# 2004 Annual Report

2004 Annual Report

**Télévision Française 1**

A public limited company “Société Anonyme”
with a share capital of €42,811,946
326 300 159 RCS Nanterre
TF1
1, quai du Point du Jour
92656 Boulogne Cedex / France
Tel. : (33) 1 41 41 12 34
Internet : http://www.tf1.fr


# Contents



# Main subsidiaries' and participations' adresses

1, quai du Point-du-Jour
92656 Boulogne-Billancourt Cedex - France
TF1 PUBLICITE (www.tf1pub.fr)
TF1 FILMS PRODUCTION
TF1 DIGITAL
ALMA PRODUCTIONS
TFM DISTRIBUTION (www.tfmdistribution.com)
YAGAN PRODUCTIONS
CIBY 2000
TFOU (www.tfou.fr)
SOCIETE D'EXPLOITATION DU MULTIPLEX R6 - SMR6
HISTOIRE
USHUAIA TV

305, avenue le Jour-se-Lève
92656 Boulogne-Billancourt Cedex - France
e-TF1
TF1 ENTREPRISES ( www.tf1licences.com)
SOCIETE D'EXPLOITATION ET DE DOCUMENTAIRES
ODYSSEE (www.odyssee.com)
COMPAGNIE INTERNATIONALE DE COMMUNICATION - CIC
CIBY DA

9, rue Maurice-Mallet
92130 Issy-les-Moulineaux - France
UNE MUSIQUE (www.unemusique.fr)
TF1 VIDEO (www.tf1video.fr)
TF1 INTERNATIONAL (www.tf1international.com)

18, quai du Point-du-Jour
92656 Boulogne-Billancourt Cedex - France
TF1 PUBLICITE PRODUCTION (www.tpp.tv)
GLEM
TOUT AUDIOVISUEL PRODUCTION

30-32, rue Proud'hon
93210 La Plaine Saint-Denis - France
STUDIOS 107

54, avenue de la Voie-Lactée
92656 Boulogne-Billancourt Cedex - France
LA CHAINE INFO - LCI (www.lci.fr)

145, quai de Stalingrad
92137 Issy-les-Moulineaux Cedex - France
TELEVISION PAR SATELLITE - TPS (www.tps.fr)
TPS CINEMA
TPS ENTREPRISES
TPS GESTION
TPS SPORT
TPS FOOT
TPS STAR
TPS CINEFAZ
TPS CINETOILE
TPS JEUNESSE
TPS MOTIVATION
TPS TERMINAUX
TPS INTERACTIF
TPS SERVICES
MULTIVISION
MULTIVISION GESTION
SENT

3, rue Gaston-et-René-Caudron
92448 Issy-les-Moulineaux Cedex - France
EUROSPORT (www.eurosport.com)
EUROSALES
EUROSPORT France

120, avenue Charles-de-Gaulle
92200 Neuilly-sur-Seine - France
TF6 (www.tf6.fr)
SERIE CLUB (www.serieclub.fr)

Quai Péristyle - 56100 Lorient - France
TV BREIZH (www.tvbreizh.fr)

3, rue du Commandant-Rivière - 75008 Paris - France
TCM DA

Chemin du Dévent - 8 Victoria House
1024 Ecublens - Suisse
VISIOWAVE (www.visiowave.fr)

Tour Maine Montparnasse - 33, avenue du Maine
75015 Paris - France
LES NOUVELLES EDITIONS TF1

26, rue Danton - 92300 Levallois-Perret - France
TELEMA

47, rue de la Chapelle - 75018 Paris - France
QUAI SUD TELEVISION

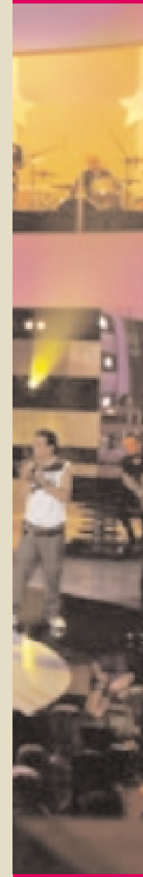
44, rue de Strasbourg - 44000 Nantes - France
OUEST INFO

35, rue Greneta -75002 Paris - France
PUBLICATIONS METRO FRANCE

5, rue du Mail - 75002 Paris - France
PINK TV

45, boulevard Victor-Hugo
93534 Aubervilliers Cedex - France
TELE SHOPPING

40-42, rue Pierre-Curie - 93122 La Courneuve - France
SYLVER




Coordination : TF1 IR Department.
Design & Production: L'Agence Synelog - Tel.: 01 53 00 74 29 – Photos: DR, TF1, Gérard Bedeau, Christophe Chevalin, Etienne Chognard, Jean-Claude Roca, Jean-Marc Sureau, Julien Gauvin, François Pugnet, Patrick Roncen, Eurosport, Paramount Pictures, TPS, Warner Bros, Miramax Film Corp., Studios 107, TF1 International, Focus Features, Dreamworks, TF1 Films Productions, Entropie Films, Renn Productions, Eric Travers / Gamma, Yagan Productions, Touchstone Pictures, Histoire, Sportitalia, X.

# First French TV Channel

**3** out of **4** French people watch TF1 every day

**89** out of the 100 best programs in 2004

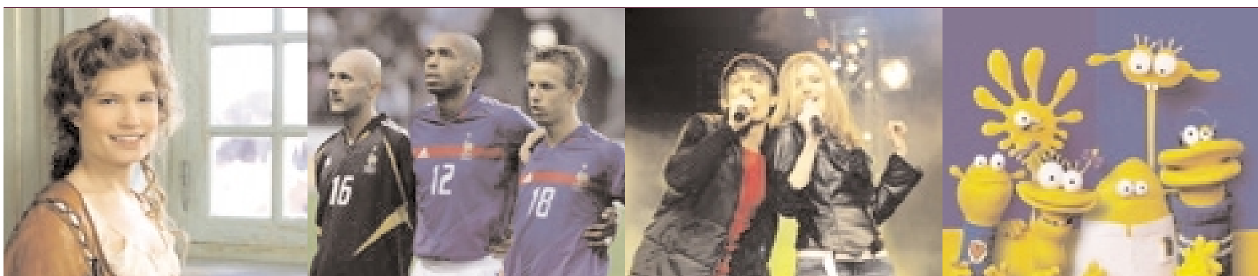
**23** thematic channels, of which Eurosport, LCI, TF6 and TPS Star

A presence in **54** countries *via* Eurosport

More than **20 million** cassettes/DVD distributed in 2004

More than **2 billions** pages viewed in 2004

About **20** French movies co-produced every year




**First French generalist channel, with an audience share of 31.8% in 2004, TF1 is although a built-in group of communication that develops, around its core business, activities in growth markets.**

**Since 1987, date of the privatisation and the entry of Bouygues in the shareholding structure, the TF1 channel has created new activities with strong added value, from its business of programs producer and broadcaster.**

**Today, TF1 group activities cover the whole audiovisual industry: upstream in production, acquisition and sale of audiovisual rights, downstream in publishing and distribution of cassettes, DVD and music CD, derivative products linked to broadcasting (telematic services, derivative rights, games, contents and Internet web site) and the home shopping.**

**TF1 expands as well in the pay TV market, with TPS, that distributes TV content to 1.7 M French households, through satellite, cable or ADSL, and with thematic channels that are today major components of the pay tv offer in France.**

# Chairman's Statement

**Patrick Le Lay**
Chairman & Chief Executive Officer

## Dear shareholders,

2004 was a good year for the TF1 Group. The TF1 channel's audience increased by 1.1% for women under 50 years and advertising revenue resumed strong growth at 6.6%. For all our French thematic channels, advertising revenue climbed more than 20%. These sources of satisfaction are not limited to "Broadcasting France", but are reflected in most of the group's other companies, notably TPS, Eurosport, TF1 Vidéo and Téléshopping. This annual report will be punctuated by the respective details.

In an environment where the consumer has easy access to a multi-channel offer thanks to digital technologies, TF1 Group's successes are a good sign for the future and reinforce the Group's strategy implemented since the late 1990s. This strategy is based on the following ambitions:

• to remain the leader in the development of programmes in France;

• to continue to develop programmes and services distribution;

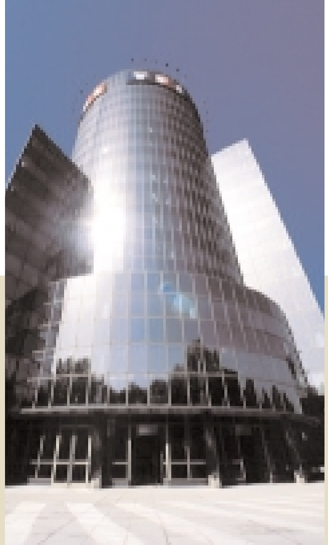
• to consolidate Eurosport as the leading pan-European channel.

For 2005, these ambitions translate into:

• general-interest, family-oriented and events-based programming on TF1 that meets the expectations of our audience and our client advertisers;

• enhancement of our thematic offering in terms of content and channels, notably through the creation of a "Discovery" division comprising Odyssée, Histoire and Ushuaïa TV (to be launched in 2005);

• broadcasting TF1 over the digital terrestrial television (DTT) network as of March 2005, followed later by LCI, Eurosport and TF6;



"I continue to have great confidence in the future of our group, in its strategy, and in all the employees with whom I prepare to meet tomorrow's challenges."

• the DTT broadcast of TPS Star, the TPS premium channel, will complement the excellent launch of the TPS offering over high-speed telephone lines (ADSL). Thanks to these new distribution channels, the multi-platform operator TPS will be accessible by the majority of French people;

• the accelerated growth of Eurosport, both in Eastern Europe and Southern Europe, where the launch of the Sportitalia offering was a success. These developments were complemented in January 2005 by the creation of a new channel, Eurosport 2, which, broadcast in four languages, is already received by over 10 million European subscribers.

Naturally, in the course of the coming year, we will grow our other businesses – video, distance shopping and audiovisual production and broadcasting rights, which should all have a new year of profitable growth.

In addition, the TF1 Group has prepared for the new accounting standards, which should have no more than a limited impact on our results. We are leveraging this change to simplify and streamline our modus operandi and our structure so as to generate better performance and improved profitability.

Taking into account a low visibility of the advertising market, TF1 channel advertising revenue should grow "in the market", i.e. between 3% to 4%, and TF1 Group consolidated revenue should increase by approximately 3% to 5%. Moreover, programming costs growth of TF1 Channel should be 3.9%.

In conclusion, I continue to have great confidence in the future of our group, in its strategy, and in all the employees with whom I prepare to meet tomorrow's challenges by introducing new drivers of business and financial growth.

Boulogne,

Patrick Le Lay
Chairman & Chief Executive Officer

# Principal Directors (February 2005)



### Chief Executives

**Patrick LE LAY**
Chairman
Chief Executive Officer

**Etienne MOUGEOTTE**
Senior Executive Vice President
Head of Broadcasting

**Claude COHEN**
Chairman of TF1 Publicité

## TF1

### General Management

Arnaud BOSOM
*Director of Technical Resources and New Technologies*

Jean-Michel COUNILLON
*Senior Vice President*
*Secretary General and Director of Legal Affairs*

Emmanuel GRADOS
*Director of Human Resources and Internal Communication*

Michel KUBLER
*Director of Business Development*

Jean-Pierre MOREL
*Executive Vice President, Administration and Finance*

### Broadcasting

Edouard BOCCON-GIBOD
*Vice President, Communication and Public Relations*

Takis CANDILIS
*Vice President, French TV Dramas*

Franck FIRMIN-GUION
*Vice President, Magazines, Entertainment and Games*

Charles VILLENEUVE
*Vice President, Sports*

Jean-François LANCELIER
*Vice President, Broadcasting*

Robert NAMIAS
*Vice President, Information and News*

Laurent STORCH
*Vice President, Acquisitions and Youth programmes*

### TF1 Publicité

Claude COHEN
*Chairman*

Martine HOLLINGER
*Chief Executive Officer*

Jean-Pierre MOREL
*Executive Vice President, Administration, Finance and Information Technology*

## Main subsidiaries

**Télévision par Satellite TPS**
Emmanuel FLORENT
*Chairman and Chief Executive Officer*

**TF1 Entreprises**
Emmanuel FLORENT
*Chairman*

Michel BROSSARD
*Chief Executive Officer*

**TF1 Vidéo**
Pierre BROSSARD
*Chairman*

**Téléshopping**
Michel KUBLER
*Chairman*

Yann BOUCRAUT
*Chief Executive Officer*

**e-TF1**
*Management Company: TF1 Entreprises represented by Emmanuel FLORENT, Chairman*

**Eurosport**
Angelo CODIGNONI
*Chairman and Chief Executive Officer*

Jacques BEHAR
*Vice President, General Manager, Administration and Finance*

Laurent-Eric LE LAY
*Vice President, General Manager, Broadcasting*

Jacques RAYNAUD
*Vice President, General Manager, Distribution and Advertising*

**TF1 Digital**
Etienne MOUGEOTTE
*Chairman and Chief Executive Officer*

**La Chaîne Info**
*Management Company: TF1 Digital represented by Etienne MOUGEOTTE*

**Odyssée**
*Management Company: TF1 Digital represented by Gérard CARREYROU, Chief Executive Officer*

**Histoire**
Gérard CARREYROU
*Chairman*

**Série Club**
Jean d'ARTHUIS
*Chairman*

**TF6**
Jean d'ARTHUIS
*Chairman*

**TV Breizh**
Patrick LE LAY
*Chairman and Chief Executive Officer*

**TF1 Films Production**
Etienne MOUGEOTTE
*Chairman and Chief Executive Officer*

**TF1 International**
Patrick BINET
*Chairman and Chief Executive Officer*

**TFM Distribution**
Jean-Paul ROUGIER
*Chief Executive Officer*

**GLEM**
Takis CANDILIS
*Chairman*

**Tout Audiovisuel Production**
Takis CANDILIS
*Chairman*

**Alma Productions**
Maxime LOMBARDINI
*Chairman*

**TF1 Publicité Production**
Takis CANDILIS
*Chairman*

**Studios 107**
Takis CANDILIS
*Chairman*

# TF1 Group Organisation (February 2005)

## Broadcasting France

**100% TF1 Publicité** (1987)
**95% GIE Aphelie** (1992)
**100% TF1 Entreprises** (1989)
- 100% Une musique (1988)
- 50% Les Nouvelles Editions TF1 (1997)

**100% Téléshopping** (1987)
**100% Eurosport France** [1] (1993)
**11.4% Pink TV** (2004)
**40% TMC** (2005)
**100% TF1 Digital** (2000)
- 100% Histoire (2004)
- 100% La Chaîne Info - LCI (1994)
- 100% Société d'exploitation de documentaires - Odyssée (1996)
- 50% TF6 (2000)
- 50% Extention TV - Série Club (2001)

