF1 was once again the main channel for major events, with the *Les Enfoirés font leur Cinéma* concert attracting the year's biggest audience (12.3 million viewers) and the France vs. Ireland match watched by 11.7 million.

1% growth in consolidated revenue in the fourth quarter

Total revenue generated by the TF1 Group in 2009 amounted to €2,365m, a year-on-year fall of 9%.

TF1 channel advertising revenue for the year was down 13% at €1,429m, reflecting the troubled economic climate and increased competition from DTT channels.

In the fourth quarter of 2009, TF1 channel advertising revenue returned to growth, rising by 1%.

Diversification revenues were €936m, down 1%, with the various businesses experiencing contrasting fortunes.

Revenue by segment (€m)	2009	2008	Change (%)
Broadcasting France	1,893	2,104	-10%
Audiovisual Rights	151	174	-13%
Broadcasting International	319	316	+1%
Other Activities	2	1	ns
Total TF1 Group	2,365	2,595	-9%

Within the **Broadcasting France** segment, the Télèshopping, e-TF1 and pay-TV theme channel businesses were hit by the deteriorating economic environment. However, the top line was sustained by subscription revenue and the performance of TMC. Over the year as a whole, TMC continued to grow, raising its share of the audience among individuals aged 4 and over to 2.9%, versus 2.3% a year earlier. TMC was France's leading DTT channel in 2009, and retained its ranking as the no.7 channel in France overall.



The **Audiovisual Rights** segment reported a 13% drop in full-year revenue to €151m, with TF1 Vidéo coming under heavy price pressure.

The **Broadcasting International** segment saw revenues rise by 1% to €319m. New product launches, technological innovations and the acquisition of new rights helped drive subscription revenues up 9%, offsetting the effect of lower advertising revenues.

€155m of savings in 2009, including €74m under the optimisation plan

TF1 channel **programming costs** for the year ended December 31, 2009 totalled €927m, compared with €1,032m in the previous year. This reduction of €105m, or 10%, can be explained by the following factors:

- €54m was due to the absence of major sporting events in 2009;
- €51m was due to schedule optimisation and programming cost reductions, and €35m of these savings can be regarded as recurring.

All Group entities made major efforts to optimise their structures and costs, generating a further €50m of savings, of which €39m can be regarded as recurring.

This means that overall, **the TF1 Group achieved €74m of recurring savings under the 2009 optimisation plan**, beating its initial full-year target of €60m, announced in February 2009.

Operating profit of €101m

Operating profit for the year ended December 31, 2009 was down €75m at €101m, with the cost savings of €155m absorbing some of the €230m erosion in revenues.

Broadcasting France reported an operating profit of €88m, down 47% year-on-year.

Audiovisual Rights posted a €23m loss, due mainly to the commercial squeeze on margins in the video business. The audiovisual rights strategy adopted by TF1 in 2009 involved strengthening its position in the video and cinema markets through partnerships with Sony Pictures Home Entertainment and UGC Images.

Broadcasting International made an operating profit of €41m, up 52%, thanks to a fine performance by Eurosport International.

Operating profit by segment (€m)	2009	2008	Change (%)
Broadcasting France	88	165	-47%
Audiovisual Rights	-23	-11	ns
Broadcasting International	41	27	+52%
Other Activities	-5	-4	ns
Total TF1 Group	101	177	-43%

Overall, the TF1 Group generated **operating margin of 4.3%** over the full year, against 6.8% in 2008.

In the **fourth quarter of 2009**, the TF1 Group achieved **operating margin of 9.2%**, against 6.4% for the comparable period of 2008, on a flat revenue figure.

Net profit of €115m

The **cost of net debt** was virtually unchanged year-on-year at €22m.

Other financial income and expenses showed a net gain of €36m for the year ended December 31, 2009, arising mainly from the remeasurement at fair value of the put option over the 9.9% interest in Canal+ France held by the TF1 Group until December 28, 2009.

Net profit attributable to the Group was €49 million lower than for the previous year at €115m.

Sound balance sheet

As of December 31, 2009, **shareholders' equity stood at €1,396m**.

The Group has a **positive net cash position of €73m**.

The Board will ask the Shareholders' Annual General Meeting, scheduled for April 15, 2010, to approve a **dividend of €0.43 per share**, giving a payout ratio of 80%. The ex-date, record date and payment date will be April 28, April 30 and May 3, respectively.

2010 Guidance

In a market where visibility remains poor, TF1 expects 2010 to be another year of economic uncertainty. Against this background, the Group has set a target of 2% revenue growth.

During 2010, the TF1 Group will continue to adapt its business model and develop new activities by:

- integrating TMC and NT1 into the Group once CSA clearance has been obtained;
- building the Group's presence in new media, with a particular focus on relationships with its viewers;
- continuing the partnership policy, in particular with Française des Jeux, UGC, Sony and Samsung.

Corporate Governance

Following the resignation of Patrick Le Lay as a Director, the Board of Directors – acting on a proposal from the Director Selection Committee – has co-opted Claude Berda (Director, Chairman and Chief Executive Officer of the AB Group) to serve as a Director.

On behalf of all the Directors, Nonce Paolini thanked Patrick Le Lay for his work as a Director and for all that he has accomplished in over 20 years as a member of the TF1 executive management team.

Compensation of Corporate Officers

In accordance with the AFEP-MEDEF recommendations, information about the compensation of corporate officers and the granting of stock options is being published today on the www.TF1finance.com website, in the Corporate Governance / Compensation of Corporate Officers section.

The financial statements have been audited, and the statutory auditors are in the process of issuing an unqualified audit opinion.

For a full set of provisional financial statements including notes, go to the www.TF1finance.com website.

You can follow a live webcast of the presentation of 2009 full-year results to analysts, starting at 11 a.m. Paris time on February 18, 2010, on the www.TF1finance.com website.

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TF1 is listed on Euronext Paris – Eurolist Compartment A – ISIN code: FR0000054900
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ACTIVITY REPORT

FULL-YEAR 2009

February 18th 2010

The financial statements have been audited, and the statutory auditors are in the process of issuing an unqualified audit opinion.

1. Activity of the TF1 Group in 2009

CONSOLIDATED INCOME STATEMENT IN MANAGEMENT ACCOUNTING FORMAT

(€m)	2009	2008
TF1 Channel		
Advertising revenue	1,429.4	1,647.3
Advertising costs	(71.7)	(79.0)
NET BROADCASTING REVENUES	1,357.7	1,568.3
Royalties and contributions		
Royalties	(54.8)	(63.6)
CNC	(77.6)	(87.3)
Tax on broadcast advertising	(9.3)	(0.0)
Broadcasting costs		
TDF, satellites, transmission costs	(51.5)	(54.0)
Programming costs (excluding one-off sporting events)	(926.9)	(978.2)
Programming costs – one-off sporting events	-	(53.9)
GROSS PROFIT	237.6	331.3
Diversification revenue and other revenues from operations	933.2	946.0
Other operating expenses	(955.6)	(953.7)
Depreciation, amortisation and provisions, net	(113.9)	(147.1)
OPERATING PROFIT	101.3	176.5
Cost of net debt	(22.3)	(22.4)
Other financial income and expenses	36.2	40.9
Income tax expense	(15.3)	(40.8)
Share of profits/(losses) of associates	14.6	9.6
NET PROFIT FROM CONTINUING OPERATIONS	114.5	163.8
NET PROFIT	114.5	163.8
Net profit attributable to the Group	114.4	163.8
Net profit attributable to minority interests	0.1	0.0

Like all European media groups, TF1 was hit by the effects of the economic crisis in 2009, while at the same time coping with profound changes in the French media landscape. For TF1, this was a year marked not only by rigorous management in all areas but also by a host of initiatives, helping the Group adapt to change while continuing to deploy its medium-term strategy.

Revenue

The TF1 Group generated revenue of €2,364.7m in 2009, down 8.9% on the previous year.