**100% Ushuaïa TV** (2004)
**71.1% TV Breizh** (2000)
- 60% Ouest Info (2002)

**100% e-TF1** (1999)
- 100% TFou (2003)

**100% Glem** (1995)
- 75% Quai Sud (2001)

**100% Tout Audiovisuel Production** (2001)
**100% Alma Productions** (2001)
**100% TF1 Publicité Production** (1990)
**100% Yagan Productions** (2004)
**100% Studios 107** (1991)
**100% TF1 Films Production** (1980)

## International Broadcasting

**100% Eurosport** (1991)
- 100% Eurosales (1994)
- 60% KSO (2004)

**29% Sportitalia** (2004)

## Distribution

**66% Télévision par Satellite TPS** (1996)
- 100% TPS Sport (1998)
- 100% TPS Interactif (1998)
- 100% Multivision (1992)
- 100% TPS Terminaux (1999)
- 100% TPS Motivation (2000)
- 100% Sent (1999)
- 100% TPS Jeunesse (1996)
- 100% TPS Foot (1999)
- 100% TPS Cinéma (1996)

## Audiovisual Rights

**100% TF1 Vidéo** [2] (1998)
**100% CIE Internationale de Communication - CIC** [2] (1991)
- 49% Sylver (2002)

**100% TF1 International** (1993)
- 50% TFM Distribution (2002)
- 100% Ciby DA (1998)
- 49% Téléma (2000)

**100% Ciby 2000** [3] (2002)
**50% TCM Droits Audiovisuels** (1996)

## Other Activities

**34% Publications Métro France** (2003)
**49% Prima TV** (2004)
**80% Visiowave** (2000)

*The year of creation or acquisition is shown into brackets.*

*1 - Held* via *Eurosport.*
*2 - Held* via *TF1 Entreprises.*
*3 - Held* via *TF1 Films Production.*

# Key Figures

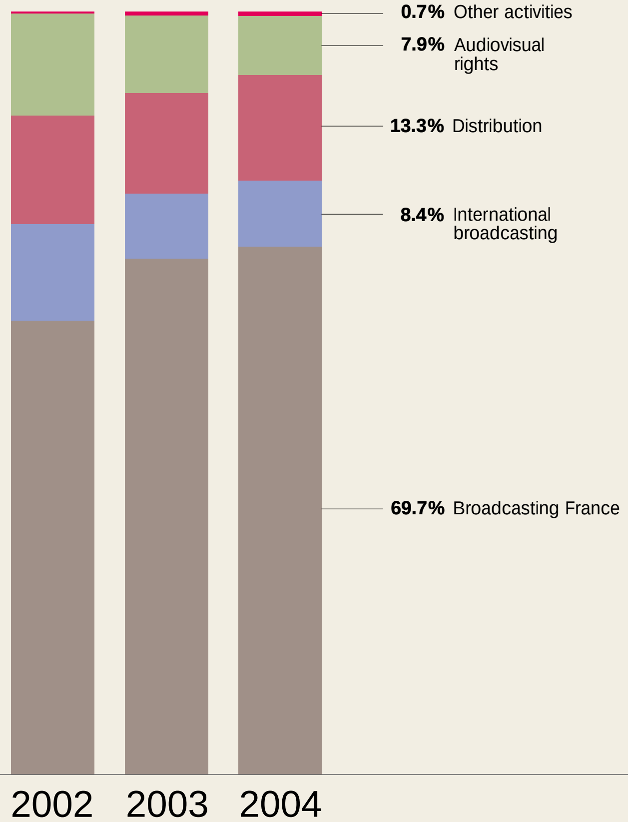
**€2,861.5M**

**Consolidated figures 2004**

**+14.9%**

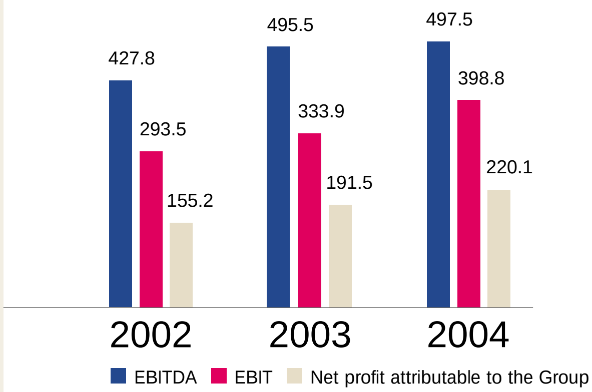
**Growth of net profit in 2004**

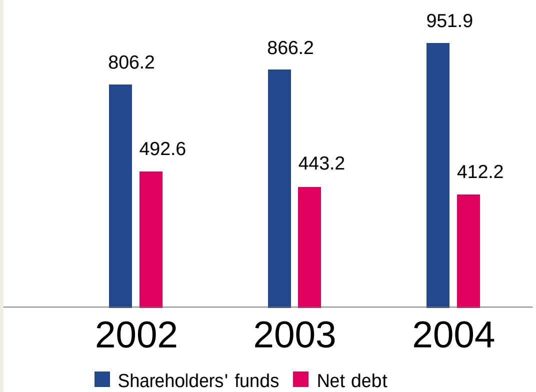
## Consolidated figures

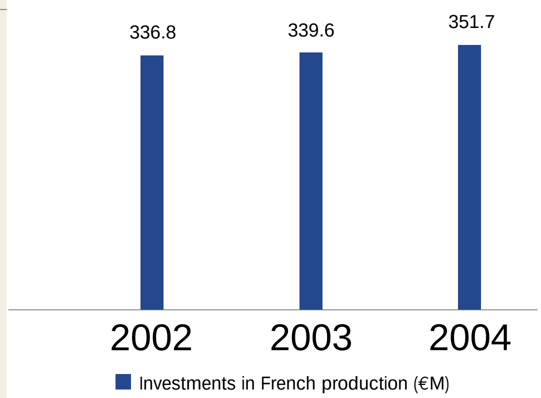



- Other activities: Métro, Visiowave, Prima TV, Syalis
- Audiovisual rights: TF1 Vidéo, CIC, RCV, Ciby DA, TF1 International, Téléma, TCM, Cabale
- Distribution: TPS
- International broadcasting: Eurosport, Europa TV, KSO & SRW
- Broadcasting France: TF1, TF1 Entreprises, Téléshopping, Eurosport France, LCI, Odyssée, TF6, TV Breizh, Série Club,Histoire, e-TF1, Glem, Alma, TAP, TPP, Studio 107, TF1 Films Production

(in € million)



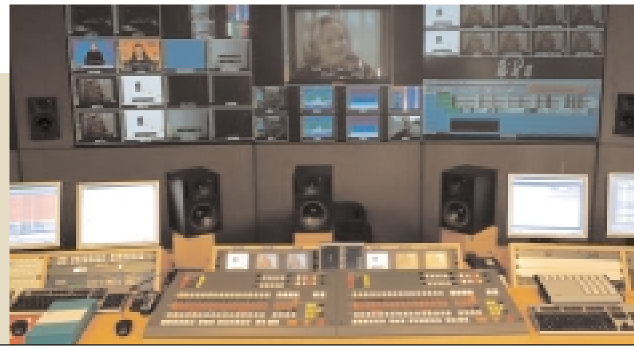
**€351.7M**
**Investment in French production**

**35.5%**
**Audience share on women under 50 years[1]**

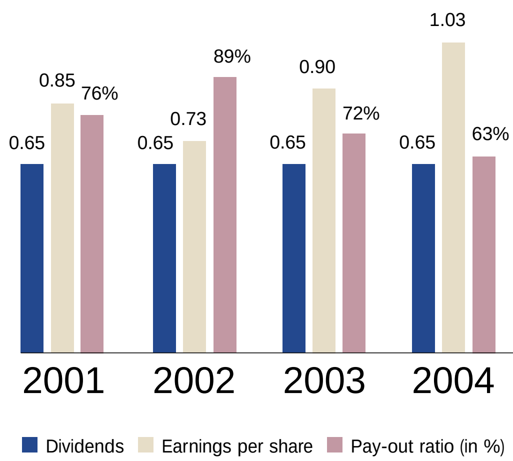
| | 2002 | 2003 | 2004 |
|---|---|---|---|
| Audience share/Women under 50 years[1] | 35.7% | 34.4% | 35.5% |
| Audience share/Individuals aged 4 and over[1] | 32.7% | 31.5% | 31.8% |
| TV Advertising market share[2] | 54.0% | 54.7% | 54.8% |
| Employees (on December 31) | 3,480 | 3,682 | 3,867 |

*1 - Source Médiamétrie.*
*2 - Source Sécodip.*

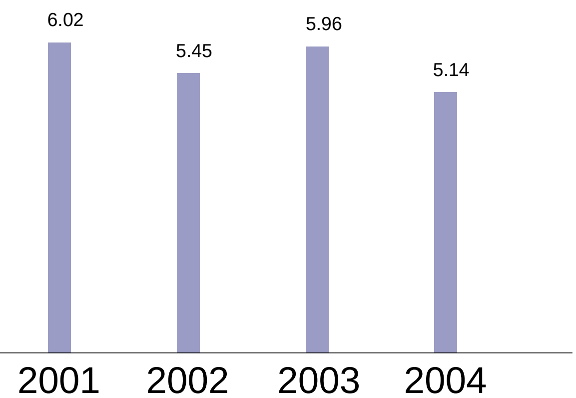
# TF1 Share



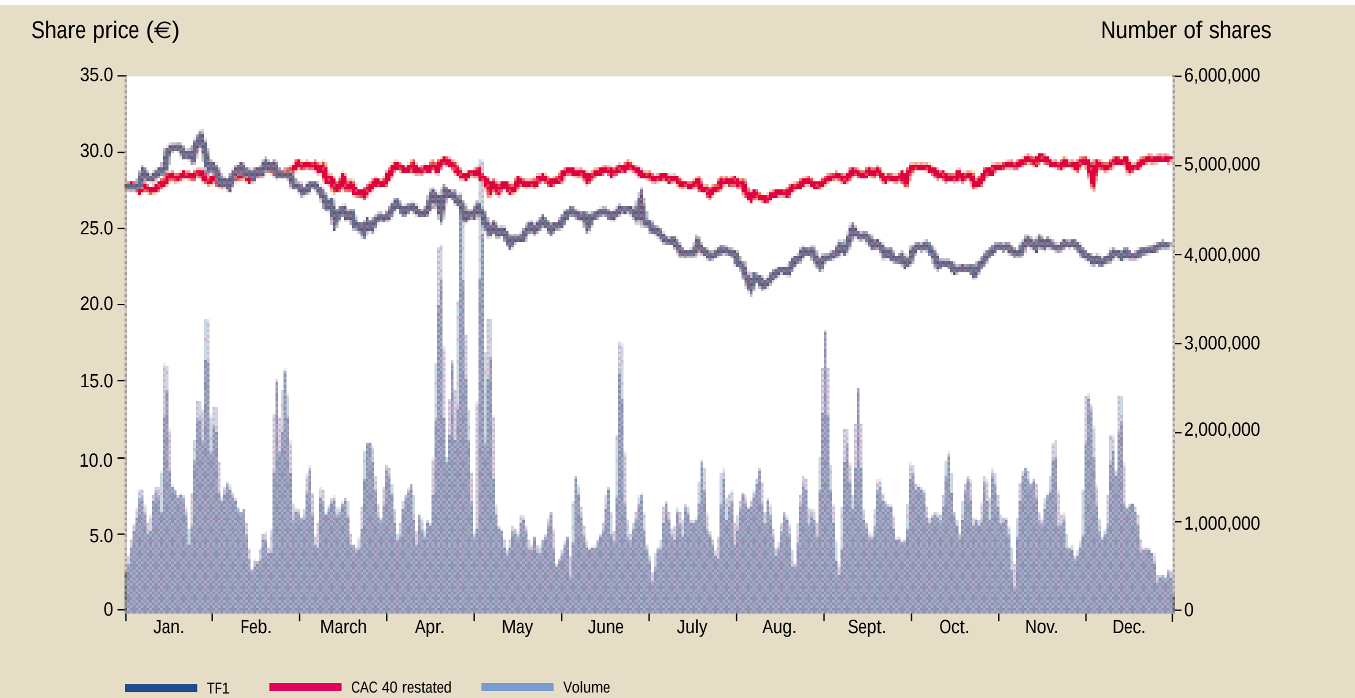
### Dividend and net earnings per share
(in euros)




### Market capitalisation at December 31
(in euros billion)

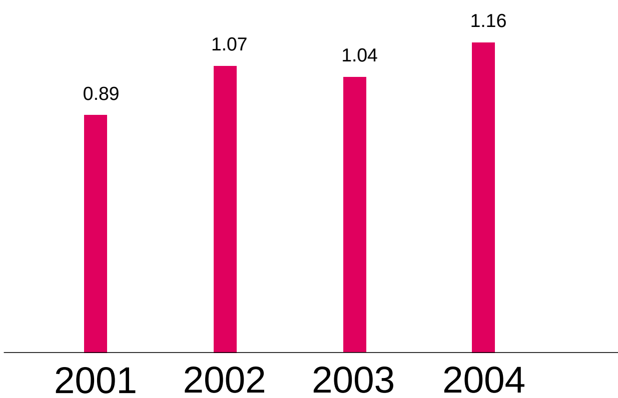



### TF1 share price and CAC 40 restated* in 2004




** On the basis of the evolution of the TF1 share price.*

## Average number of shares traded per day
(in million)

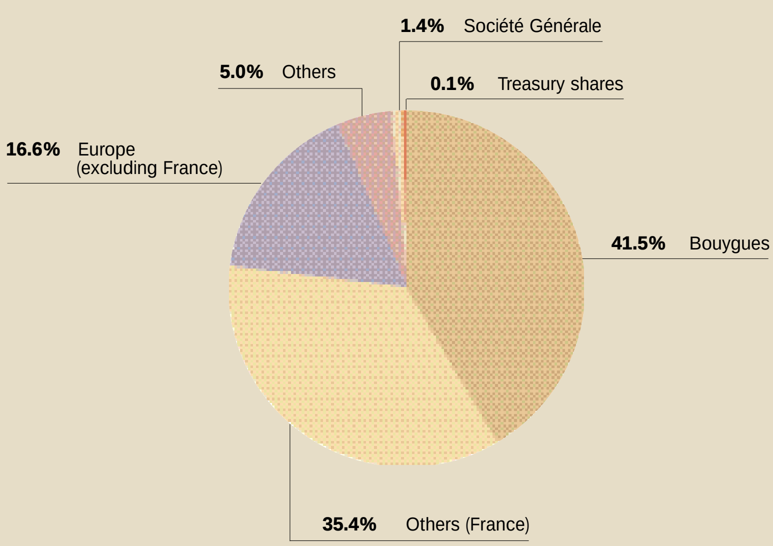



## Diary of financial announcements for 2005*

| | |
|---|---|
| **January 27** | Full year 2004 revenue |
| **February 15** | Full year 2004 accounts |
| **February 16** | Analysts meeting |
| **April 12** | Shareholders' General Meeting |
| **April 28** | First quarter 2005 |
| **June 20** | First quarter 2005 accounts |
| **July 28** | First half 2005 revenue |
| **August 30** | 2005 half year accounts |
| **August 31** | Analysts meeting |
| **October 27** | Third quarter 2005 revenue |
| **November 22** | Third quarter 2005 accounts |

** This timetable is subject to change*

## Shareholders
## as of December 31, 2004



# TF1's Competitive Environment

**+10,2%**

**Growth of the advertising market for all media**

## Advertising

With 60% of its operating revenue coming from advertising, TF1 is dependent on the advertising market and subject to its fluctuations. The TF1 general-interest channel, the group's 23 thematic channels and the Internet site live off the advertising investment of French or foreign advertisers.