Advertising revenue for the TF1 channel was 13.2% lower at €1,429.4m.

Diversification revenue was down 1.3% at €935.3m. This fall was also due to the effect of adverse economic conditions on advertising revenue, especially for pay-to-view theme channels, e-TF1 and Eurosport International.

Excluding advertising, diversification revenue held steady at €760.1m, thanks largely to growth in subscription revenues for pay-to-view theme channels, especially Eurosport International.

The geographical split of revenues was: France 85.3%, rest of the European Union 10.7%, other countries 4.0%.

Optimisation plan

Programming costs

Throughout 2009, we have been working to optimise programming costs by renegotiating the unit cost of programmes, limiting our commitments, and making better use of programme stocks.

Despite these optimisation efforts, we nonetheless maintained highly satisfactory audience figures, vindicating our new scheduling management strategy. While the primary objective of our programme schedules is always to give satisfaction to our viewers and generate high audience ratings, we also need to strike the right balance between audience ratings, programming costs, advertising revenue, and seasonal trends.

Over 2009 as a whole, programming costs for the TF1 channel amounted to €926.9m, representing year-on-year savings of €105.2m. The comparative figure for 2008 was €1,032.1m, which included €53.9m for sporting events.

This reduction of €105.2m, or 10%, can be explained by the following factors:

- €53.9m was due to the absence of major sporting events in 2009;
- €51.3m was due to schedule optimisation and programming cost reductions, and €35.0m of these savings can be regarded as recurring.

Other costs

Looking beyond programming costs, the renegotiation of supplier contracts generated savings of €21m.

Divesting Surinvitation.com and France 24 (both in February 2009) generated cost savings of €8m, and a €4m gain.

Other expenses were cut by €10m.

Overall, we achieved €94m of cost savings relative to 2008. Of these, only €74m can be regarded as recurring (the rest was due to gains on disposals (€4m) and deferrals of programming costs (€16m), beating its initial full-year target of €60m, announced in February 2009.

Results of operations

Operating profit for 2009 was €101.3m, compared with €176.5m for the previous year. The €75.2m fall in operating profit reflected a €230,0m drop in revenue, partly offset by the hefty €154.8m of cost savings.

Operating margin came to 4.3%, against 6.8% for the previous year.

Cost of net debt was virtually unchanged year-on-year at €22.3m.

Other financial income and expenses showed a net gain of €36.2m for 2009, compared with a net gain of €40.9m in 2008. Most of this amount was due to the remeasurement at fair value of the put option over the 9.9% interest in Canal+ France held by the TF1 Group until December 28, 2009 and an increase in the value of the currency hedging portfolio, minus an impairment provision charged against a financial asset.

Net profit for the year was €49.3m lower, at €114.5m.

Balance sheet

As of December 31, 2009, shareholders' equity was €1,396.6m out of a balance sheet total of €3,682.8m.

On December 28, 2009, TF1 sold its 9.9% interest in Canal+ France to Vivendi for €744m.

Strict cash flow management throughout the year, coupled with asset divestments, enabled us to report a positive net cash position of €72.8m at December 31, 2009, compared with net debt of €704.5m at December 31, 2008.

TF1's current Standard and Poor's credit rating is BBB / stable outlook / A-2, compared with BBB+ / negative outlook / A-2 at end 2008. The change in our rating reflects the financial and economic environment in 2008 and early 2009, in particular the marked deterioration in the advertising market.

INCOME STATEMENT CONTRIBUTIONS BY ACTIVITY

(€m)	Revenue		Current operating profit/(loss)	
	2009	2008	2009	2008
Broadcasting France	1,893.0	2,103.5	87.8	164.3
TF1 Channel ^a	1,443.9	1,655.0	44.0	151.1
Téléshopping	103.7	126.3	4.0	5.4
Theme Channels – France ^b	194.3	187.9	15.1	3.6
TF1 Entreprises and subsidiaries	39.1	36.0	(1.6)	(0.4)
Production ^c	22.1	31.1	1.8	2.7
e-TF1	72.8	60.4	(3.4)	(4.1)
Other ^d	17.1	6.8	27.9	6.0
Audiovisual Rights	151.0	174.0	(22.5)	(10.8)
Catalogue ^e	57.6	54.7	(9.4)	(12.9)
TF1 Vidéo ^f	93.4	119.3	(13.1)	2.1
Broadcasting International^g	319.2	316.2	41.3	26.6
Eurosport International	319.2	311.9	39.3	26.6
France 24	0.0	4.3	2.0	0.0
Other Activities^h	1.5	1.0	(5.3)	(3.6)
TOTAL – CONTINUING OPERATIONS	2,364.7	2,594.7	101.3	176.5

^a Including SNC Aphélie

^b Comprises Eurosport France, LCI, TV Breizh, TMC, TF6, Série Club, Odyssee, Histoire, Ushuaïa TV, TFOU, JET and TF1 Digital.

^c In-house TV and cinema production entities.

^d Mainly comprises TF1 Publicité, TF1 Expansion and GIE Aphélie.

^e Mainly comprises TF1 Droits Audiovisuels, Telema and TCM.

^f Including CIC and RCV.

^g Eurosport International and France 24 (the interest in France 24 was sold to Audiovisuel Extérieur de la France (AEF) on February 12, 2009).

^h Top Ticket.S (Pilipili). TF1 sold Top Ticket.S on November 17, 2009.

BROADCASTING FRANCE

The Broadcasting France division generated 2009 full-year revenue of €1,893.0m, a year-on-year fall of 10.0% or €210.5m. Full-year operating profit was €87.8m, down 46.6% or €76.5m year-on-year, giving an operating margin of 4.6%.

TF1 channel advertising revenue shrank by 13.2%, while the division's other sources of revenues showed a 1.6% growth.

TF1 CHANNEL

The channel

Market leadership confirmed

At a time of profound structural changes in the French broadcasting landscape, in particular the ending of advertising after 8 p.m. on the public service channels and advances in DTT reception, 2009 saw TF1 confirm its status as the clear market leader for the overall viewing public, with 26.1% audience share. TF1 is also the no.1 across all target audiences, including the key target group of "women aged under 50 purchasing decision-makers" with 29.8% audience share.

TF1 retained its status as the benchmark channel for social cohesion and major events, demonstrating its pulling power by attracting the top 50 viewing figures for the year, and 96 of the top 100.

The channel aims to deliver strong performances throughout the day, especially in the high audience potential time slots between 7 p.m. and 1 a.m. During these slots, TF1 has a higher audience share than over the full day (28.3% of individual viewers), and a wider lead over its nearest rival (12.5 points). The effect is even more marked for the "women aged under 50 purchasing decision-makers" group, with 33.0% audience share and a 13.7% lead over its closest rival.

Particularly strong pulling power in prime time

TF1 attracted 93% of the biggest prime time audiences (individual viewers) in 2009, against 88% in 2008 ⁽¹⁾. An average prime time audience of 6.2 million gives TF1 a big lead of 2.4 million viewers over its nearest rival. TF1 is also the only French channel capable of attracting over 9 million viewers, which it did on 23 occasions in prime time during 2009.

Further proof of the dynamism of TF1's scheduling, with success across all genres.

In French-language drama, TF1 attracted 49 of the top 50 audiences, including the 8.1 million viewers who watched *Joséphine ange gardien* on April 6. New dramas proved a hit, including *Mes amis, mes Amours mes Emmerdes* (7.2 million viewers on October 26), and new episodes of existing dramas also did well, including *Camping Paradis* (7.6 million viewers on November 23) and *Les Toqués* (7.1 million viewers on March 9).

TF1 also attracted the biggest audiences for films, thanks to big family comedies like *La Grande Vadrouille* (9.0 million viewers) and Hollywood blockbusters like *War of the Worlds (La Guerre des Mondes)*, 8.3 million viewers).