Despite this dependence, the TF1 Group does not have a clear visibility of the French advertising market. It is cyclical, volatile and strongly linked to economic trends and the geopolitical situation.

### Evolution in 2004*

The multimedia advertising market expanded by 10.2% in 2004, climbing to a gross of €18.3 billion. All media attracted greater advertising investments than 2003. The Internet registered the greatest growth: +78.1% to €837.5M. The thematic channels increased their advertising revenue by 24.8%. Television grew by 6.4%. The market share for television (national, regional and complementary channels) stood at 31.3%, a fall of 1.1%.

### 2005 outlook

The Zenith Optimedia** agency forecasts a 4.5% increase in TV advertising investment for 2005 (+2.8% in multimedia*** ). The Ad Barometer **** agency's figure is 3.2% for the year for the same investments.

For the month of January 2005, the Sécodip figures for TV gross investments indicate an increase of 1.8% for the market. TF1 recorded an increase of 1.3%.

## Television consumption and audience share

In 2004, viewers watched more television than ever. The average daily television consumption (or individual watching duration) rose to three hours and 24 minutes (+ 2 minutes vs. 2003) for individuals aged four years and over, and three hours and 29 minutes (+ 10 minutes vs. 2003) for women under 50 years. In the space of 10 years, consumption has increased by 27 minutes for individuals aged four years and over, and 45 minutes for women under 50 years.

The breakdown of the audience among the television channels in 2004 shows TF1 as the channel

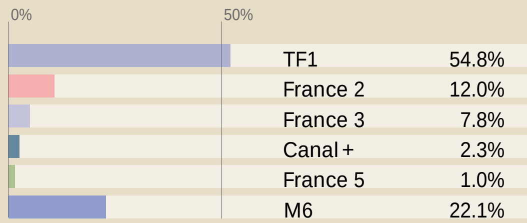
** Source: Sécodip.*
*** Zenith Optimedia forecast – December 2004.*
**** Multimedia: Press, television, radio, cinema, outdoor.*
***** Ad Barometer forecast – November 2004.*

**Variations in media gross revenue and market share 2004**

| MEDIA | GROSS REVENUE In €M | CHANGE 04/03 IN % | MARKET SHARE IN % |
|---|---|---|---|
| Press | 6,212.5 | + 8.4 | 34.1 |
| Television | 5,717.6 | + 6.4 | 31.3 |
| *National and regional television* | *5,204.9* | *+ 4.9* | *28.5* |
| *Thematic channels* | *512.7* | *+ 24.8* | *2.8* |
| Radio | 2,938.0 | + 9.9 | 16.1 |
| Outdoor | 2,411.6 | + 10.6 | 13.2 |
| Internet | 837.5 | + 78.1 | 4.6 |
| Cinema | 133.4 | + 2.6 | 0.7 |
| **Total Media** | **18,250.6** | **+ 10.2** | **100** |

*Source: Sécodip – gross figures updated January 19, 2005.*

**Breakdown of gross revenues within the 2004 TV advertising market**




**The historical trend of free-to-air TV operators' advertising market share was as follows:**

| (en %) | TF1 | FR 2 | FR 3 | CANAL + | FR 5 | M6 |
|---|---|---|---|---|---|---|
| 1998 | 50.2 | 17.6 | 11.1 | 2.7 | 0.4 | 17.9 |
| 1999 | 51.1 | 16.3 | 10.2 | 2.8 | 0.5 | 19.1 |
| 2000 | 53.8 | 12.7 | 8.4 | 3.2 | 0.6 | 21.4 |
| 2001 | 54.9 | 11.4 | 7.6 | 2.5 | 0.6 | 23.0 |
| 2002 | 54.0 | 11.9 | 8.0 | 2.5 | 0.7 | 22.9 |
| 2003 | 54.7 | 11.7 | 8.1 | 2.2 | 0.9 | 22.4 |

*Source : Sécodip.*

# 204 minutes
**Daily TV viewing time (average) in 2004**

# 23,5%
**of French households receive more than 15 channels**

growing most among individuals aged four years and over, and the only winner among women under 50 years.

The complementary channels have strengthened their audience, notably due to their expanded distribution, be it via satellite, cable or ADSL. They now represent 11% of the national audience.

## Pay television

In 2004, the French population could choose to receive a pay television offering over cable, satellite or ADSL.

Indeed, 2004 saw the emergence of a new audiovisual distribution platform, ADSL, and the development of offerings combining television, high-speed Internet, and telephony.

While the first nine months of 2004 showed only slow growth of the subscriber base for a pay television offering, the main operators (notably TPS, Canal + and CanalSatellite) registered sustained growth during the course of the last quarter, and primarily in the month of December.

The latest Médiacabsat survey indicated that 5.565 million households received an extended television offering (over 15 channels), i.e., 23.5% of French households.

At December 31, 2004, TPS had some 1.355 million subscribers to its satellite and ADSL bundle offering and 320,000 subscribers to TPS movie channels on cable and in the overseas territories and dominions. On the market for television by satellite the TPS market share stood at 37% (new subscribers in 2004).

The market growth (net of contract cancellations) for the year came to around 222,000 subscribers.

## Thematic channels

The advertising market for complementary channels continues to focus. In 2004, 3/4* of investments were made with the 15 top thematic channels (in terms of audience). Complementary channels represented 9% of the television advertising market (i.e., €512.7 M), while the audience for all these channels reached 11% of individuals aged four years and over.

** Source: Sécodip.*

**For the target "individuals aged four years and over," the 2004 audience share breakdown was as follows:**

| Channel | Share | Change |
|---|---|---|
| TF1 | 31.8% | ( + 0.3 pt) |
| France 2 | 20.5% | ( = ) |
| France 3 | 15.2% | (– 0.9 pt) |
| Canal + | 3.8% | (+ 0.1 pt) |
| France 5 | 3.0% | (+ 0.1 pt) |
| Arte | 2.0% | (+ 0.2 pt) |
| M6 | 12.5% | (– 0.1 pt) |
| Autres | 11.0% | (+ 0.3 pt) |

*Source : Médiamétrie.*

**For the target "women under 50 years", TF1's priority target, the 2004 audience share breakdown was as follows:**

| Channel | Share | Change |
|---|---|---|
| TF1 | 35.5 % | ( + 1.1 pt) |
| France 2 | 17.0 % | ( + 0.1 pt) |
| France 3 | 11.3 % | (– 0.9 pt) |
| Canal + | 3.6 % | (– 0.3 pt) |
| France 5 | 2.7 % | ( = ) |
| Arte | 1.4 % | ( = ) |
| M6 | 18.6 % | ( + 0.1 pt) |
| Autres | 10.0 % | (–0.3 pt) |

*Source : Médiamétrie.*

**Table of top 15 thematic channels**
(the TF1 Group's channels are in boldface)

| | TYPE | CHANNELS | AUDIENCE[1] |
|---|---|---|---|
| 1 | General interest | RTL9 | 2.3 |
| **2** | **Sport** | **Eurosport** | **1.7** |
| 3 | Youth | Canal J | 1.4 |
| **4** | **News** | **LCI** | **1.0** |
| **5** | **General interest** | **TMC** | **1.0** |
| 6 | General interest | 13e Rue | 1.0 |
| 7 | Youth | Tiji | 1.0 |
| **8** | **General interest** | **TF6** | **0.9** |
| **9** | General interest | Paris Première | 0.8 |
| **10** | **General interest** | **TV Breizh** | **0.8** |
| 11 | Youth | Disney Channel | 0.7 |
| **12** | **Cinema-Sport** | **TPS Star** | **0.7** |
| **13** | **General interest** | **Série Club** | **0.6** |
| 14 | Music | MCM | 0.6 |
| 15 | General interest | Téva | 0.6 |

*Source: Médiacabsat – as of June 13, 2004.*
*(1) Audience as a % of individuals of four years and over, multi-channel environment.*

# Group History

On the strength of its leadership position in the free-to-air television market for the past 18 years, the TF1 Group has today become one of the key players of the French and European audiovisual sector.

**1987**

On April 6, the CNCL (Commission Nationale de la Communication et des Libertés) chooses the Bouygues Group to be the operator of the channel; it becomes one of the core shareholders, representing 50% of the capital.

TF1 is privatised and listed on the stock market on July 24 at a price of FF165 (equivalent to €2.5 today, after a 10 for 1 share split in June 2000). As of this point in time, TF1 no longer has the benefit of licence fees and relies solely on advertising revenue.

For the first time, the channel's audience share breaks through the 40% threshold.

**1988**

Patrick Le Lay is appointed CEO of the TF1 Group.

Creation of Une Musique, music publishing and recorded music subsidiary. TF1 Vidéo capitalises on the success of the Bébête Show cassette (more than 150,000 copies sold) to launch new products.

**1989**

Expansion of the TF1 Group with the setting up of TF1 Entreprises (video, telematics, licences and merchandising).

Laying of the first stone of the new headquarters at Boulogne.

**1990**

The group extends its production expertise with the creation of Banco Production (production of television feature films) and the acquisition of Protécréa (audiovisual production).

Creation of TF1 Pub Production to promote the channel's identity.

*Trop Belle pour Toi* by Bertrand Blier, co-produced by TF1 Films Production wins 5 "Cesars" including best film. For the first time, investment in French film production exceeds one billion francs.

**1991**

Eurosport, the leading pan-European sports channel comes under the umbrella of the TF1 Group, and the French version of the channel is unveiled. Launch of TF1 on the thematic channels' market with this acquisition.

Setting up of Studios 107 to develop the sets for the integrated production of sitcom, variety and game shows.

**1992**

TF1 unveils its new headquarters at Boulogne, bringing together all its staff on the one site. *Hélène et les garçons* and *Premiers Baisers* are the first of the successful afternoon sitcoms aimed at young people.

1992 also sees the development of the channel's TV dramas, with *Julie Lescaut*, *Les Cordier, juge et flic* and *Les Cœurs brûlés* enjoying real audience success (this is still the case today).

**1993**

The Eurosport networks and "The European Sport Network" (operated by Canal+ and ESPN) merge to produce and market a single sports channel in Europe: Eurosport.

The newly created *Champions League* is broadcast by TF1, marking TF1's commitment to French and European football.

**1994**

The Bouygues Group increases its stake in TF1 from 25% to 34%.

The gamble is made on a non-stop news channel: LCI is launched on cable on June 24.

**1995**

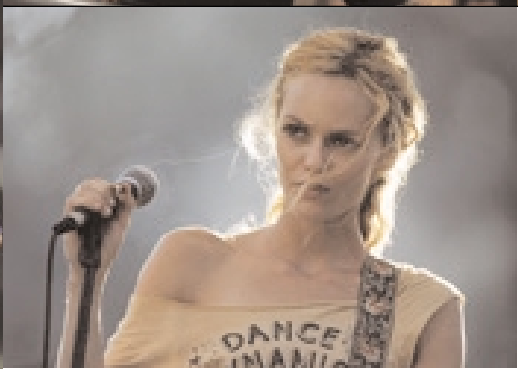
With the acquisition of 60% of Glem Productions, TF1 becomes a producer of entertainment programmes.

Launch of the website www.tf1.fr, which is an immediate success.

Eurosport becomes the leading pan-European channel covering 66 million households and nearly 15 million television viewers daily.

**1996**

Creation and launch of TPS (Télévision Par Satellite) in partnership with France Télévision, France Télécom, CLT, M6 and Lyonnaise des Eaux. The launch is accompanied by the creation of TCM (34%-owned by TF1), a company which will acquire and manage broadcasting rights.




July sees the **CSA** renew TF1's authorisation to broadcast (granted in 1987) for five years.

## 1997

Launch of the documentary channel, **Odyssée**, aimed at expanding TF1's presence in the thematic channels market and supplementing the TPS offering.

**TF1 Vidéo** now distributes the René Chateau Vidéo film catalogue (800 titles).

Four Cesars are awarded to films co-produced by **TF1 Films Production**: *Capitaine Conan* by Bertrand Tavernier (two Cesars), *Pédale Douce* by Gabriel Aghion and *Les voleurs* by André Téchiné.

## 1998

Eurosport attracts 80 million television viewers (cumulative audience share) with 24-hour broadcasting of the Nagano Olympic Games.

Launch and broadcasting on TPS of **Shopping Avenue** (home shopping channel) and **Infosport** (the first sports news channel).

TF1 International supplements its library of broadcasting rights with the acquisition of **Ciby DA's** comprehensive catalogue.

## 1999

Launch of the new site and general-interest portal www.tf1.fr in May, while Eurosport sets up its own site, www.eurosport.com. The UK version of the sports channel is launched.

TPS creates **Superfoot** and **Superstades** (pay-per-view) to broadcast French First and Second League football matches.

## 2000

On May 10, the TF1 share enters the CAC 40 following a ruling by the Conseil des Indices Boursiers, and on June 21, there is a 10 for 1 share split, to improve the share's liquidity.

On July 2, TF1 attracts more than **21 million** television viewers for the broadcasting of the Euro 2000 final.

On September 1, **TV Breizh** (channel focusing on Brittany and the sea, in which TF1 has a 71% stake today) is launched on TPS, CanalSatellite and the main cable networks.

In December, TF1 launches the small mini generalist channel **TF6**, broadcast on TPS and certain cable networks.

## 2001

In January, TF1 acquires 50% of **Série Club**, the "100% series" channel, and increases its stake in **Eurosport** to 100% by acquiring the holdings of Canal Plus and Havas.

**TF1 Games**, a new division of TF1 Entreprises focusing on the publishing and distribution of parlour games, heads sales with an adaptation of the game *Who Wants To Be A Millionaire?*

The success of 11 films co-produced by TF1, having exceeded 1 million cinema admissions in 2001, underscored the group's involvement in cinema film production/co-production.

## 2002

TF1 increases its stake in TPS, following the acquisition in January of the 25% owned by France Télévisions Entreprise and France Télécom, and in July, of the 16% owned by Suez. TPS is now 66%-owned by TF1 and 34%-owned by M6.

**TF1** and **Miramax** sign a partnership agreement to set up a joint company, **TFM**, distributing movies in French cinemas.

The final episode of *Star Academy* (1st season) attracts more than 11.8 million television viewers for a 51.4% audience share. The success of this new entertainment has a knock-on effect on a number of the group's subsidiaries.