TF1 has the most diverse and high-powered offering of American serials on French television, with five different imports that deliver some of the channel's highest ratings. These include *House (Dr House)*, 10.2 million viewers on March 25); *CSI: NY (Les Experts Manhattan)*, 10.1 million viewers on January 4), and *Criminal Minds (Esprits Criminels)*, 9.0 million viewers on September 2).

On the light entertainment front, TF1 offers strong programmes such as *Koh Lanta* (9.2 million viewers on February 13, two seasons broadcast in 2009) and *Les enfants de la Télé* (7.0 million viewers on December 26).

TF1 is also the main channel for major events, ranging from the *Enfoirés font leur Cinéma* concert (which attracted the year's record audience of 12.3 million viewers on March 6) to the France vs. Ireland football match (11.7 million viewers).

Particularly high ratings in the late evening slot

With an average of 3.2 million viewers, TF1 is way ahead of the competition, attracting 1.6 million more viewers than its nearest rival. Ratings are especially high for advertisers' target audiences (37.0% of women aged under 50 purchasing decision-makers), thanks to American serials and magazine shows like *C'est quoi l'amour* and *Confessions intimes*.

Market leader in access prime time, with a refreshed schedule

In the other strategic slot, TF1 has widened its lead over its rivals, drawing an average audience of 3.4 million with powerful game-show brands such as *La Roue de la Fortune* and *Le Juste Prix*, magazines like *Sept à huit*, *50mn Inside* and *Tous Ensemble*, and reality TV shows (*Secret story*).

TF1 news: an institution

TF1's lunchtime (1 p.m.) and evening (8 p.m.) news bulletins attracted 6.2 million and 7.0 million viewers respectively in 2009, giving them audience shares of 46,1% and 31,5% respectively among individual viewers and confirming their status as the most-watched news programmes in Europe.

Source: Médiamétrie - Médiamat

Time slots: prime time 8.45 p.m.-10.30 p.m.; late evening 10.30 p.m.-0.30 a.m.; access prime time 6.00 p.m.-7.45 p.m.)

⁽¹⁾ Leadership on TF1 prime time length

Advertising

The TV advertising market grew by 5.8% in 2009 to €7.0bn. Gross advertising revenue for the TF1 channel rose by 1.7% year-on-year, while its share of the TV market (all channels) was 43.2%, 1.5 points lower than in 2008.

TF1's advertising sales efforts were affected by a number of factors during 2009:

- troubled economic conditions, resulting in very poor visibility and requiring TF1 to offer exceptional support to its main advertising clients;
- increased competition from new entrants, especially in DTT, which led to a fall in spend on established channels as advertisers preferred lower unit costs over quality of exposure;
- changes to the regulatory framework, causing the supply of daytime slots to exceed demand for most of the year;
- a structural readjustment to rates, designed to reposition TF1's advertising sales efforts in response to the natural shifts in audiences in a new competitive framework.

In the first quarter, the partial ending of advertising on France Télévisions and the regulatory changes introduced at end 2008 created confusion and a wait-and-see attitude among advertisers, and no opportunities for TF1. On top of this, the tough economic conditions meant that advertisers were looking to reduce their advertising budgets. Moreover they were tempted to save money even at the expense of less exposure, leading to a reduction in advertising volumes for the established channels and for TF1.

With demand falling but supply increasing, and to support advertisers through economic hard times, the rate cuts already planned by TF1 for the start of 2009 (designed to align rates more closely with viewing figures) were deepened.

TF1 developed a differential pricing strategy:

- on daytime TV, where competition is intense and differentiation less marked, and where both the audiences and the revenue potential are lower, TF1 cut its rates;
- in prime time, TF1 maintained the value of its slots, refusing to sell them off cheaply.

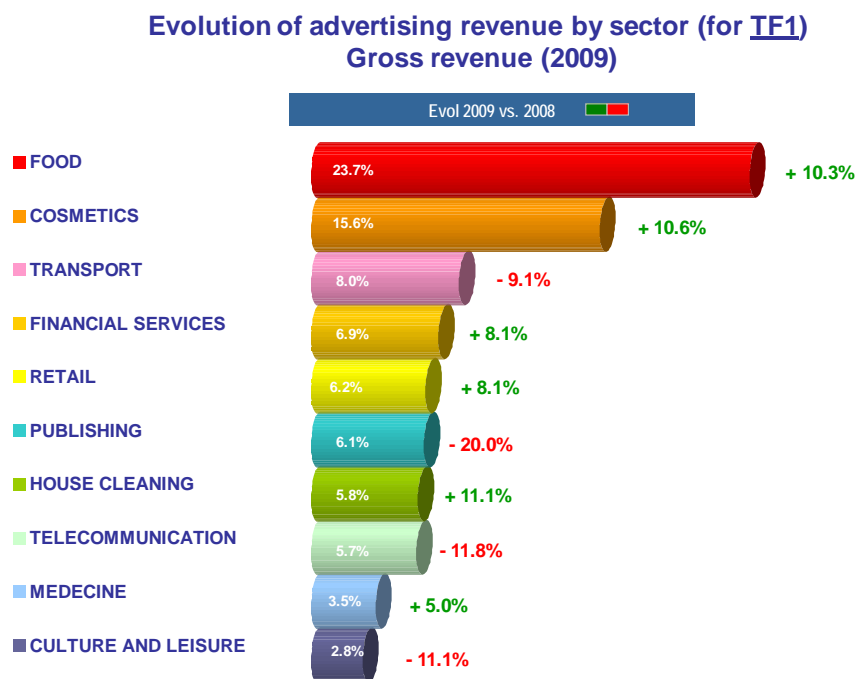
During the second quarter, TF1 advertising volumes increased, demonstrating a degree of elasticity in response to the rate cuts made in the first quarter. The third quarter saw a relative improvement in advertising market trends as some sectors, especially consumer goods, returned to higher volumes of spending.

However, price pressure remained intense at the end of the year:

- In some slots, media buying choices were still being driven by short-term profitability criteria, with advertisers favouring a short-termist tactical approach rather than long-term investment strategies.
- The policy of supporting clients had to be maintained, given the lack of visibility on any significant economic recovery in the near term.

In a tough competitive market-place and a radically altered broadcasting landscape, TF1's airtime sales teams have continued to apply their strategy of maintaining the value of slots with high revenue potential, while persuading advertisers that a TF1 campaign can be effective not only in delivering a short-term boost to sales but also in building brand recognition and image over the longer term.

The chart below shows year-on-year trends by sector (2009 compared with 2008):



Source: TNS Media Intelligence 2009 vs. 2008

Source: TNS Media Intelligence

TÉLÉSHOPPING

With the French economy slowing and household consumption in decline, the traditional distance selling market shrank by 3.4% in 2009. The worst-hit sectors were DIY (down 39.9%) and household goods like furniture and decorating products (down 9.7%)

In addition, shopper behaviour continued to evolve during 2009, as the shift from traditional distance selling to e-commerce accelerated. Over the full year, e-commerce activities achieved strong growth (26%) driven by new sites (which provided 35% of this growth), new cyber-shoppers (9%).

In this new structural and economic environment, Téléshopping reported a 17.9% drop in revenue to €103.7m. Téléshopping was hit by the slowdown in consumer spending, leading to a lower level of customer orders on all platforms (broadcast, catalogue and internet). The Infomercials business, comprising American teleshopping formats dubbed into French and lasting 15 or 30 minutes, saw revenues fall by 8.0%, for the same reasons. Despite recording a fall in the number of lists booked in 2009, 1001 Listes held revenues steady as the average spend per newly-wed couple increased.

In November 2009, the 50% held by Téléshopping in Dogan Téléshopping were sold.

Téléshopping posted a full-year operating profit of €4.0m in 2009, 25.9% lower than the 2008 figure of €5.4m. Overhead cuts and the gain generated by the sale of the Surinvitation.com business at the start of the year sustained a profit figure that was hit hard by the decline in revenues.