## 2003

On April 23, **TPS** launches **three new channels for young people**: Eurêka!, Boomerang and TFOU.

TF1 announces it has taken a 34.3% stake in **Publications Metro France**, the French subsidiary of Metro International, for €12M.

On November 12, TF1 issues a €500 M **bond**, enabling it to diversify and extend its sources of financing.

On December 18 in partnership with France Télécom, **TPS** launches its digital television offering over ADSL telephone lines in Lyons. It is dubbed “TPSL Prestige”.

# 2004 Key Events

## BROADCASTING FRANCE

### Broadcasting*

On April 10, the first airing of the programme *La Ferme Célébrités* attracted 8.5 million prime-time viewers for a 45.7% audience share.

On June 6, TF1 enjoyed exclusive rights to film the ceremonies surrounding the 60th anniversary of the liberation of France and provided the signal for international broadcasting. The whole channel and indeed the whole group was mobilised for this event.

TF1 broadcast live eight of the biggest *Euro 2004* matches. On June 21, the France-Switzerland match notched up the best audience of the year for any type of programme with over 15.3 million viewers.

The summer saga, *Zodiaque* (5 episodes), produced by Alma with Claire Keïm and Francis Huster, beat audience records for this programme type with an average approaching 10.8 million viewers per episode.

At the International Car Show in September, TF1 presented two major innovations that are destined to revolutionise television in the coming years: high definition television and mobility.

On October 5, audience success for the broadcast of the film *Astérix et Obélix: Mission Cléopâtre*, with over 12.4 million viewers for a 50.2% audience share.

The TF1 News Division and Technical Division set up a major facility to cover the American Presidential Elections. The same teams were again mobilised at the end of December for the terrible tidal wave that hit India and South East Asia.

### Thematic channels

In March, TF1 raised its shareholding in TV Breizh to 67% and in April to 71.1%.

On June 22, LCI celebrated its tenth anniversary. Since 1994, La Chaîne Info has forged its leadership as the top French non-stop news channel.

At the end of June, the TF1 Group signed an agreement with France Télévisions, ARTE France, l'INA, Pathé, Suez, and Wanadoo to acquire 100% of the capital of Histoire, the thematic channel dedicated to French and world history.

The seventh wave of Médiacabsat (covering the period from December 29, 2003 to June 13, 2004) confirmed the group's channels' good audience figures, justifying the TF1 growth strategy in the complementary audiovisual arena.

The October 25 launch of Pink TV, the first gay and "gay-friendly" channel, announced live during the TF1 8 o'clock news.

Since December 3, Odyssée and Histoire have been broadcast from the TV Breizh technical centre at Lorient, where the channels share the digital production and all technology facilities.

### Production companies

The capital increase in Groupe Glem brought the TF1 holding in this subsidiary to 97.8% and then to 100% in the course of the first half 2004.

March 24 saw the public release of the *Immortel (ad vitam)*, an adaptation of the comic strip *La Femme Piège* by Enki Bilal. It was directed by the author, produced by Téléma and co-produced by TF1 Films Production.

The latest film from Jean-Jacques Annaud, *Deux Frères*, co-produced by TF1 Films Production, was a big success with 3.3 million admissions over its operating duration.

Four years after the success of *Le Fabuleux Destin d'Amélie Poulain*,

** Source: Médiamétrie.*

the new film from Jean-Pierre Jeunet, *Un Long Dimanche de Fiançailles*, co-produced by TF1 Films Production, was released on October 27 and attracted over 4.4 million cinema spectators.

### Other companies

In June, TF1 Licences launched two new magazines based on TF1 television programmes: *Ushuaïa* and *Téléfoot Magazine*.

In September, *Téléshopping* changed formula: a new set, a new design and a new team of presenters. The enhanced programme has become the consumption and distance shopping magazine.

## DISTRIBUTION

On March 15, TPS won the bidding for the English Football League and, starting August 2004, will broadcast exclusively the whole Premier League championship for three seasons.

On October 15, *TPS L* expanded its coverage to 15 new towns and launched a "double play" offering: TV over the telephone line and ADSL Internet access. Five million households can now subscribe to TPS L.

On December 10, TPS was advised of the decision by the French Professional Football League (LFP) to entrust the broadcasting rights of the French First Division championship to the Canal+ group. TPS decided not to endanger the financial future of the company and its employees, or the interests of its subscribers, by participating in the unreasonable inflation of the costs of the First Division football matches.

A historical record at TPS: in the month of December, TPS won 66,588 new subscribers to its satellite or ADSL offering (i.e., a 101% increase over December 2003).

## INTERNATIONAL BROADCASTING

February 6 saw the launch of Sportitalia (Europa TV), an unscrambled sports channel that will eventually cover 81% of the Italian population.

During the 28th Olympic Games in Athens, Eurosport covered the event live and in its totality, plus highlights and results on Eurosport interactive services.

## AUDIOVISUAL RIGHTS

TF1 Vidéo released a DVD and video cassette of the final instalment of *The Lord of the Rings*. Sales reached 1.5 million units in 2004.

In December, the films *Downfall* and *The Last Trapper*, distributed by TFM Distribution, were a cinema success.

# TF1 and Society

## Ethical broadcasting

TF1 has been running several initiatives to promote on-going improvements in its editorial quality and consistently higher ethical standards for the programmes it broadcasts. TF1 is, first and foremost, a general-interest, family-oriented channel. Respect for viewers in general and for children in particular rank high on its list of priorities.

Television is more than a source of information and entertainment: it is a wide-open window looking out onto the world. Parents should be aware of that and be there as much as possible when their children (so to say) consume television. TF1 (as indeed other general-interest channels) displays a series of rating icons to warn parents and to enable them to protect their children from images that could otherwise disturb them.

TF1 has also pledged to run an annual awareness campaign on this issue, in line with objectives it has agreed on with the CSA.

TF1 has its own in-house programme-compliance office that checks every air-bound programme upstream. As part of its agreement with the CSA, rating icons are displayed on all programmes, and psychologists vet programmes for children.
The new system has been in use since November 2002.

Ad content is also run through thorough checks.
– First by the BVP (France's Advertising Verification Bureau) which views the spots and issues a preliminary opinion. The BVP is a member of the European Advertising Standards Alliance, a Europe-wide organisation likewise watching over ethics in advertising.
– Then by TF1's team in charge of viewing each one of the spots once the BVP has given its opinion.
– Lastly by the CSA, which assesses ads subsequently.

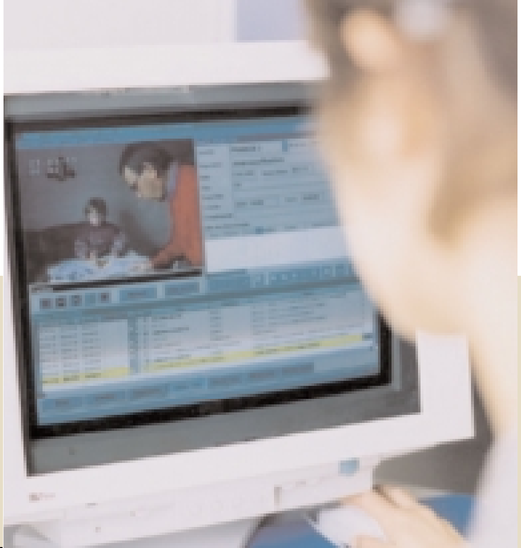
Independent editorial content, child protection, pluralistic and honest information, and programme ethics, are some of the issues covered in the latest agreement that TF1 and the CSA signed in January 2002. The CSA, it is also worth pointing out, was not required to draw TF1's attention to any breaches in provisions relative to information honesty in the course of 2003.

In this agreement, the CSA also underscored TF1's efforts to provide subtitled programmes for hearing-impaired viewers. It indeed set an annual target of 1,000 hours of programmes for that viewer category. In 2004, TF1 broadcast 1,845 hours of subtitled programmes using teletext.

The TF1 channel reaches the whole national community in all its diversity. This factor is one of the cornerstones of its editorial policy. Accordingly, it is pushing ahead with policies to include journalists from national minorities in its News and Sports divisions. It is also especially determined to cast minorities in its most popular TV dramas.

Another minority that TF1 is striving to put in the spotlight is the gay community. It showed this community devoid of taboos in a prime-time slot, playing its part in efforts to change society's attitudes towards homosexuality.

Lastly, to strengthen ties with viewers and to cater for their wants and needs more directly, TF1 has set up an entirely viewer-dedicated 11-staff office. This office answered to more than 213,000 calls in 2004. This Viewer Service office keeps tabs on viewer feedback. And viewers regularly tell us that they are satisfied with the consistency they see in the editorial guidelines, content and ethics of our newscasts.



"Television is a wide-open window looking out onto the world."

## TF1 and the community

Every year sees the TF1 Group involved in various sponsorship and patronage initiatives. In 2004, for instance, the group earmarked in excess of €16 million (i.e., approximately 1% of its advertising revenue) to humanitarian, civil and cultural operations.

For instance, TF1 backed charities like *Secours Populaire*, *Ligue Contre le Cancer* and *Sidaction*, as well as environmental-protection organisations such as the *Fondation Nicolas Hulot*, in 2004. The TF1 channel's Broadcasting Department supplied spot-production resources and advertising slots free of charge. In total, it broadcast more than 220 such spots last year.

As over the last 16 years, TF1 also supported the Pièces Jaunes (small-change) operation. Last year, this operation collected nearly €6 M that will go to improving child-care equipment and facilities in hospitals. This operation is organised by the *Fondation des Hôpitaux de Paris - Hôpitaux de France* and presided over by France's First Lady, Bernadette Chirac. It gets ample exposure in the form of awareness-raising ads, the associated events get generous news coverage, and 15 or so modules follow its "solidarity travellers".

TF1 instantly reacted to the Asian earthquake and the devastating effects of the ensuing tsunami. Besides airing a number of dedicated newscasts, TF1 reshuffled its schedule to broadcast a special "*Solidarité Asie*" on Monday January 3 at 8.50 pm, extending the charity appeal for the catastrophe's victims. TF1 donated €600,000 to six associations and TPS gave €100,000 to the French Red Cross. In addition, two special *Who Wants to be a Millionaire?* shows generated €1,068,000 for associations helping the tsunami's victims.

Another show, *Chantons Ensemble Contre le Sida*, which TF1 aired on April 24, 2004, generated nearly €300,000 for Sidaction, an association that funds AIDS-prevention campaigns and support for HIV victims and those around them.

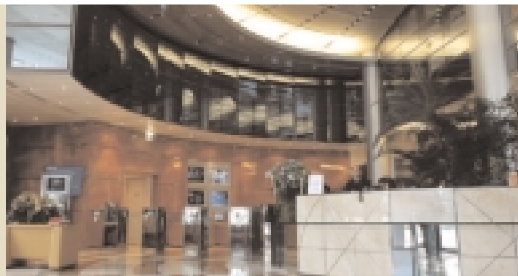
A number of programmes also fund charity projects regardless of their size and the problems they endeavour to relieve. In 2004, special *Who Wants to be a Millionaire?, Attention à la Marche, La Ferme, Le Maillon faible (Weakest Link)* and other shows generated more than €5 M for associations like Les Toiles Enchantées, Handicap International, Perce-Neige, Petits Princes, Restos du Cœur and others.

That is TF1's way of promoting general-interest initiatives on issues spanning community health, civic involvement and environmental protection. Furniture used by the group is also given to charity. When TF1 discontinued Bigdil, one of its shows, for instance, proceeds from the stock clearance were used to help Samu Social and Emmaüs cater for the needs of the deprived.

To tap into an effective communications system and promote these "public involvement" operations, TF1 joined forces with other parties to found jeveuxaider.com, France's first "solidarity portal", which went online on January 31, 2002.

Efforts to implement policies seen as socially responsible have earned TF1 a place in three sustainable-development indexes, DJSI STOXX, ASPI Eurozone® and FTSE4Good Europe.

# TF1 and Society



## Advances in terms of social benefits

The TF1 Group's efforts to deliver high-quality service in every one of its lines of business lean on two critical factors, staff creativity and staff professionalism. That is why TF1 strives to nurture a social environment that will promote group staff fulfilment.

### General

TF1's social policies consistently and proactively exceed legal requirements. The social rules in force in the group are the cornerstone of the pleasant, fair and impartial working environment it strives to build. Key improvements in this field follow.

• Employee-saving schemes:
TF1 has set up three mutual funds to administer staff savings. TF1 Actions, one of those funds, has been available since 1988. That is where staff invest the bonus they are entitled to in exchange for voluntary investments. In this case, they receive the maximum bonus allowed under the law (100% of their voluntary contribution, with a ceiling of €3,450 per employee per year).
In addition, the special profit-sharing trust which was created in 1989 typically affords each employee the equivalent of a 14th monthly salary a year.

• The welfare system provides high-quality care and outstanding benefits. Moreover, TF1 has taken out specific insurance covering staff on high-risk missions in war or earthquake zones and the like.

• TF1 likewise covers 50% of its staff's healthcare-insurance contributions, and the coverage – especially dental and eye care – is particularly attractive. TF1 has also extended its package to include medical services not covered by social security.

• On the 1% housing-loan front,
TF1 works with specialised trusts to provide social housing for staff in dire need, as well as extremely attractive terms on home-buyer, building and home-improvement loans (provided employees use them for their main place of residence).

Likewise, 1% housing-loan organisations can vouch for tenants and lend them the required deposit (in the case of permanent and contract staff alike).

Some 300 employees are housed thanks to this trust today.

• TF1 also organises weekly services allowing staff to talk to:
– a sports doctor,
– a medical-insurance representative,
– a social worker who meets employees in difficulty and looks for suitable solutions with them.

TF1 also has a family-friendly policy.
• It awards €915 birth and wedding premiums.
• Pregnant women are entitled to full pay throughout their maternity leave. They also cut 10 hours off their working week from the 6th month onward, and are entitled to four weeks' nursing leave once their maternity leave is over.
• They are also entitled to a gross €8 premium covering day-care costs for every day worked.
• Leave for family events (weddings, births, deaths, moves, child sickness, etc.) is also provided.

Lastly, to provide its staff with pleasant living conditions, TF1 also runs a company restaurant serving lunch and dinner seven days a week, a travel agent, hairdresser, boutique, cash-dispensing machine, metro-ticket and phone-card vending machines and more.

A gym (recently refurbished and now featuring ultra-modern amenities) is also available. There are lessons weekday mornings, lunchtimes and evenings, and even Saturday mornings. A sports doctor is also available for the medical check-up that staff are required to take if they want to join the gym.

### Recruitment and mobility

Recruitment policies stem directly from the three-year strategic plans that executive management issues after consulting the group's operational and functional organisations. These policies adjust to accommodate developments in the company's environment whenever changes warrant them.

The goal of these policies is to deliver the high professional standards that befit TF1's leadership in its various markets, and to nurture individual and team motivation.

"Staff creativity and professionalism: an essential objective for TF1."