Source: FEVAD

THEME CHANNELS – FRANCE

At end December 2009, 88% of the French population were able to receive at least 18 channels, 13% more than at the end of the previous year (when the figure was 78%). Over the past two years, the figure has risen by 47%. Free-to-air Digital Terrestrial Television channels had total audience share of 15.2% in 2009, against 11.1% in 2008 and 5.8% in 2007.

Also at end December 2009, 29% of the French population were subscribers to cable, ADSL or satellite, the same proportion as in 2008 and 2007. The audience share for other channels of individuals aged 4 and over was 12.7% in 2009, versus 12.6% in 2008.

Channel	Number of households receiving the channel at December 31, 2009 (millions)	Number of households receiving the channel at December 31, 2008 (millions)	Change	Audience share In 2009 ⁽¹⁾
Eurosport France	7.5	7.3	+2.7%	1.2%
TV Breizh	5.6	5.9	-5.1%	1.2%
LCI	7.2	7.1	+1.4%	0.8%
Ushuaïa TV	2.3	2.2	+4.5%	0.1%
Histoire	4.3	4.4	-2.3%	0.2%
Odyssée	2.8	2.5	+12.0%	<0.1%
Série Club	4.7	4.9	-4.1%	0.6%
TF6	5.9	5.9	-	0.7%

(1) Source: Médiamat and MédiaCabsat Vague 17 for the Group's other channels – Extended offering, initialised base – Ind 4+ Source: Operator returns

The consultation exercise involving satellite, xDSL and DTT operators launched by the Group's theme channels (Eurosport, Eurosport 2, LCI, TV Breizh, Histoire, Ushuaïa TV) in mainland France and the overseas departments and territories demonstrated that the main distributors (Canal+ Group, Orange, Free, SFR, TV Numéric, TNS, Parabole Réunion and Médiaserv) were interested in these channels, but the proposals were not sufficiently attractive in financial terms, mainly due to the crisis in the advertising sector. The consultation confirmed that the exclusive distribution business model adopted by the theme channels was the right one.

The TF1 Group's theme channels generated revenue of €194.3m in 2009, 3.4% up on the previous year, thanks to the revenue boost from subscribers attracted by High Definition, catch-up television and the development of internet sites. With economic conditions remaining tough, theme channel advertising revenue was down slightly at €78.9m.

Theme channel operating profit for 2009 was sharply up at €15.1m, increasing by €11.5m, driven by reorganisation at LCI, tight cost control at the pay-TV channels, and a good performance from TMC.

TMC

At end December 2009, TMC had 2.9% audience share of individuals aged 4 and over, versus 2.3% a year previously. Over the full year, the channel's average audience share was 2.6%, making TMC France's no.1 DTT channel in 2009 and confirming its ranking as the no.7 channel in France overall, a position it has held since February 2008.

Since the start of 2009, TMC has been building up its image as a general-interest, entertainment and family programming channel via its new visual identity and logo, and by expanding its programming. Programmes such as *Law and Order (New York Police Judiciaire)*, *90' Enquêtes* and *Robin Hood, Prince of Thieves (Robin des Bois, Prince des voleurs)* struck a chord with the public, enabling TMC to attract over 1 million viewers on 27 occasions during 2009.

TMC, like all French free-to-air DTT channels, enjoyed growth in advertising revenue during 2009 thanks to:

- good growth in audiences, reflecting the quality of programming schedules;
- regulatory changes, which resulted in a shift of advertising from public service channels to DTT;
- the economic situation, which prompted advertisers to switch some of their spend from the established TV channels to DTT as they looked for significant cuts in their budgets.

Since 2005, TMC is held by Principauté de Monaco (20%), Groupe AB (40%) and TF1 (40%). TF1 and Groupe AB signed an agreement on June 11, 2009 with a view for TF1 to buy back the 40% of TMC held by Groupe AB which would raise TF1's stake in TMC in 80%. Source: Médiamétrie

Eurosport France

In 2009, Eurosport France celebrated its 20th anniversary. With a 1.2% share of the initialised audience base, the channel is regarded as the benchmark multimedia sports platform. As of December 31, 2009, the channel had 7.5 million paying subscribers, representing year-on-year growth of 2.7%.

Eurosport France's mission is to offer its viewers premium sporting events in High Definition. Eurosport HD, launched on CanalSatellite in December 2008 and available on Noos and Numéricable since July 2009, has been a great success in France, demonstrating the subsidiary's grasp of leading-edge technology.

The Eurosport.fr website is also building a following, with 434,000 average unique visitors per day, 23% more than in 2008. Eurosport France is ranked no.3 in its market, with 2.2 million unique visitors in December 2009.

A catch-up TV service was launched in 2009, in association with CanalSatellite.

In a particularly harsh economic climate that saw advertising budgets slashed and in the absence of any of the high-profile events prized by advertisers (such as the Africa Cup of Nations or Euro 2008), advertising revenue at Eurosport France was 29.1% lower in 2009 than in 2008. However, higher subscription revenues offset the adverse impact of the economy on total revenues. Eurosport HD and Eurosport 2 helped keep revenues steady, largely thanks to an increase in subscriber numbers (especially in French-speaking Belgium).

During 2009, Eurosport France responded to the decline in advertising spend by launching an optimisation plan, based on savings in programme budgets and overheads.

Source: Médiamétrie MédiaCabSat survey, theme channel audiences from December 29, 2008 to June 14, 2009, NNR Médiamétrie Panel, Nedstat.

TV Breizh

During 2009, TV Breizh achieved record audiences among individuals aged 4 and over and in the target advertising market of "women aged under 50 purchasing decision-makers". The main growth was in daytime audiences, thanks to family and viewing like *MacGyver*, *Arabesque*, *Monk*, *Close to Home* and *Terminator*: testimony to the channel's ability to refresh its brand image.

Over the full year, the channel took 1.2% of the initialised base audience of individuals aged 4 and over, against 1.0% in 2008, and posted an increase of 29% of its audience. Among "women aged under 50 purchasing decision-makers", the channel's share was 1.7%, versus 1.4% in 2008, and posted an increase of 17% in its audience.

These ratings successes helped the channel compensate for the decline in advertising spend and increase its subscription revenue, despite the poor economic climate and more intense competition.

Source: Médiamétrie

LCI

2009 was a year of change for LCI, in terms of both its competitive environment and its organisational structure. In market terms, LCI took 0.8% of the audience among individuals aged 4 and over able to receive the channel, against 0.9% in the previous year. In competitive terms, LCI is up against the new free-to-air DTT news channels BFM TV and i<Télé.

Reorganisation of the News division continued in 2009. The TF1 and LCI web content teams merged, and shared structures were created to build synergies and reduce costs without affecting the quality of news output.

LCI is positioning itself on new distribution channels. In January, the subsidiary launched LCI Radio, the first French radio news channel available free on the web. LCI also set up an alliance with Aéroports de Paris and JC Decaux to supply news programming for broadcast on the first-ever dedicated airport terminal TV service, and was selected to be broadcast on digital terrestrial radio in three French cities: Paris, Marseille and Nice.

LCI.fr is being rebranded as TF1News, a distinctive brand that aims to become the benchmark site for news – just as TF1 has done with TV news – and to regain market leadership on the web in terms of pulling power and visitor loyalty.

Against this backdrop, and with advertising revenues falling, total revenue was slightly lower year-on-year. However, cost optimisation measures led to a significant improvement in the subsidiary's operating margin.

Découverte division

The Découverte division, comprising the Ushuaïa TV, Histoire and Odyssée channels, offers high-quality, targeted offerings at the cutting edge of new technology. The April 2009 launch by the three channels of a catch-up TV service on CanalSatellite and Numéricable increased their brand awareness.

With its new HD offering, **Ushuaïa TV** enhanced its programming around the major theme of sustainable development and protecting the planet, with programmes like *Passage au vert* and *Ushuaïa Nature*. The channel was being received in 2.3 million subscriber households at end December 2009, and took 0.1% of the audience of individuals aged 4 and over able to receive the channel (MédiaCabSat, 1st half of 2009).