Mirroring the fact that professional mobility is one of the key issues shaping the TF1 Group's human resources policy, more than 200 employees changed jobs in 2004 (upping the total since 2001 to 900). This policy reflects the group's determination to bolster each and every employee's career prospects through individual coaching and hands-on career management.

### Disabled workers

In 2004, the TF1 Group ran an in-house awareness campaign, with a view to promoting disabled-worker integration. Its twofold policy involved hiring disabled workers and using the services of sheltered workshops.

TF1 counts about 30 disabled employees and uses the services of sheltered workshops or "CATs" (centres providing assistance through employment, providing productive services as well as medical and social support for disabled adults) on a regular basis. Services can include putting in-house magazines into envelopes, recycling hardware, organising cocktails and the like.

TF1 has also joined Tremplin, an association which includes leading French companies working to help disabled students earn qualifications and secure jobs. TF1's goal is to create a candidate pool to match its staffing requirements.

TF1's Employment and Handicap Committee was created in February 2004. It comprises members of the Health and Safety Committee, the company doctor and Board members, and is actively helping disabled workers to blend into the company.

All premises meet the standard legal requirements for public buildings and disabled access.

### Show-business contract workers

TF1 has spent the last four years constantly and proactively integrating non-permanent staff and curbing the job insecurity associated with their status.
From 2001 to 2004, this integration policy involved hiring 380 non-permanent employees (technical workers, freelancers and directors) and every one of its companies will be pushing ahead with efforts in this direction in 2005. If contract and freelance workers account for 12.3% of the group's total headcount, TF1 SA's score has dropped below the 7% mark. It is worth pointing out that contract workers account for a substantial portion of staff in the group's drama, variety-show and entertainment programme production.

TF1 has set up a genuine social policy for this staff category.
• Employee-saving schemes: contract workers are entitled to take part in capital-increase operations on TF1 Avenir 2 and Bouygues Confiance 2 funds, and to participation under terms and conditions stated in the agreement.
• Healthcare: medical-expense coverage and welfare schemes date back to 1992. In employment-interruption situations, contracts involve paying wages for 18 months, against 12 before.
• Others: a specific 35-hour-working-week agreement for contract workers, annual revisions of fee schedules, and access to the Works Council's social and cultural activities.

### Equal opportunities for men and women

TF1 is also pushing ahead with its efforts to avoid discrimination between men and women, and to honour the legal principle of equal opportunities in recruitment processes, comparable career prospects and identical compensation.
If men have traditionally outnumbered women in technical jobs, the TF1 Group has spent recent years levelling the playing field to the 47 women to 53 men ratio it can boast today. The ratio of promoted women is exactly the same as that of promoted men (11.3%). Likewise, women employees have enjoyed training opportunities under exactly the same terms and conditions as men. The differences between men's and women's compensation at "supervisor" level is explained by the fact that vacancies in production jobs are mostly filled with candidates holding a BTS (advanced vocational diploma) in audiovisual techniques. Men outnumber women in this category, and market conditions impose higher starting salaries than for candidates holding, say, a BTS in secretarial services (a practically women-only category). Otherwise, a man and a woman hired for the same technical or other BTS-level job will earn exactly the same salary.

In other words, young man or woman journalists, or young man and women administrators with similar academic backgrounds will be hired on the same salary.

# TF1 and Society

## The environment

TF1's activities have little impact on the environment and involve no particular industrial risks. The group, nonetheless, takes an active stance on protecting the environment and set up a proactive environmental policy in 2004. That policy's main aspects follow:

1/ All group sites are required to cut water and power consumption, manage waste, recycle hardware and video media, etc.

The TF1 Group has set up environmental-monitoring indicators, and TF1 Group board members are briefed on results. TF1 has pledged to provide regular and transparent updates on how those indicators evolve.

2/ Respect for the environment concerns group staff regardless of their category and business line. Staff are thus encouraged to act accordingly and to help promote this policy.

3/ Contractors working on TF1 Group premises are involved in this initiative.

The Internal Resources and Technologies department is in charge of implementing and monitoring this environmental policy.

4/ Lastly, and most importantly, executive management is encouraging TF1 Group companies like the TF1 channel, the thematic channels, TF1 Video, TF1 Entreprises and others to use the products and programmes it releases throughout the year to raise viewer awareness and thus to nurture environment-friendliness and protection.

TF1, for instance, produces and broadcasts France's leading programme in this area (and indeed France's only early-evening programme dedicated to promoting environment-friendliness), *Ushuaïa*, four times a year at 8.55 pm.

The TF1 Group has been active alongside Nicolas Hulot, the man who has come to epitomise concern for the planet in French viewers' eyes, for almost 20 years now. Besides broadcasting *Ushuaïa* and distributing spin-off DVDs, magazines and the like, it will launch Ushuaïa TV in 2005. *Ushuaïa* is one of the TF1 Group's key awareness-nurturing vehicles and its underlying principle is that "wonder is the first step towards respect".
Specific TF1 Group initiatives in the environmental arena are as follows:

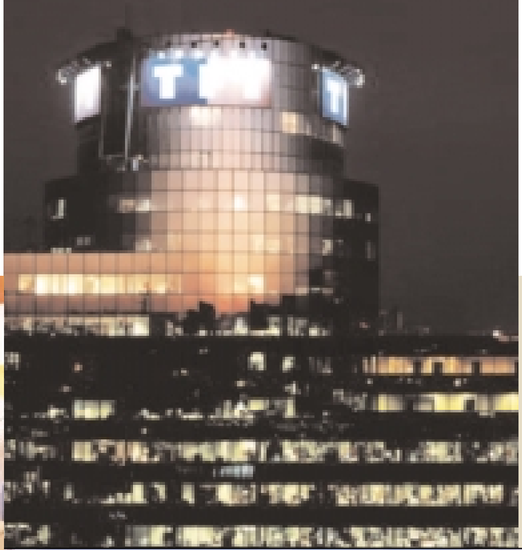
Selective waste-sorting facilities have been set up in suitable TF1 Group facilities. The volume of waste at TF1 headquarters and the logistics it entailed prompted the General Services department to buy a waste compactor, which has been operational since August 2003. An outside company then provides sorting services in a dedicated off-site facility.

- At the main Point du Jour site, wastepaper sorting is run in association with the company La Corbeille Bleue.
- Waste edible oil is stored in special containers and collected by a specialised company.
- Batteries powering hand driers and air fresheners, as well as other batteries used by staff and stored in collection units are collected by outside service providers.
- Exprimm, the company responsible for providing electrical maintenance services at the site, collects neon tubes.

Toner and ink cartridges are also collected and recycled. Copier filters are likewise replaced on a regular basis.

Gases used in refrigeration systems are among the fluids recommended by relevant legislation, as are the methods we use to drain used equipment before disposing of it.

TF1 has also fine-tuned its automatic office-lighting system with a view to cutting its site's power consumption. Lastly, to stay a step ahead of pending regulation aiming to eradicate gases that deplete the ozone layer (CE regulation no. 2037/2000 of the European Parliament and Council of June 29, 2000, working up to a ban in 2015), TF1 has planned to replace all relevant air-conditioning equipment (about 1,600 heat pumps and air-conditioning cabinets, and five units producing ice-cold water) starting next year. This project will span five years and is part of a full building overhaul.



"The Group takes an active stance on protecting the environment and emphasizes on the prevention of occupational hazards."

## Health, safety and hygiene

In 2004, TF1 focused particularly on preventing occupational hazards, raising awareness among all parties.

Safety training courses were run for 375 employees from different staff categories in 2004. Fire-prevention training courses are held on a regular basis and fire drills for all the staff are conducted as required by relevant legislation.

There are also job-specific courses in first aid (plus a stress-management module for staff working in high-risk zones), and in driving in difficult situations (now available for News division staff entrusted with assignments). Other courses dealing with specific risks (electrical hazards, movements and postures, and the like) are also provided.

As required by the Evin law, smoking is forbidden in enclosed public or work areas, including closed offices, meeting rooms and the company restaurant. This regulation is respected and, to help smokers and non-smokers live together, smoking areas have been defined (and conspicuously signposted). Smoking areas have air purifiers to remove a substantial amount of the nicotine from the air. Smoker shelters in the patio and on one of TF1 main building's terraces likewise encourage staff wanting to smoke to do so outdoors.

The master occupational-hazard document has been updated. This document lists all the hazards in each of the company's units, and all the associated preventive measures (instructions, training courses, etc.).

The medical department comprises a company doctor and three nurses. They provide daily care (nurses treated staff on 6,987 occasions, and the doctor examined 3,305 employees in 2004) and specific care for employees with jobs involving particular risks (they vaccinated 900 employees and prepared 157 first-aid kits for staff bound for high-risk zones in 2004). This office also encompasses the freelancers working for the group, as the professional bodies representing this staff category have no medical centres providing regular check-ups.

Efforts to renew office furniture also unfurled through 2004. The goal was to adjust workstations to new technology (flat screens, for instance). In total, 400 workstations and 850 chairs were replaced. Special trolleys were bought to reduce the use (and hence handling) of cardboard boxes.

# Group's Activities

**The restructuring of the group's companies and the application of IAS 14 (international reporting standard on segment reporting) led TF1 to change the way it presents its sector information. Redeployment by major competing communication groups and the arrival of several new sector players attracted by new distribution possibilities for programmes and services (DTT, ADSL, WiFi, mobiles, etc.) prompted TF1 to reorganise its entities to make them more competitive within their sectors.**

**In addition, IAS 14 advocates the presentation of information by sector of activity and by geographical zone in greater detail than is required by French legislation.**

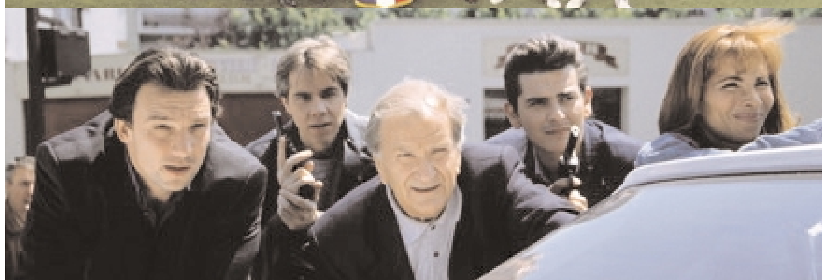
# Table of Contents

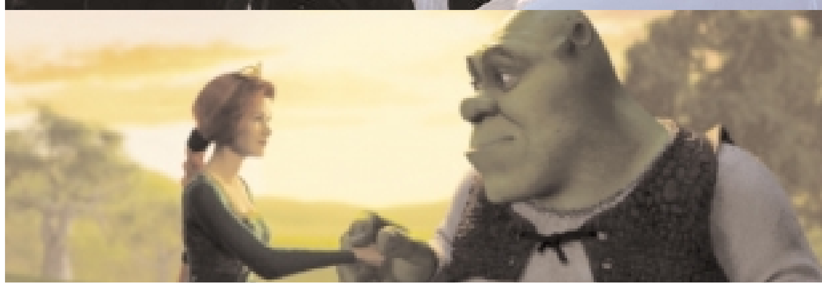
*The group's activities break down into the four following sectors.*
*The subsidiaries comprising these divisions are listed on page 05 of this document.*

# Broadcasting France

## 15.3 million viewers

**Best rating in 2004 for the football match France-Switzerland of the Euro 2004**





## TF1 CHANNEL*

France's leading general-interest channel, TF1 provides family-oriented and event-related programmes dealing with prominent issues appealing to a broad-based audience, and encompasses news, entertainment, drama, sports, feature films, youth programmes, magazine formats and documentaries. Through them, TF1 offers its viewers a dynamic and user-friendly choice of programmes constantly in line with their expectations.

In the face of rivals offering choices segmented by theme, age, sex and/or genre, TF1 is cementing its position as a living general-interest channel, as a leading broad-appeal medium, and as a trailblazer.

In 2004, TF1 accounted for 31.8% of viewers, and for 35.5% of women under 50 (a key advertiser target). Further proof of TF1's vigour came from the fact that it ranked as leader more than nine evenings in 10.

### TF1 scores

The 2004 record was the football match between France and Switzerland during the Euro 2004 cup, which drew 15.3 million viewers.

Between the Euro 2004, Champions League, FIFA Centennial and UEFA Cup, TF1 put 10 football matches among the 100 most-watched programmes in 2004, cementing its position as the football-broadcasting leader.

### French drama tops the pops

French drama, more than ever before, proved to be the mainstay of TF1's broadcasts: 50 of them ranked among the 100 highest ratings in 2004.

TF1's big (and recurrent) police heroes have shown fresh proof of their appeal: *Julie Lescaut, Une Femme d'Honneur, Les Cordier, Navarro, Commissaire Moulin* and *Femmes de Loi* are still acclaimed by French viewers.

As many as 11.5 million viewers at a time watch Véronique Genest, who stands out as the public's favourite heroine (10 of the 11 episodes broadcast during non-summer months ranked among last year's 100 highest ratings).

Another 2004 highlight was *Zodiaque*, the summer saga: five episodes ranked among the 100 highest ratings in 2004. This summer serial's last episode drew 11.3 million viewers.

### French cinema in the spotlight

18 feature films broadcast on TF1 made their way into the 2004 hit parade. No less than 13 of them were French – as indeed were the top 3, *Astérix et Obélix Mission Cléopâtre* (12.4 million viewers), *Monsieur Batignole* (12.3 million) and *Les Bronzés Font du Ski* (10.8 million). American films *Shrek* and *Cast Away* were hits too, drawing 10.3 and 10.1 million viewers respectively.

### Magazines and entertainment – the success of large-scale popular rendez-vous

This channel's drive to break new ground in its magazines, games, variety and reality shows not only built the skills that have cemented TF1's position in these new genres, it also attracted new audience groups.

** Source: Médiamétrie.*

# 89 out of the 100 best programs in 2004

*La Ferme Célébrités* drew as many as 8.5 million viewers for its prime-time broadcasts and daily shows scored an average rating of 50% in the women-under-50 category. This new reality-TV genre, as its name implies, presents celebrities.

An average of 7.0 million prime-time viewers confirmed Star Academy's success once again. 2004 also brought a new (and successful) game from presenter Arthur, *A Prendre ou à Laisser,* supplementing other game shows already broadcast on TF1 like *Attention à la Marche, Zone Rouge,* and *Le Maillon Faible* (Weakest Link).

## TF1 the benchmark for news

2004 was particularly eventful on the international scene as well as closer to home, with regional and European elections. Once again, TF1 was acclaimed as the news benchmark. The power behind the information comes from the appeal of the various events that this channel covers.

TF1's newscasts are still the daily highlight that the French look forward to most. In 2004, 46 newscasts attracted more than 10 million viewers.

# Late evenings

**The success that late-evening shows have enjoyed attests to TF1's expertise. It cemented the handsome scores it had enjoyed in previous years. To cater for a broad-based audience, TF1 will continue to build its late-evening shows around magazine formats weekdays and around series weekends.**

### EXCELLENT POSITIONING FOR TF1'S LATE-EVENING PROGRAMMES IN 2004

TF1's late evenings attracted an average of 2.4 million viewers in 2004. That equates to a 33.4% share in the 4-and-older viewer category, and a 38.2% share in the women-under-50 segment - a sharp rise on 2003.

### VARIED MAGAZINE FORMATS

**Magazines of testimony to open a window on a changing society**

The big hit, *Y'a que la Vérité qui Compte!*, produced and presented by Pascal Bataille and Laurent Fontaine, draws an average of 3.2 million viewers.

Friday's *Sans Aucun Doute* is still a success: 2.1 million viewers (44% of the audience*) tune into Julien Courbet's show. Others, like *C'est Quoi l'Amour* and *Confessions Intimes* also command consistently healthy scores.

**Information + entertainment = infotainment**

*Incroyable Mais Vrai* attracted a substantial number of loyal viewers in 2004 too. This programme presented by Bruno Roblès was watched by 3.2 million people (i.e., 35% of the audience*). *Vis ma Vie,* presented by Laurence Ferrari, also did well.

**Information and investigation**

*Le Droit de Savoir* and its spin-offs, *Le Droit de Savoir: Fait Divers* and *Le Droit de Savoir: Grands Documents* unravel news highlights and key events. Charles Villeneuve drew an average of 3.1 million viewers, a 38% audience share*.

**An original talk show**

2004 also saw star presenter Cauet draw his fair share of the audience. His 2.2 million viewers and 33%* audience share rank *La Méthode Cauet* among TF1's hits.

### WEEKEND DRAMA THE BEST FROM THE US

TF1 broadcasts exclusive and unreleased series at weekends. *The Experts*, the US's number-1 series since 2002, has 2.9 million viewers (or 40% of the audience*) on the edge of their seats. Other series have also been doing well for a number of seasons. *New York Unité Spéciale/Law & Order* (2.6 million or 38% of the audience*) and *New York Section Criminelle/Criminal Intent* (2.6 million or 36% of the audience*), are two benchmark examples.

** On individuels aged 4 and over - Médiamétrie.*

# Broadcasting France

## Information where it's urgent

**Sunday December 26 saw one of the century's most powerful earthquakes unleash a colossal tidal wave that ravaged the coasts of Sumatra, Thailand, Sri Lanka and southern India. More than 50 TF1 journalists and technical staff worked across Asia, despite the humanitarian risks, logistical issues, scant knowledge of the area and myriad other factors undermining their efforts to cover the catastrophe.**

When the dispatch came in on the morning of December 26, TF1 and LCI news directors instantly decided to send to the region four TF1 teams (bolstering Asian correspondent Antony Dufour's team) and two from LCI. At that point, the problem facing the technical and news staff was simple: to get the best choice, in record time – on Christmas weekend. Arnaud Mouillevois, who runs the reporter teams, explains, "We put teams together balancing each member's skills and field experience, and taking the affinity among them into account. It was a delicate exercise, but it was vital to the success of the mission."

A few hours later, the first teams were leaving for Asia on the few remaining flights. On Monday 27 December, the 1 o'clock news aired images shot and edited on location, as well as the first correspondents' presentations. The operations were practically all up and running by the time the 8 o-clock news began: there were two teams in Thailand, one in Indonesia, one in Sri Lanka and one on its way to southern India. It took nothing short of a technical, physical and moral feat to overcome the logistical hurdles in those disaster-stricken zones while dealing with the time difference (+5 or 6 hours) – in the midst, of course, of the human catastrophe.

Arnaud continues, "It was gruelling: journalists and technical staff had very little time to get to the disaster area, shoot their first stories and edit them. Which still left the transmission issue…" The team had portable Fly Away satellite transmission systems affording them an important autonomy and allowing them to send their stories and live broadcasts very fast.

Meanwhile, in Paris, editors in chief and technical supervisors were busy getting organised and liaising between the newscaster and correspondents. At the same time, the News division had to compile a special show, involving a string of live broadcasts from the area, to an extremely tight deadline. Everyone, including the assistants, editors, journalists and researchers were busy as early as the day after the catastrophe. In total, more than 12 hours of TF1 air time were fully dedicated to the disaster.

** 26/12/2004 to 26/01/ 2005.*

23 thematic channels

**within the TF1 Group (of which 12 are edited by TPS)**



## THEMATIC CHANNELS IN FRANCE

The TF1 Group has bundled its television-related experience into a wide selection of supplementary channels enriching France's audiovisual scene. TF1 has come to own stakes in 11 thematic channels (plus indirect interests in TPS' 12 thematic channels). Our thematic channels, in other words, span sports, news, feature films, entertainment and documentaries. And viewers recognise the quality of these channels, which supplement TF1's programmes and have cemented their positions as extension of TF1-hallmarked news and entertainment.

These channels have turned TF1 into a family of channels catering for any audience's requirements and, ultimately, to all the subscribers and advertisers its serves.

### LCI

At December 31, 2004, LCI reached 5.3 million homes. During 2004, it attracted 400,000 new subscribers (up 8%), with growth on satellite as well as cable networks (which itself grew about 9%).

The latest Médiacabsat survey showed that LCI's audience share (in the 4-and-older portion of the initialised population) stands at 1.2%. LCI is cementing its leadership in the news segment and remains one of the three channels that viewers in upper social and professional categories watch the most.

LCI turned 10 in June 2004 (see a spotlight on page 29) and underwent an overhaul in January 2005. Its viewers, as a result, were able to enjoy a rejuvenated channel, new decor and more up-to-date backdrops.

### Eurosport France

A 1.7% audience share in the 4-and-older category makes Eurosport France's leading thematic channel. Its prominent position is based on its unique choice of programmes blending a wealth of international highlights with exclusive rights (France's 2nd-division football championship) or programmes complementing the ones on TF1 (Formula 1, French Football Cup, etc.). The website that TF1 has launched and now operates with Eurosport, eurosport.tf1.fr, fittingly mirrors the way in which these two channels are complementary in France's sports arena.

### TF6

TF6 entertainment programmes were bolstered in the autumn of 2004 with three weeklies (*Cauet TIVI, Real TV USA* and *Hit TF6*), an event-specific prime-time show a month (*L'Homme contre la Bête*, presented by Sébastien Folin and Sandra in October), and reality TV dailies (*Survivor* at 7.00 pm daily in October).

The series policy is more aggressive, with three prime-time slots (*24* on Wednesdays, *Angel* on Fridays and the *New York District* preview on Saturdays) and two all-new series for France (*Les frères Scott/One Tree Hill* and *La Famille en Folie*). TF6 is also scheduling highlight films like *Armageddon*, *The Firm, The Expert*, and the like.

TF6 also switched to a more modern and livelier décor in January 2005.

At the end of December 2004, 2.66 million homes subscribed to TF6 (300,000 more than last year). This channel is a TPS satellite exclusive.

TF6 is the top ranking channel for its initialised audience. It ranks 4th in the women-under-50 target segment (excluding free-to-air channels) with a 1.1% audience share.

### Série Club

2005 brought four all-new series: *Blue Murder* (new and number-1 in Canada), *Coupling* (new, 2004 Screenings award winner), *K Street* (produced by George Clooney) and *Firefly* (from the producers of *Buffy*). The new-release and now-emblematic series are still there.

Série Club is also pushing ahead with its event-making policy, featuring a US election special (*West Wing* and *K Street*), the Screenings awards, *X-Files* nights and more.

On December 31, 2004, Série Club reached 2.28 million households via TPS and the main cable operators (180,000 more than the previous year).

Série Club, the series benchmark, ranks among the 5 most-watched channels in its subscriber group in practically every target category (individuals of 15 years and older).

** Mediacabsat – January-June 2004, audience share in the 4-and-older category.*
*** Mediacabsat (wave 8) December 29, 2003 –June 13, 2004.*

# Broadcasting France

## TV Breizh

Since it was created in September 2000, Lorient-based TV Breizh has grown into one of the top supplementary channels available through TPS and CanalSatellite via the main networks and ADSL. TV Breizh counts nearly 4.4 million subscribers.

Since September 2004, TV Breizh's general-interest programmes and ambitious series, film and drama-buying policy has elevated it to the position of 9th cable and satellite channel it enjoys today.

Today, TV Breizh is pushing ahead with its audience-conquering drive and stretching its initialisation coverage. It is simultaneously consolidating its operation in Lorient, building a technical unit to broadcast a number of national channels (Pink TV, Odyssée, Histoire and Ushuaïa TV).

## Odyssée

Odyssée has kept the promise it made when it was founded 1997. It has become the cable and satellite benchmark for documentaries.

This inquisitive and world-embracing channel offers a variety of new programmes touching on discovery (travel, peoples, adventure, animals, etc.), general knowledge (civilisations, science, technology, heritage, geopolitics, etc.) and special-event broadcasts.

The quality of its programmes has earned it acclaim and awards. It has co-produced more than 330 hours of documentaries including *L'Affaire Dominici, Chance It, Les Diamants de Giscard, La Vie Comme Elle Va* and others.

On December 31, 2004, Odyssée counted more than 2 million subscribers (10% more than in 2003). Besides its ample distribution through cable networks, this channel is available via satellite exclusively on TPS and via ADSL on TPSL.

In 2004, Histoire joined forces with Odyssée to form TF1's discovery unit, which likewise includes Ushuaïa TV.

## Histoire

This channel was established in 1997 and bought by TF1 in June 2004. Today, it counts 4 million subscribers and is accessible by satellite, through all the cable networks, and via ADSL.

Histoire takes viewers through French and world history, from the days of old to the present day, to explain why things are the way they are today. It tells the lives of the men and women who marked their time and casts light on lifestyles and civilisations through documentaries, films and a weekly magazine, *Le Journal de l'Histoire*.

This channel is on air 16 hours a day and runs specials every weekday evening (*Grandes Biographies* Saturdays, *Histoire de France* Tuesdays, *Mystères et Enigmes* Thursdays, etc.). Histoire co-produces 20 or so new documentaries a year. This year it focused on the history of petroleum and on Jean Paul II's journeys.

## Ushuaïa TV

The TF1 Group's new discovery channel, Ushuaïa TV, will be introduced in 2005, exclusively on TPS. As the other discovery-unit channels, Ushuaïa TV will be broadcast from the production department in Lorient. As well as new programmes, Ushuaïa TV will rebroadcast the most stunning images from the well-known documentaries that Nicolas Hulot presents on TF1. These programmes are produced by Yagan.

## TFOU

TFOU was introduced in 2003 and developed by e-TF1 teams building on the success of the tfou.fr website (one million visits a month). It brings 4- to 10-year-old children an ample variety of programmes (cartoons, a talk show presented by a puppet, magazines presenting the latest and greatest in cinema, video, music and so on).

TFOU is available from 6.30 am to 8.30 pm daily, and reaches more than 1.3 million homes exclusively on the TPS network.

# June 1994 - June 2004: La Chaîne Info is 10 years old

**Launching LCI was quite a gamble at the time. But today it has become the reference news channel in France. The success is due to its original format (real-time news thanks to numerous daily newscasts, in-depth news in magazine formats and talk shows, plus all the major events live) and the mobilisation of its enthusiastic staff, who do their utmost to offer quality information to their French audience every day. A look back over the past decade.**

**1994**
On June 24 at 8.30 pm, the starter's gun for the first French non-stop news channel.
December 26: first international scoop for LCI. One of the channel's journalists at Marseille airport filmed the final special forces assault on the Airbus highjackers live.

**1996**
LCI joined the top 15 channels on the TPS bundle.

**1998**
July 12, the French team won the Soccer World Cup. The channel's journalists brought the explosion of joy live to LCI viewers.

**1999**
The LCI antenna transmits live around the clock.
The petrol tanker Erika sank on December 12. Oil slicks washed up on the Breton beaches.
The channel's magazines and news programmes covered the event live.

**2000**
LCI moved to the TF1 head office at Boulogne. On September 1 at 6.00 am, in the presence of Patrick Le Lay, Jean-Claude Dassier and Etienne Mougeotte, La Chaîne Info broadcast its first digital news programme thanks to Process News, the result of two years of involvement and collaboration among various group entities.
In November, the channel opened an office at New York.

**2001**
On September 11, Pierre Alexandre, LCI correspondent in New York, informed the editorial team that an aeroplane had crashed into the World Trade Center. At 3.34 pm precisely, the TF1 antenna switched over to that of LCI, which retransmitted the first images of the terrorist attack. Millions of French people discovered the dramatic event live. Viewers acquired the "LCI reflex."
December saw the launch of the new version of lci.fr in association with tf1.fr (today, three to four million pages viewed per month).

**2002**
The high-speed "LCI Live" service was launched in September. LCI programmes are now accessible live around the clock and across the world via the Internet. LCI Live today has 11,500 subscribers.

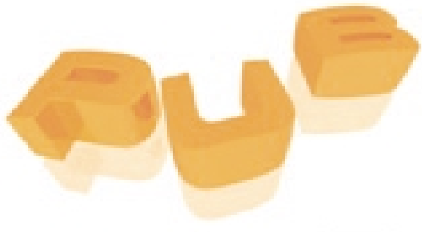
**2004**
In June, LCI celebrated its 10th anniversary. Leading personalities who were in the news during the decade celebrated the event at the Georges Pompidou Centre; the evening was broadcast live on LCI. At the same time, LCI videos were made available for the first time on mobile phones.


**LCI means:**
- €48 M annual budget
- Around-the-clock broadcasting
- 55 news bulletins per day
- Around 30 different magazines
- All major events live
- Two studios and two production teams
- 14 offices in the provinces and six abroad
- 22 clip-edit facilities
- 217 full-time employees, of whom 115 journalists
- Over 5,000 guests per year
- Over five million cable and satellite subscriber households, i.e., 13.5 million potential viewers.
- One of the top three channels most watched by the A/B+ category
- Broadcasting via cable and satellite, ADSL and the Internet.

# Broadcasting France

# TF1:

## the reference vehicle in any media plan





### ADVERTISING

**TF1's advertising arm offers advertisers a multitude of ways of communicating thanks to its effective, complementary vehicles – from powerful mass media through thematic channels to one-to-one.**

TF1, the reference vehicle in any media plan. In 2004, the TF1 channel underscored its leadership by broadcasting practically all the most powerful ad spots. As a result, it assures advertisers of maximum exposure of their campaigns to all audiences, enabling them to efficiently expand the share-of-mind of their brands and their sales in the short term.

A complete and structured offering of thematic channels, enabling advertisers' communications strategy to be fine-tuned according to their targets and individual centres of interest:

- News with LCI, the 100% News channel and a reference for decision makers;
- Sport with Eurosport France, the channel dedicated to live sporting events;
- TV dramas and series with:
  - TF6, the mini-general-interest channel targeting young adults;
  - TV Breizh, the channel for TV dramas, cult series and feature films;
- Cinema with TCM, the legendary movie channel;
- Discovery with:
  - Odyssée, the documentary channel;
  - Ushuaïa TV, the channel to better understand nature and to respect it;
  - Histoire, the channel to decipher the past and better understand the present;
- The gay and "gay-friendly" world with Pink TV;
- Young people with Télétoon, Cartoon Network, Eurêka!, Boomerang, TFou and Piwi, six channels covering all the children target segments.