Histoire continued to maximise its brand and update its visual identity, and switched to 16/9 format during 2009. The channel also reinforced its editorial line, for example by stimulating debate with *Historiquement Show* and commemorating major historical events, while at the same time cutting costs. Histoire was being received in 4.3 million subscriber households at end December 2009, and took 0.2% of the audience of individuals aged 4 and over able to receive the channel (MédiaCabSat, 1st half of 2009).

Odyssée reoriented its editorial positioning in 2009 to focus on health and design programmes like *Du eau, du Bon, du Bien-être* and *Design by Sarah Lavoine*. Broadcast on a non-exclusive basis, the channel continued to achieve growth with internet service providers and in French-speaking Europe. The channel was being received in 2.8 million subscriber households at end December 2009, and had audience share of less than 0.1% among individuals aged 4 and over able to receive the channel (MédiaCabSat, 1st half of 2009).

Série Club

Série Club, 50% owned by M6, had 0.9% audience share in 2009 in the target “women aged under 50 purchasing decision-makers” category. Série Club has 4.7 million subscriber households. Cable and satellite channels are facing tougher competition with the rise of Digital Terrestrial Television, but Série Club nonetheless showed good resilience in terms of both audiences and advertising revenue.

During 2009, Série Club – the drama serials channel – continued to modernise, with content now 100% digital and in 16/9. The channel offers a full range of previously unbroadcast serials such as *Life is Wild*, flagship serials like *Lost* and *Prison Break*, must-see serials like *Stargate SG-14*, and classic serials with *Commissaire Valence*.

TF6

At end December 2009, TF6 (50% owned by M6) was being received in 5.9 million households. Over the full year, the channel took an average 1.0% of the target audience of 15 to 34 year-olds able to receive the channel.

During the year, TF6 continued to refocus on the 15-34 year-old target advertising market by showing more high-profile entertainment shows, younger-generation serials like *Dawson* and *One Tree Hill (Les Frères Scott)*, previously unbroadcast serials like *Legend of the Seeker*, sitcoms such as *Scrubs* and *How I Met your Mother*, and must-see serials like *The Pretender (Le Caméléon)*. TF6 also shows the best general-release and made-for-TV action movies.

In a tougher competitive environment and with gross advertising revenues in decline across the market, TF6 reported a drop in advertising revenue that was not fully offset by higher subscription revenue. However, TF6 managed to maintain operating margins by cutting operating costs.

TF1 ENTREPRISES

TF1 Entreprises brings together a range of activities directly or indirectly related to the TF1 channel, including games, music, licensing, live shows and publishing.

TF1 Games

To end 2009, the French games market (excluding jigsaw puzzles) was bearing up well despite the economic crisis, with year-on-year growth of 2%. In this buoyant market, TF1 Games-Dujardin raised its market share by 1.9 points to 6.9% to end 2009 on a year-to-date basis. TF1 Games-Dujardin is ranked no.4 in its market, equal to Mattel.

Although TF1 Games is a highly seasonal business, with sales mainly concentrated at the end of the year, it nonetheless performed well throughout the year, selling:

- 450,000 sets from the *1000 Bornes* range, including 125,000 sets of the new *1000 Bornes Cars*;
- 378,000 sets of TV tie-in games, including:
 - 233,000 sets from the *Roue de la Fortune* range;
 - 39,500 units of the *A Prendre ou à Laisser* game;
 - 33,700 sets of the *Une Famille en Or* game;
- 141,275 units of *Cranium*; and
- 72,370 sets of games from the *Hello Kitty* range.

On October 30 2009, Dujardin completed the acquisition of the *Cochon qui rit* game for commercial exploitation. This deal will extend the TF1 Games range in 2010, confirming its position as France’s leading producer of board games. Despite significant revenue growth, operating profit at TF1 Games was dented by substantial advertising spend.

(Source: NPD December 2009)

TF1 Licences

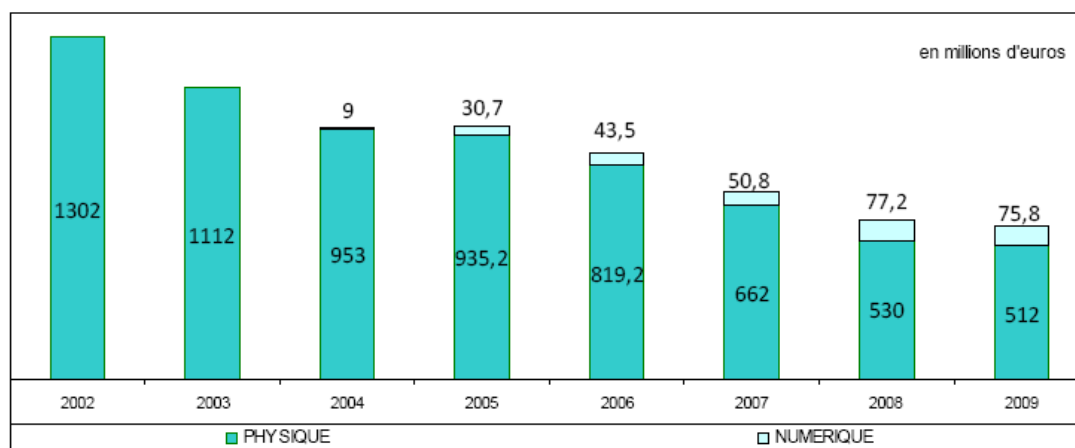
With over fifty brands under management spanning every genre, TF1 Licences is one of the biggest licensing agencies in France. The business enjoyed many successes in 2009 with brands like *Barbapapa*, *Ushuaïa* and *Hello Kitty*, even though the slowdown in the advertising market created tough conditions for promotional licensing.

A number of new licensing deals were obtained in 2009, including *Babar*, *The Ice Age (l'Age de Glace)* and the All Blacks, while the year also saw the launch of the *Jojo's* playground game and the *Series Inside* magazine. Here too, operating profits were eroded by advertising spend.

TF1 Musique

The music and CD market experienced another year of decline. In-store sales fell by 3.4% and digital sales by 1.9%, in a market still affected by value erosion (down 3.2%).

(Source SNEP)



€m

Year	2002	2003	2004	2005	2006	2007	2008	2009
In-store	1,302	1,112	953	935.2	819.2	662	530	512
Digital	0	0	9	30.7	43.5	50.8	77.2	75.8

(Source: SNEP)

The contraction in the market was concentrated in the first half of 2009, with a 17.8% fall versus the first half of 2009; in the second half of 2009, the market recovered and grew by 9.2%.

In this challenging environment, TF1 Musique scored some notable successes through its association with high-profile artists including Seal (345,000 albums), Black Eyed Peas (190,000 albums), Calogero (275,000 albums) and Florent Pagny (212,000 albums). The *Cléopâtre* and *Mozart* rock operas attracted 520,000 and 253,000 spectators respectively in 2009, excellent performances that made up for the discontinuation of the *Star Academy* tour. These shows are continuing to be staged in 2010. Music tie-ins based on live shows like *Cléopâtre* (110,000 albums) and *Mozart* (380,000 albums) helped TF1 Musique to weather a difficult year.

TF1 Edition

In 2009, for the book market in France, sales grew by 1.5%, to be compared to +1% in 2008. Sales for online books increased by 20%

The TF1 Entreprises publishing arm performed well in Art Books (*Musée Invisible*, *Ushuaïa*), offsetting the loss of revenue caused by the discontinuation of *Star Academy* magazine and lower advertising revenue for the *Ushuaïa* magazine. In 2009, TF1 Edition acquired the French literary rights of Lisa Scottoline, who headed the *New York Times* fiction bestseller list in May 2009.

Over the full year, TF1 Entreprises reported an 8.6% rise in revenue to €39.1m. The full year operating loss of €1.6m (versus €0.4m in 2008) reflected heavy advertising spend during the year, for which the payoff is expected in 2010.

PRODUCTION

The Production division (comprising two entities, TF1 Films Production and TF1 Production) generated revenue of €22.1m (down €9.0m year-on-year) and operating profit of €1.8m (down €0.9m year-on-year).

TF1 Films Production

Total cinema footfall in France for 2009 is estimated at 200.8 million, 5.7% higher than in 2008, above the annual average for the past ten years (184 million), and a record high since the 202 million achieved in 1982. (Source: CNC)

French films had an estimated market share of 37%, compared with 45% in 2008, when the unprecedented success of *Bienvenue chez les Ch'tis* boosted the share taken by French films. The market share of American films returned to nearly 50% in 2009, against 43% in 2008.

The 20 films released by TF1 Films Production in 2009 performed well: 7 of them (including *LOL* and *Le Code a changé*) were among the 18 French films to attract audiences of over a million during the year.

Films co-produced by TF1 Films Production released in 2009	Release date in 2009	Cinema audience figures to December 31, 2009
<i>LOL</i>	February 4	3,647,573
<i>ARTHUR ET LA VENGEANCE DE MALTAZARD*</i>	December 2	3,108,716
<i>COCO</i>	March 18	3,008,677
<i>SAFARI</i>	April 1	1,958,334
<i>LE CODE A CHANGÉ</i>	February 18	1,626,406
<i>DE L'AUTRE COTE DU LIT</i>	January 7	1,795,453
<i>BANLIEUE 13 ULTIMATUM</i>	February 18	1,101,377
<i>RTT*</i>	December 9	882,803
<i>TELLEMENT PROCHES</i>	June 17	796,702
<i>CYPRIEN</i>	February 25	686,393
<i>TRESOR</i>	November 11	655,437
<i>ERREUR DE LA BANQUE EN VOTRE FAVEUR</i>	April 8	622,980
<i>QUELQUE CHOSE A TE DIRE</i>	May 27	407,716
<i>CINEMAN</i>	October 28	299,210
<i>LE PREMIER CERCLE</i>	March 4	280,571
<i>LE SYNDROME DU TITANIC</i>	October 7	261,085
<i>LE MISSIONNAIRE</i>	April 29	209,573
<i>OSCAR ET LA DAME ROSE*</i>	December 9	181,245
<i>LA GUERRE DES MISS</i>	January 14	169,165
<i>JUSQU'A TOI</i>	July 29	76,723

Source: *Ecran Total* – December 30, 2009

(*) Still being screened in January 2010

TF1 Films Production invested a total of €47.7m in 2009. This figure takes account of uplifts in broadcasting rights, and of the funding (partially recognised in the 2008 accounts) for the new Luc Besson film *Adèle Blanc-Sec* scheduled for release in 2010.

The main impact on TF1 Films Production revenues for 2009 was the tough comparative created by the success of 2008 cinema releases, especially *Bienvenue chez les Ch'tis*. There were fewer cinema releases in 2009 than 2008, which led to a drop in revenues from the sale of TV rights.

(Source: CNC)

TF1 Production

Since January 1, 2009, Alma, Glem, Quai Sud, TAP, TPP and Yagan have been brought together within a single legal entity: TF1 Production. This merger has led to the amalgamation of teams and the development of synergies, while at the same time pooling administrative functions.

Over 2009 as a whole, TF1 Production delivered 554 hours of programmes to TF1, 123 hours more than in 2008.

The drop in revenue for TF1 Production was due mainly to a decline in output from the Drama department, but also to the non-recurrence of the *Star Academy* show and the Blue Man Group tour. Revenues were also dented by a decline in short formats, which are dependent on the advertising market. However, operating profit was strongly supported by cuts in production costs and process industrialisation.

E-TF1

The TF1 Group's New Media subsidiary introduced many innovative developments during 2009, helping TF1 retain its position as France's leading media TV group on the web and its no.8 position in the overall French internet rankings at end December 2009 (behind Google, Microsoft, France Telecom, Facebook, PPR, Pages Jaunes and Vivendi) with an average of 17 million unique visitors per month and 1.5 billion video clips over the year (half of which were TF1 content).

A key factor in this performance has been the new-look TF1.fr site, which has attracted many new internet users since it went online in April 2009.

The new website dedicated to news, TF1News.fr, was unveiled on November 4, 2009. The site offers more user-friendly access to news, with the TF1 and LCI editorial teams now pooling their news expertise.

Social networking sites also enjoyed great success in 2009. Overblog passed the 10 million unique visitor mark in December 2009, and has been the top-ranking French social networking site since June. WAT confirmed its success in the online video market: the 750 million videos viewed on the site placed it 4th in France behind YouTube, DailyMotion and Google Videos. In the women's segment, Plurielles proved to be a strong performer, attracting 3 million readers a month (both male and female).

In November 2009, TF1 carried out a makeover of its ground-breaking offering started 10 years ago via the DVDrama.com and Excessif.com sites. The makeover involved the launch of a new Excessif.com as a single unified brand offering access to a comprehensive range of screen entertainment news and guides, covering cinema, serials, DVDs and video games.

In July 2009, the mobiles arm launched TF1 Player, an application that enables users to access the channel 24 hours a day via their iPhones. This application had already been downloaded more than 36,000 times by December 31, 2009.

Finally, 2009 saw TF1 launch two major innovations in interactive TV. On November 23, TF1 unveiled MyTF1, a portal that offers viewers access to enhanced services and content around TF1 programmes. The service can be accessed from TV sets without navigating away from the channel's live output. Viewers can use MyTF1 to watch again (free of charge) a broad range of programmes, and to access the TF1 video-on-demand offering. A host of other services are available, from news and sport to games. This service is interactive and free; it is currently available to everyone with a Bbox (the Bouygues Telecom TV decoder), and will ultimately be offered via other TV operators' services as well.

In December, TF1 and Samsung Electronics France, the French no.1 in consumer electronics, announced a three-year strategic alliance designed to offer viewers an unprecedented entertainment experience. Thanks to Samsung technology and the editorial expertise of TF1, the manufacturer's internet-enabled TVs will from March 2010 incorporate novel interactive services linked to TF1's flagship brands and content, with applications dedicated to news, weather, sport, programme information, etc.

Revenues at e-TF1 advanced by 20.5% in 2009 to €72.8m, driven by increased interactivity and despite a very depressed internet advertising market. The operating loss for the year was €3.4m, against €4.1m in 2008. The increase in operating costs was mainly due to variable interactivity charges, though costs associated with the services launched in 2009 were also a factor.

OTHER BUSINESSES

Radio: Les Indépendants

In 2009, TF1 Publicité made a successful entry into the radio market, selling advertising airtime on 122 local independent stations. This leading national offering (18.1% commercial audience share for individuals aged 25-49)⁽²⁾, which also includes Sud Radio and Wit FM, provides a mix of pulling power and local coverage ideal for delivering more effective advertising.

While gross advertising spend on radio generally rose by 9.1% in 2009, the airtime sold by TF1 Publicité reported growth of over 39%. With market share of 9.1%, TF1 Publicité is becoming an important player in radio advertising. Net revenues amounted to €9.9m.

² Source : Médiamétrie 126 000 Radio - Cumul Jan-Dec 2009 (excl. summer) – Monday-Friday – 5a.m./12a.m. -Target 25-49 year old – cumulated audience share (TF1 Publicité Radios, Lagardère Publicité, NRJ Global, IP Radio, Skyrégie, RMC & Radio Classique)

Third-party advertising airtime sales

TF1 Publicité sells advertising space on fifteen theme channels (including the Disney and TCM channels), on local channels, and on the big open-air screen in the La Défense quarter of Paris (the *Grand Ecran des Quatre Temps*).

The contribution to TF1 consolidated revenues, which takes the form of airtime sales commission, was virtually unchanged year-on-year.