Internet with tf1.fr: endowed with a rich and varied content, the TF1 website is the legitimate relay of the channel's programmes. It has confirmed its status as the premier media and news site in France. The strong point of the site is its ability to adapt continuously to new Internet uses, which are boosted by the expansion of high-speed access – and this offers advertisers new audiovisual communications opportunities.

# “Unauthorised” television advertisers step out

**In 2004*, television opened up its advertising spots to advertisers from the press, retail and book publishing.**


**The press advertising on television**
The written press is the only sector to have access to all television resources as of 2004. 71 titles invested in television advertising, representing close to 1.5% of total television revenue this year.

Besides the benefits to the titles’ awareness and image, television advertising is an opportunity to quickly launch or boost sales. And speeding up sales is a major challenge for the press, since the purchase of certain magazines is done primarily per edition.

The TV magazine segment represented 58% of investments. Certain publishers have leveraged the power of the free-to-air channels, and in particular TF1 (55% market share), for example to launch new press magazines, which soon became a newsstand success.

The thematic channels represented 9.5% of the press investment in television. In particular, the specialised press exploited the offering of the thematic channels, selected for their proximity with the centre of interest or the target of the magazine.

**Retail and book publishing on thematic channels**
Advertisers from the retail sector are still not allowed to communicate on free-to-air channels until 2007. So they have been more discreet. 13 retailers, however, took their first steps on cable and satellite channels. Book publishers promoted 24 books on the small screen this year.

** By the decree of October 8, 2003, France responded to the direction from the Brussels Commission to discontinue the banning of certain sectors from communicating via television advertising. Therefore, France modified its measures for three out of the four so-called “unauthorised” sectors starting January 2004.*

*– For the retail sector, the opening up of television advertising is partial (i.e., excluding promotional communications) and gradual (it is still not authorised – until January 1, 2007 – on national free-to-air channels broadcasting in analogue).*

*– For the press sector, the television advertising arena is completely open, starting in January 2004.*

*– For book publishing, television advertising was also opened up in January 2004, but access is limited to channels distributed by cable or satellite.*

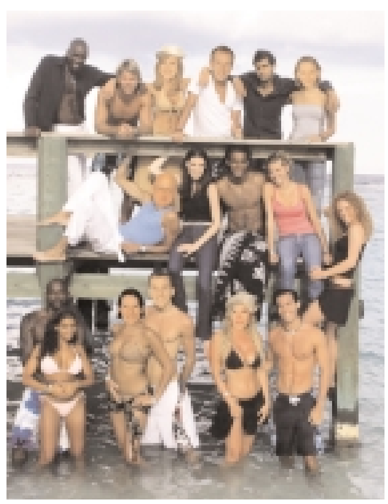
*– Cinema is still banned from television advertising today.*

feature film sponsorship, which enables brands to build links to the image of a film during its life cycle, from shooting through to public release, DVD availability and international exploitation.

In 2004, to better respond to client expectations, TF1 Publicité also put online a new version of the professional site tf1pub.fr, with the following features:

- facility for advertisers to view their campaigns in real time;
- access to the TF1 programming grid, which is constantly updated;
- access to videos presenting the editorial leitmotiv of the main TF1 programme types;
- and full information on the thematic channels served by TF1 Publicité, a complete round-up of studies, rates, sales terms and conditions, etc.

TF1 Publicité: a full range of cutting-edge vehicles and the assurance for advertisers of finding an original solution tailored to each of their communications objectives.



# Broadcasting France

**24** movies co-produced and **€45** million invested by TF1 Films Production in 2004


## PRODUCTION COMPANIES

The TF1 Group is historically a producer of programmes. It has surrounded itself with production subsidiaries so as to supply the channel with entertainment, news, TV drama and documentary programmes as well as to fulfil its obligations of investing in French production.

### Cinema

**TF1 Films Production**

TF1 Films Production handles the investments linked to TF1's obligations to invest 3.2% of its advertising revenue in the co-production of European film and at least 2.5% in French-language production. This subsidiary co-produces some 20 feature films each year and in so doing acquires the broadcasting rights destined for TF1 and the co-producer royalties giving it access to the receipts generated by the exploitation of the films.

In 2004, TF1 Films Production committed close to €45 M to the production of European or French cinema products.

### Television

**GLEM**

Glem is a production company specialising in entertainment programmes. Its activity revolves around three main areas:

– entertainment with programmes such as *30 tubes de légende, Mister France, NRJ Music Awards*;
– reality TV, with *Marjolaine et les Millionnaires, l'Ile de la Tentation* and *Queer: 5 experts dans le vent*;
– tours, for example those of *Star Academy* and André Rieu.

**Quai Sud**

This company produces and, in association with Julien Courbet, hosts the prime-time magazine formats *(Les 7 péchés capitaux)* and those of the second part of the evening *(Sans Aucun Doute, Confessions Intimes).*

**Alma Productions**

Alma Productions was founded in June 2001 and is in charge of the production of TV dramas for TF1. This young company can already boast several products, including *Julie, Chevalier de Maupin* and TF1's summer success, *Zodiaque*.

**TAP – Tout Audiovisuel Production**

TAP was founded in July 2001 and is steered by Charles Villeneuve. TAP produces documentaries and reportages. It produces *Droit de savoir* and has launched new concepts such as *Appels d'Urgence*, a magazine anchored by Carole Rousseau.

**TF1 Publicité Production**

TF1 Publicité Production specialises in the production of content for the broadcasting division – short programmes, programme sponsorship and trailers are its areas of excellence.

The TF1 Publicité Production teams have a permanent ear to clients' expectations and invent new concepts to offer them the greatest visibility over the airwaves.

**Studios 107**

Studios 107 market their studios and technical services to outside producers for such programmes as: *Attention à la marche, Y'a que la vérité qui compte* and *La Méthode Cauet.*

# TF1 co-productions – box office stars

**With a market share of 38.4% and the number of admissions up 22.5% over 2003, French cinema in 2004 achieved one of its best performances for the past 10 years. An improvement that was to the advantage of TF1 Films Production, TF1's subsidiary dedicated to cinema co-production. Of the four French films that passed the three million admissions mark, three were TF1 co-productions.**

TF1 Films Production was founded in 1980, at a time when French cinema was going through a crisis. The government realised that the television channels were profiting from the affinity for cinema output in their programming without making a financial compensation and obliged them to contribute to the financing of French and European cinema by investing 3% of their advertising revenue of the previous fiscal year. Since 2001, that ceiling has gone up to 3.2%. As a result, in 2004, TF1 Films Production committed some €45 M to the co-production of 24 films. This investment is broken down into a broadcasting portion and a co-production portion.
The broadcasting portion gives the channel the right to one or two broadcasts of the co-produced films exclusively on the TF1 channel around 30 months after their cinema release. The co-production portion enables the subsidiary to benefit from revenue generated by the exploitation of the film.

**600, 300, 100… 24 !**

The selection of films co-financed by the TF1 subsidiary is based on selection criteria that are aligned with the editorial direction of TF1, a general-public, general-interest channel. Consequently, TF1 Films Production pays special attention to selecting projects that will satisfy both men and women, aged between 7 and 77, with dual sights set on success in cinemas followed by success on television. It gives pride of place to comedies, dramas, adventure films and detective films. Some task, considering the number of projects that cross its doorstep! Each year, the TF1 Films Production artistic directors read 600 scenarios and analyse them in depth, aided and abetted by an external reader committee of 10 or so people. A substantial "sorting" process, which leaves at the end of the day some 20 to 25 films that the channel will decide to support bearing in mind the different criteria – the interest and originality of the storyline, the quality of the writing, the choice of actors, the style of the director, the experience of the producer, etc.

And the recipe works. The 24 films co-produced by TF1 Films Production in 2004 attracted over 30 million spectators, that is, close to half the number of admissions registered by all the French films put together (74.7 million). In all, the TF1 subsidiary co-produced nine of the 17 "millionaire" films in 2004, headed up by *Un Long Dimanche de Fiançailles,* which notched up 4.4 million admissions. Directed by Jean-Pierre Jeunet, this film received the biggest number of nominations for the 2005 Césars, with no less than 12 nominations. *Podium* (3.6 million admissions and five nominations for the Césars), *Deux Frères* (3.3 million and two nominations), *L'enquête Corse* (2.5 million) were also among the top performers of French cinema in 2004. As regards television, last year was also a vintage year for the "home-made" co-productions, which achieved commendable scores on the channel. *Astérix et Obélix: Mission Cléopâtre* and *Monsieur Batignole*, with 12.4 and 12.3 million viewers, respectively, ranked 6th and 7th in the top 100 audiences of 2004.

# Broadcasting France

Ushuaïa, Star Academy, Franklin, …
**strong brands brang out by TF1 Entreprises**

Nearly **100** million
**videos watched on www.tf1.fr**


## OTHER COMPANIES

TF1 has created several subsidiaries that have flourished on the fringes of Broadcasting France and built their success on innovative initiatives.

### TF1 Entreprises

TF1 Entreprises groups together four businesses in the areas of publishing and licences:

– **TF1 Licences** markets brand licences to industrial companies *(Ushuaïa, Star Academy, Franklin, Barbapapa, Bob l'Eponge)*, designs and distributes derivative products (*Jenifer, Priscilla, Patricia Kaas*, etc.) and executes communications operations linked to shows and events (performer tours, etc.);

– **TF1 Games** publishes parlour games based on television programmes (*Who Wants To Be A Millionaire?, Star Academy, Ushuaïa, Franklin*, etc.) and original concepts (*Composio, Cranium, Cadoo*, etc.);

– **TF1 Musique** develops disc projects relative to musical operations (*Star Academy*, T-Rio summer operation, etc.) in partnership with music companies, to brands and to characters whose rights it controls (*Franklin*, etc.). **Une Musique**, a subsidiary of TF1 Entreprises, produces and publishes music from television programmes and films;

– **TF1 Publishing** publishes magazines (*Star Ac Mag, Ushuaïa, Dora l'exploratrice, Score*, etc.), children's books (*Bob L'Eponge, Tortues Ninja*…) and comics (*Spartacus, Star Academy*…). **TF1 Editions**, a subsidiary of TF1 Entreprises, publishes books (*Le dernier trappeur*…) and novels derived from the channel's TV dramas (*Zodiaque, Julie, chevalier de Maupin*, etc.).

### Téléshopping

Téléshopping is one of the main home-shopping operators in France. The activities of this subsidiary hinge on the programmes broadcast Monday to Saturday morning (except Wednesday) on TF1, the nine million catalogues dispatched in 2004 to over one million active customers, and the e-commerce sites www.teleshopping.fr and www.surinvitation.com. Online sales in 2004 amounted to over €10 M in revenue (around 200,000 online orders), generating a profit for the past five years.

It is thanks to Téléshopping that the TF1 Group has developed a genuine know-how in distance sales (catalogue management, logistics processes, product quality, after-sales service, etc.) and database management.

### e-TF1

e-TF1 brings together all the TF1 Group's interactive activities – teletext, audiotel, SMS, Internet, interactive TV, mobile multimedia, etc.

These services enable the group to pursue its relationship with viewers around broadcasting events. All the major themes are reflected in interactive services to respond to the

# Téléshopping sales skills

**The most senior of TF1 programmes, together with *Téléfoot* and *Auto-Moto*, has never been so dynamic and innovative. Several years ago, an in-depth change to the structure and process was initiated. Today, it has reached maturity as the solid health of the enterprise demonstrates. Indeed, the figures are very encouraging, since Téléshopping has increased its revenue 15% compared to 2003.**

**The first building block: a single information system permeating the whole enterprise**

There are no miracles. The growth figures are the fruit of an in-depth effort. In 2001, the management committee approved the restructuring of the whole Information System (IS) and the introduction of a single IS for the entire business. This choice was backed up by the implementation of a mission statement so as to better handle the famous "change management" within the teams.

**Being at the cutting edge makes sense**

Far from being just a catchphrase, "being at the cutting edge" is both a corporate value and a reality. In day-to-day operations, being at the cutting edge is expressed both through the selection of products that focus on innovation and through a different style of selling those articles. Selection and referencing of the products is mercilessly stringent. This stage is handled by the Purchasing team. It guarantees the appropriateness and quality of new products for Téléshopping. This is no mean challenge. It has to know how to select a flipper, a 3-carat diamond, the best leg of ham in the world (close to €1,000 per kilo!) or the latest home-cinema.

**The rule is quality**

Faithful to its image of quality towards the general public, Téléshopping has introduced a quality department that intervenes throughout the product life cycle. This year, over 200 sensitive "samples" were analysed in depth. Close to 15% of them did not make the grade. Regulation compliance, product standards, intrinsic performance and quality of sales pitch – all this goes under the microscope to satisfy the customer 100%.

**Meet the deadlines**

Téléshopping has its own specific characteristics – it needs to co-ordinate the work of multiple service providers hand-picked to guarantee the best service for Téléshopping customers. For everyone involved, two obsessions are paramount – to respond to customers and to meet deadlines. The figures are very encouraging: nine out of 10 customers receive their purchases in less than 12 days (better than the average for distance-shopping).

**It's the style that counts!**

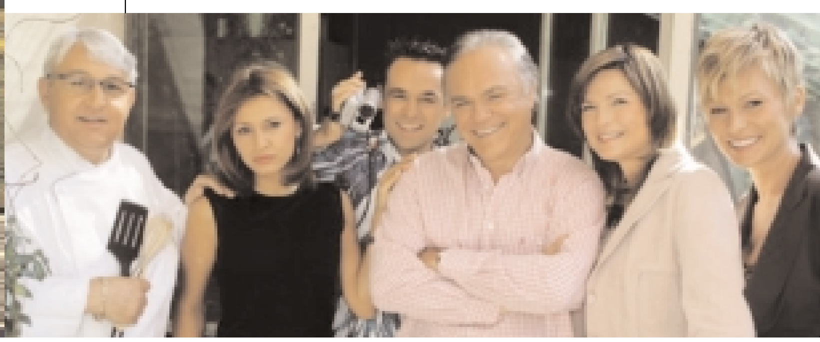
Last September saw the birth of a new graphic identity, more up to date and more colourful. All sales support materials were entirely revamped by the Marketing teams. In parallel, the programme editorial was reworked so as to better promote the objects for sale while maintaining the character of a television programme the audience for which represents a vital ingredient. Since September 2004, a new set (a real house with garden!) and an expanded team of presenters (five "characters" surrounding the incomparable Laurent Cabrol) make each selection stand out. Shooting is continuous to feed the five weekly rendezvous. And the channel design has also been modernised in synergy with the artistic teams from TF1.

**Continuous innovation**

After close to seven years of existence, the teleshopping.fr website generates close to 200,000 orders a year.