AUDIOVISUAL RIGHTS

Full-year revenue from the Audiovisual Rights division fell by 13.2% (or €23.0m) to €151.0m. The division reported a €22.5m operating loss, €11.7m more than in the previous year.

TF1's audiovisual rights strategy in 2009 was to strengthen the Group's position in cinema and video, via partnerships with UGC Images and Sony Pictures Home Entertainment. These partnerships also aim to improve the profitability of the business in the longer term.

CATALOGUE

The Catalogue business was reorganised in 2009, following the partnership agreement with UGC Images signed on July 1, 2009 and approved by the competent authorities on September 28, 2009. Under the agreement, TF1 International and UGC Images will jointly invest in production, and co-operate in the distribution of films in cinemas and international rights sales. The new split of operations is as follows:

- TF1 International has changed its name to TF1 Droits Audiovisuels. A 100%-owned subsidiary of TF1, this company will continue its current business of acquiring film co-production stakes, especially as a joint investor with UGC.
- Cinema distribution in France will be handled by UGC Distribution, a new company set up by UGC Images (66%) and TF1 Droits Audiovisuels (34%).
- The company name "TF1 International" will be reallocated to a second company jointly owned by the two parties (TF1 Droits Audiovisuels 66%, UGC Images 34%), which will handle international audiovisual rights sales and video on demand rights sales in France.

International rights sales scored some successes during 2009, in particular with *Dans la Brume Electrique* and *Micmacs à Tire-larigot*.

The Catalogue business generated revenue of €57.6m in 2009 (5.3% higher than in the previous year), and a loss of €9.4m (an improvement of €3.5m on the previous year).

Total cinema footfall in France for 2009 is estimated at 200.8 million, 5.7% higher than in 2008, above the annual average for the past ten years (184 million), and a record high since the 202 million achieved in 1982.

French films had an estimated market share of 37%, compared with 45% in 2008, when the unprecedented success of *Bienvenue chez les Ch'tis* boosted the share taken by French films. The market share of American films returned to nearly 50% in 2009, against 43% in 2008.

Revenues from New Films increased despite unfavourable seasonal effects in terms of cinema releases (12 films in 2009, versus 25 in 2008), thanks to this year's two summer releases *Neuilly sa Mère!* and *Une Semaine sur 2*, which attracted audiences of 2.5 million and 500,000 respectively. Other factors included poorer performances by films screened in 2009 (*Walkyrie*, *Bellamy*, *Le Premier Cercle*) and losses to completion recognised during 2009, which had a negative impact on the Catalogue business at operating level.

(Source: CNC)

TF1 VIDEO

Source: CNC - GFK

TF1 Vidéo is selling into a DVD and Blu-ray market which while stable overall, reveals contrasting trends.

- In volume terms, the market expanded by 9.7%.
- In value terms, annual growth is a modest 0.5%. The market is being sustained by the new format Blu-ray disc, which reported 109.5% growth in value terms. The DVD market contracted by 3.7%, as the commercial squeeze on margins intensified in 2009.

Blu-ray discs represent 4% of the market by volume and 8% by value.

This new market is being supported by media time-lines: a movie can be released on DVD Blu-ray just four months after the cinema release.

Consumption of video discs in 2009

	Units (millions)	% change	Revenues (€m)	% change
DVD	135.35	+7.4%	1,282.01	-3.7%
Blu-ray	5.30	+145.5%	107.79	+109.5%
Total	140.65	+9.7%	1,389.81	+0.5%

The Video on Demand (VoD) market expanded from €53m in 2008 to €90m in 2009.

Against this backdrop, TF1 Vidéo reported:

- stable year-on-year volumes, with no major DVD or Blu-ray releases to boost the quantities sold;
- a decline in value terms due to special offers on DVDs as part of the TF1 Vidéo “20th anniversary” promotion and adverse market trends, which together had a negative effect on revenues.

By end December 31, 2009, 77 TF1 productions were available on Blu-ray.

During 2009, TF1 Vidéo and Sony Pictures Home Entertainment (SPHE) agreed a major partnership deal, announcing the formation of an economic interest grouping to distribute video products in the French market. The aim of the grouping, which began trading on September 1, 2009, is to pool resources to sell DVDs and Blu-ray discs from the TF1 Vidéo and SPHE catalogues.

TF1 Vision revenues progressed during the year, boosted by new distribution deals with internet service providers.

On July 30, 2009, Orange and TF1 Vidéo announced that they had signed an agreement, reflecting their shared strategic vision, under which content supplied by TF1 Vision, the TF1 Group's VoD service, will be made available on Orange's VoD platform, thereby extending the distribution range of TF1 Vidéo content. By end 2009, the service was available through all the main internet service providers, offering over 6,500 programmes.

TF1 Vidéo also continued its expansion into new distribution channels, launching an application on iTunes Store that enables iPhone users to download trailers and extracts from the latest content posted on the TF1 Vision website.

TF1 Vidéo revenues fell by 21.7% to €93.4m, giving a 2009 operating loss of €13.1m (compared with an operating profit of €2.1m in 2008). Of the deterioration at operating level, €9.1m was due to weaker revenues from operations; the remainder was due to the fact that the comparative figure included the reversal (in the first half of 2008) of an exceptional provision.

Sources: Le Syndicat de l'Édition Vidéo Numérique (SEVN), GFK

BROADCASTING INTERNATIONAL

EUROSPORT INTERNATIONAL

Eurosport celebrated its 20th anniversary in 2009. At the end of the year, the channel was being received in 118.1 million households, including 7.1 million in France.

Eurosport is available in 59 countries and 20 languages, and is distributed via all types of pay-TV platform (cable, satellite, digital terrestrial and ADSL). The Eurosport Group had 77.1 million paying subscribers at December 31, 2009, representing a year-on-year increase of 3.4 million or 4.6%. Nearly two-thirds of these new subscribers were in Central and Eastern Europe. Eurosport is recognised as the premier multimedia sport platform in Europe.

Eurosport 2, broadcast in 46 countries and 14 languages, is continuing to develop its complementary offering alongside Eurosport, and is being received by nearly 40.1 million households, a year-on-year increase of 16.7%.

The Eurosportnews channel, which is well established outside Europe (South Africa, Malaysia, Australia and New Zealand) is also distributed in Europe to 6.2 million households, virtually all of them paying subscribers.

Eurosport Asia/Pacific, launched at end 2006, stepped up its expansion by signing new distribution partnership deals with two Australian platforms, and is now received by 4.3 million subscribers in 13 countries.

The speed of the technical deployment and commercial launch of Eurosport's High Definition offering, via the Eurosport HD channel, illustrates the Eurosport group's expertise, capacity for innovation and exceptional responsiveness. Launched in May 2008, Eurosport HD has proved a big success, attracting more than 5.2 subscribers by end 2009 and generating substantial spin-off benefits commercially. This success has been echoed since August 2009 by the launch of the Eurosport 2 HD channel, aimed mainly at Eastern Europe. These HD offerings have considerably strengthened the Eurosport Group's market positioning, and are a major selling point in negotiations with satellite platforms and cable operators.

The joint Eurosport/Yahoo! site, launched in mid-2007, continues to operate in the British, German, Spanish and Italian markets. This collaboration is in line with the market conquest strategy adopted by Eurosport, pooling its editorial quality with the commercial power and technical expertise of Yahoo! to consolidate its position as the no.1 sport site in Europe.

Following the launch of Eurosport.pl at the start of the year and Arabia.eurosport.com in December 2009, Eurosport now has 10 local versions of its website. The sites are continuing to perform well, with an average of 1.6 million cookie visitors a day at end December 2009, a year-on-year increase of 29%.

Since March 2007, Eurosport has been capitalising on its strong internet audiences to broadcast its content directly to web users via the Player. Initially restricted to certain countries, this distribution method has now been extended to the whole of Europe (apart from Italy and Russia).

At end December 2009, internet distribution had a monthly average of 38,000 customers, more than double the 2008 level.

Since July 2009, iPhone users have been able to access Eurosport's websites, via an application available in 9 languages. By end December 2009, over 1.6 million users had downloaded this application.

The average audience for the Eurosport channel was 564,000 per average quarter hour for the year ended December 31, 2009, just 2% down on the previous year (574,000), even though 2008 was a bumper year for sport. The absence of major events like the Olympic Games and Africa Cup of Nations was almost entirely offset by strong performances from established Eurosport brands like the French open tennis championships at Roland Garros (22% audience growth), the Tour de France, and the World Athletics Championships in Berlin (audiences 29% higher than for the previous championships).

Revenues for the year ended December 31, 2009 were €319.2m, a slight increase on the previous year.

Subscription revenues at Eurosport International rose by 9.0% in 2009, driven mainly by the Eurosport HD and Eurosport 2 channels, vindicating a strategy based on localisation and the market's appetite for the latest technology.

Advertising revenues were 16.2% lower than in 2008, reflecting substantial cuts in advertisers' budgets in response to the international economic crisis and the low number of major sporting events, which made sport channels less attractive than in 2008.

Operating profit for the year ended December 31, 2009 was €39.3m, a hefty 47.7% increase on the 2008 figure of €26.6m. This performance was mainly due to comparative effects caused by the non-recurrence of the Olympic Games in 2009, but also reflected tight control over overheads and the optimisation of programming and foreign-language versions.

SPS

In 2009, Eurosport – via SPS, a company owned 50/50 with Serendipity – diversified into the online gaming and sports betting market. The timetable for the phased rollout of the business across Europe takes account of the attractiveness of national markets and of local regulatory developments. Having received the go-ahead from the European Commission, on June 1, 2009 SPS launched its first commercial site in the United Kingdom after being awarded a full e-gaming licence for UK territory by the Alderney Gambling Control Commission on January 28, 2009. The next phase will involve applications for online gaming licences for the French and Italian markets.

At December 31, 2009, after seven months' trading, the revenue generated by this business – comprising gross gaming revenue (bets placed minus winnings paid out), less licence and bonus costs – is immaterial. The TF1 Group's share of the costs of SPS for the year ended December 31, 2009 was €3.0m, corresponding to payroll costs and amortisation charged against the cost of developing the technical platform.

Early in 2010, TF1 bought out the 50% stake in SPS held by Serendipity.

In France, the draft bill on free competition and regulation in the online gaming sector was adopted on first reading by the National Assembly on October 13, 2009. It was examined by the Senate in early 2010, and is likely to become law in 2010. One of the key features of the draft bill is that gaming promoters will not be allowed to advertise during periods when programmes aimed at minors are being broadcast on radio or television.

FRANCE 24

On February 12, 2009, TF1 SA sold its interest in France 24 (50% of the capital and voting rights) to Audiovisuel Extérieur de la France (AEF). The sale generated a net gain of some €2m.

OTHER ACTIVITIES

PILIPILI - TOP TICKET.S

In November 2009, TF1, Artémis (Pinault Group) and Recruit (the Japanese no.1 in advertising freesheets) sold their entire stake in Top Ticket.s, publisher of the PiliPili freesheet, to Vente Ciblée.

Over the full year, Top Ticket.s generated revenue of €1.5m and an operating loss of €5.3m for the TF1 Group.

ASSOCIATES

MÉTRO FRANCE

Publications Métro France, in which TF1 has a 34% stake, distributed an average of 660,000 copies of its freesheets a day in 10 French cities during 2009. Publications Métro France made a zero contribution to TF1's 2009 financial statements.

GROUPE AB

The AB Group produces and broadcasts 18 TV channels including RTL9 (65%), AB1, NT1, TMC (40%) with TF1 in France, and AB3 and AB4 in Belgium. The Group also owns one of the biggest catalogues of French-language audiovisual rights, with over 1,500 titles representing 44,000 hours of programming (including episodes of serials like *Navarro* and *Femme d'Honneur*); these rights are distributed in France and internationally.

The AB Group turned in an excellent performance in 2009, increasing the share of its profits recognised in the TF1 consolidated financial statements to €15.0m.

On May 28, 2009, TF1 and Claude Berda (the majority shareholder in the AB Group) began exclusive negotiations with a view to the acquisition by TF1 of the 100% interest in NT1 and the 40% interest in TMC held by the AB Group for €192m in cash, taking TF1's interest in TMC to 80%. The management of AB Group was granted a call option allowing it to buy out TF1's minority interest in the AB Group for €155m within a maximum of two years.

In addition, the other activities of the AB Group would be held by a newly-formed company. TF1 would retain the same interest in this new company as it currently holds in the AB Group (33.5%). Finally, the TF1 Group would raise its stake in WB Télévision, a holding company owned by Claude Berda which controls the Belgian francophone channels AB3, AB4 and Videoclick, from 33.5% to 49%.

On January 26, 2010, the French Competition Authority announced its decision to allow the TF1 Group to acquire control of TMC and NT1, subject to "undertakings as to future conduct". These undertakings, which have been discussed with the Authority and accepted by the TF1 Group for a maximum of five years, do not diminish the attractiveness of the deal for TF1.

However, clearance from the regulatory authorities is not yet complete. The CSA (the French audiovisual regulator) now has to rule on the transaction within its sphere of competence.

The €192m investment is expected to be met from the Group's available cash resources once the CSA has issued its ruling.

2. Stock ownership as at December 31, 2009

	Situation at December 31, 2009			Situation at December 31, 2008			Situation at December 31, 2007		
	Number of shares	% of capital	% of voting rights	Number of shares	% of capital	% of voting rights	Number of shares	% of capital	% of voting rights
Bouygues	91,806,565	43.0%	43.0%	91,806,565	43.0%	43.0%	91,806,565	43.0%	43.0%
Treasury shares	14,625	0.01%	0.01%	14,625	0.01%	0.01%	0	0.0%	0.0%
TF1 Employees	11,466,260	5.4%	5.4%	9,174,435	4.3%	4.3%	7,645,335	4.3%	4.3%
<i>of which FCPE⁽¹⁾</i>	<i>11,341,320</i>	<i>5.3%</i>	<i>5.3%</i>	<i>9,045,380</i>	<i>4.2%</i>	<i>4.2%</i>	<i>7,401,780</i>	<i>4.2%</i>	<i>4.2%</i>
<i>of which employees</i>									
<i>nominative shareholders</i>	<i>124,940</i>	<i>0.1%</i>	<i>0.1%</i>	<i>129,055</i>	<i>0.1%</i>	<i>0.1%</i>	<i>243,555</i>	<i>0.1%</i>	<i>0.1%</i>
Floating France ^{(2) (3)}	37,348,254	17.5%	17.5%	44,763,959	21.0%	21.0%	43,417,545	23.9%	23.9%
Floating abroad ⁽³⁾	72,774,788	34.1%	34.1%	67,650,908	31.7%	31.7%	70,541,047	16.6%	16.6%
TOTAL	213,410,492	100.0%	100.0%	213,410,492	100.0%	100.0%	213,410,492	100.0%	100.0%

(1) Employee shareholders members of the company savings scheme. The FCPE TF1 Shares Supervisory Board exercises the voting rights attached to the securities in the portfolio and decides how many securities to include in the case of a public share issue.

(2) Including non-identified holders

(3) Estimates by Euroclear.

3. 2010 Guidance

In a market where visibility remains poor, TF1 expects 2010 to be another year of economic uncertainty. Against this background, the Group has set a target of 2% revenue growth.

During 2010, the TF1 Group will continue to adapt its business model and develop new activities by:

- integrating TMC and NT1 into the Group once CSA clearance has been obtained;
- building the Group's presence in new media, with a particular focus on relationships with its viewers;
- continuing the partnership policy, in particular with Française des Jeux, UGC, Sony and Samsung.