This accumulated know-how has given birth to a new site, surinvitation.com, a select sales club based on the principle of referencing and offering products at unbeatable prices.

The mission continues and investigations into the development of new technologies goes on and Téléshopping products could one day be available via i-mode or an interactive television service. Watch this space!



expectations of the general public – non-stop news, sports results, the latest about TF1 programmes, youth, entertainment, games, etc.

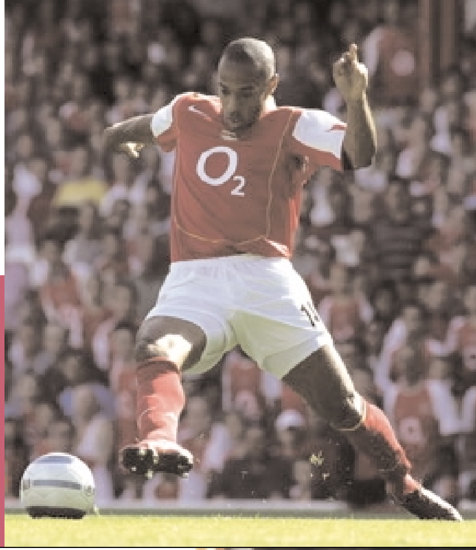
So TF1 viewers can practice *Who Wants To Be A Millionaire?* any time they wish via telephone (audiotel, SMS, i-mode), on the Internet via tf1.fr and on interactive television on TPS, with versions adapted to each terminal.

The tf1.fr website again strengthened its leadership position among media sites with an audience growing 42% on a market that is growing only 19%.

e-TF1 is meeting its ambitions on the high-speed fixed and mobile networks. In 2004, the tf1.fr website distributed almost 100 million videos, and e-TF1 developed the official European Soccer Cup site in June 2004 on the 2.5G/3G mobile networks.

e-TF1 is also determined to play its part in mobile TV broadcasting. Mid-2004, a strategic agreement was signed with Nippon TV and Europe's first experiment in mobile TV broadcast in MPEG4 format was launched at the International Car Show, in partnership with Citroën.

# Distribution



**1.7** million
**subscribers to TPS offer**

# TPS Star:
**a premium channel!**

## TPS, TÉLÉVISION PAR SATELLITE

To seek the best programmes, develop the best environment for the channels, listen and respond effectively to viewers' expectations – TPS is committed to offering a great show and TV for all tastes, with its flagship TPS Star and all the major themes the whole family loves.

## Rights assured

### Cinema

In 2003, TPS signed a total exclusivity contract with Warner Bros (*Troy, Harry Potter and the Prisoner of Azkaban, Matrix Revolutions, Ocean's Twelve*, etc.), Touchstone in the Disney Group (*Ladykillers, The Village, Starsky and Hutch*, etc.) and Walt Disney Pictures (*Pirates of the Caribbean 1 and 2*, etc.).

In 2004, TPS demonstrated the renewed confidence of the American producers by assuring its access to the rights of its two historical partners, Paramount and Regency.

CBS Paramount International Television: the global contract, which includes pay-per-view and catalogue rights, covers all the feature films from Paramount Pictures until 2010 (*Collateral, Irresistible Alfie, Spongebob squarepants*, and starting in 2006 in the cinema, *Mission: Impossible 3*, etc.), a broad selection of television films and some of the studio's major classics.

Regency Enterprises: the global contract, which also includes the pay-per-view and catalogue rights, covers all the feature films produced by the studio (*Daredevil, Elektra, Man on fire, Stay,* etc.), and those that will be released in the United States from January 1, 2006 to December 31, 2010.

In parallel, TPS has increased its investment in French cinema to offer its subscribers exclusive films for all tastes (*Arsène Lupin, Immortel ad vitam, La Confiance règne, Espace Détente, Iznogood and Man to Man*). Among all broadcasters (free-to-air, cable, satellite), TPS is the third biggest investor in French film production.

### Sport

TPS won the bidding for the English Soccer League and, for three seasons starting August 2004, will broadcast the whole English *Premier League* championship, which includes no less than 45 French players. To assure a wide-ranging availability, TPS has created English Premier League, a channel totally dedicated to broadcasting the matches of the day, with 10 matches either live or recorded, i.e., more than 300 matches per season.

TPS is a partner of the French Professional Football League until May 2005. In the framework of their latest request for tenders, the channel decided not to participate in the unreasonable inflation of the costs of League 1 matches. TPS will close the 2004-2005 season with top-ranking matches and, exclusively, all the matches of the last two days of the championship.

TPS is the exclusive broadcaster of French basketball (Pro A, Aces' Week, qualification matches of the French teams, etc.) with the match of the day on Sunday afternoons.

## A new step for TPS Star

Since September 2004, TPS Star, the TPS Premium Channel, has taken on a new dimension with a clear, easy-to-follow programme line during the week (original series on Mondays, "blockbuster" evenings on Wednesdays) and thanks to the arrival of personalities to lend a hand to a team of talented journalists, plus the launch of new programmes (*medias, exclusive Looney Tunes short films*, etc.).

TPS Star has also underpinned its policy of purchasing original series not previously broadcast in France (*Las Vegas, The Apprentice, or Arrested Development*).

The French broadcasting regulator, CSA, awarded TPS' premium channel the qualification "channel of first exclusivity". As a result, it is allowed to broadcast a major feature film at prime-time on Saturday evenings starting in January 2005. TPS Star is the only channel in the thematic broadcasting segment to have this privilege.

As regards sport, TPS Star can boast the skills of top specialists (Jean-Luc Arribar, Daniel Bravo, Grégory Nowak, and others) to provide unique coverage of the exclusive broadcasting of the big matches of the English Soccer championship on Saturday and Sunday afternoons, with over five hours continuous live transmission.

## A wealth of themes

Having already strengthened its Youth offering, which now includes 10 channels and services, TPS is pursuing its growth

# TPS Star, concentrated exclusivity

**The TPS bundle comprises many channels broadly covering the major television themes (cinema, sport, youth, series, entertainment, etc.). To enhance the quality of this offering, the focus in 2004 was on TPS Star, the TPS premium channel. Its wealth and variety of programmes make it the driver of the bundle. TPS Star is the best of TPS.**

Besides its new-look grid, which offers viewers ease of choice, the channel has consolidated around its strengths – cinema, entertainment and sport.

As TPS has signed exclusivity agreements with the main American studios, 55% of the US blockbusters are on TPS Star. Theme evenings put the spotlight on all the different film genres. In addition, TPS Star is the only channel to offer a daily programme on the cinema.

The ultimate in family-oriented channels, it offers a broad entertainment palette – cartoons, series, reality television, magazine formats – at all time slots and for all viewer types.

The sports programmes also have an exclusive flavour – the National Basketball League, including the France Pro A championship, and the Premier League, enabling TPS Star to broadcast the best matches of the English soccer championship, plus the Big Match of each French League 1 soccer night through to May 2005.

And every day the channel is the sum of its talents, after the fashion of most of the bundle's channels. A streamlined and responsive structure is there to help make TPS Star the best that television can offer. The channel's management takes care of TPS Star's visibility and promotion to assure its rise within the ranks of the select club of premium channels.

2004 ended with a major innovation. The CSA awarded our premium channel the qualification "channel of first exclusivity". As a result, it is allowed to broadcast a major feature film at prime time on Saturday evenings. Finally, TPS Star's big project for 2005 will be to broadcast its programmes in terrestrial digital and then in MPEG4 high definition mode. Besides mastering the technology, new programmes will have to be created to complement the "unscrambled" time slots that the channel will develop on DTT.

In the coming months, TPS Star will be the flagship of TPS more than ever.


of the themes Discovery, Music and Sport. The TV8 Mont-Blanc channel is dedicated to lovers of the mountain world; Pink TV is an optional mini-general-interest channel; XTRA Music offers 100% music categorised by type; and in early 2005, M6 Music Rock and M6 Music Black; plus Ushuaïa TV, the channel dedicated to the great outdoors, respect for fauna and flora, and exploration for fun or as a sport.

As a pioneer of interactive TV in France, in September 2004, TPS launched Loto® et Banco®, the top games of la Française des Jeux. This is a first in France and simplifies the life of the customers of la Française des Jeux, who can now fill in their bulletins directly on their television with TPS.

## National roll-out of TPS

At the end of 2004, TPS as leader on the market for premium television over the telephone line had a range of five million potential households thanks to the roll-out of new sites with its partner France Telecom. The TPS L offering, marketed by an approved distribution network and by France Telecom, is available in the Paris region and in over 25 major cities in France.

To respond to all television preferences, the TPS L offering has adopted the TPS commercial offer with five standard fixed fee ranges, starting at €11 per month.

Thanks to an "Internet and Television" multi-service offering launched in mid-October, TPS L customers can if they wish take advantage not only of the major TPS channels on their TV set, but also high-speed Internet to surf peacefully on their PC.

## Transforming communications

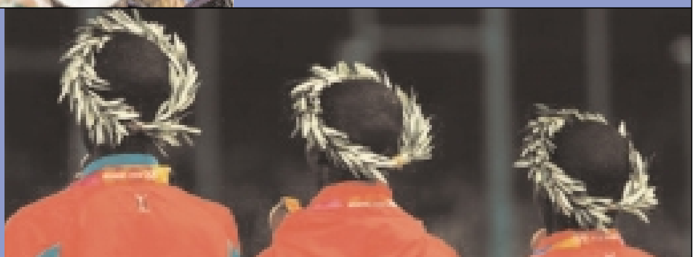
To dream, to be moved, to get information, to discover, to get away … TPS is all that, but TPS is above all "Pleasure". The TPS offering is supported by new nationwide communications, in harmony with subscriber preferences, to mark its arrival on powerful, complementary digital networks (satellite, telephone line using ADSL, DTT). TPS also represents innovation at the service of television viewers with high-definition television that will be rolled out via satellite in the autumn of 2005.

TPS has created a Pleasure Pact, a strong commitment to service, proximity and transparency, which are the keys to success of its strategy by which the public can subscribe with confidence and stay subscribed for the pleasure.

In 2004, TPS attracted 209,000 new customers for its satellite offering and close to 50,000 TPS L customers. TPS's net growth amounted to over 115,000 new subscribers, a 74% increase compared to 2003.

At December 31, 2004, TPS had some 1,700,000 subscribers, of which 1,355,000 subscribers to the satellite or ADSL offering and 320,000 customers of TPS Star and the TPS film channels on cable and in the overseas territories and dominions.

# International Broadcasting





## Eurosport International

Thanks to its unique know-how, the Eurosport Group strengthened its leadership position in 2004.

The Eurosport channel is now broadcast in 19 languages and won over in excess of 3.5 million subscribers in 2004 (+ 7.3%) to reach 98 million households spread across 54 countries.

With uninterrupted growth since 2002, the channel's audience* reached record levels in 2004 with close to 23 million different viewers (+ 8.1%) each day. This audience record is a reflection both of its unrivalled offering of major sporting events – over 100 disciplines as varied as motor sports – Motorcycling Grand Prix, Superbike, World Rally Championship (WRC), Paris-Dakar Rally, European Touring Car Championship, etc. – tennis, with notably three Grand Slam tournaments; soccer with the UEFA Cup, the Champions' League, the African Nations Cup; athletics; cycling, with all the major international races; combat sports, etc. – and also of the quality of the programmes produced and presented by the Eurosport technical and editorial teams.

The Athens Olympic Games showed up Eurosport's know-how – which is recognised by viewers (1.4 million viewers per median hour; i.e., + 58% compared to the Sydney Olympics in 2000) and by the sporting world in general (International Olympic Committee, sports federations and athletes).

Finally, with one billion pages viewed in 2004 and 2.1 million visitors per month (+ 61%), Internet surfers crowned the Eurosport teams' sports information expertise and underpinned the group's place as the reference sports site at European level.

Furthermore, Eurosport has become the commercial promoter of the FIA World Touring Car Championship. In 2005, this event will become one of the only three FIA world championships (with the WRC rallies and the Formula 1 Grand Prix).

** In 2004, Eurosport attracted 646,000 viewers per median*
*(Sources: AGF, GFK, CKO Intomart, Barb, Audimétrie, Sofrès, MMS, Gallup, AGB Polska, Eurosport)*

## Buongiorno Sportitalia !

**The Sportitalia (Si) sports channel soon made its mark on the Italian broadcasting landscape. It was launched on February 6 and boasted nine million viewers per week by the end of 2004. It is a further success for the group's international growth.**

While TF1 has always been prudent with regard to its growth strategy outside France, it has not neglected the opportunities. Early 2004, Rupert Murdoch put up his Italian free-to-air network for sale – a free-of-cost channel broadcast unscrambled round the clock. It covers 81% of the Italian territory. At that point, the group TF1 joined forces with the famous film producer, Tarak Ben Ammar, to examine the interest of a presence in Italy through a sports channel.

**A project launch in record time**
Sportitalia was launched in only 40 days thanks to the dynamism of motivated French and Italian teams. Eurosport seconded several of its employees from its Paris headquarters to take care of the acquisition of sports rights, technical services and the programming of the new channel. The editorial team responsible for the Italian versions of Eurosport, Eurosportnews and eurosport.com, installed at Milan, developed Sportitalia's content.

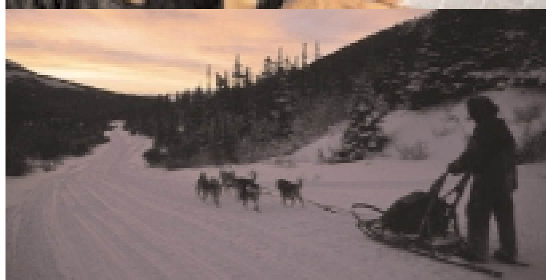
**The all-sports channel**
Most of the events broadcast on Sportitalia correspond to the Italians' favourite sports (soccer, formula 1, cycling, tennis, etc.). But the channel also gives pride of place to the Olympic disciplines that disappear from the screens of the other general-interest channels in the four-year intervals between the Games. The programme grid also includes international events. And for the younger viewers, Sportitalia offers "fun" sports and the more trendy types of sport – beach volley, adventure sports and surf sports. The programming team offers six hours of live coverage a day with the *Si Live* programmes produced at the studios embracing the whole of Italian and international sports scene through highlights, reports and interviews.

**A channel serving enthusiasts**
The new channel is positioned as being truly at the service of sports and targets particularly the sports connoisseurs.

# Audiovisual Rights

**100** million
**of K7/DVDs sold by TF1 Vidéo since its creation.**

The Broadcasting Rights division covers the business of trading and catalogue of audiovisual products, feature films or television films through TF1 International and TFM Distribution, plus the publishing of audiovisual content on VHS videotapes and DVD through TF1 Vidéo.




## TF1 International

Created in 1995, TF1 International is the subsidiary dedicated to the acquisition and marketing of broadcasting rights in France and internationally. In this sense, it is a key added value catalyst of the heritage of rights accumulated by the TF1 Group. TF1 International is present in all the major markets: Los Angeles, Cannes, Venice, Toronto, etc.

Furthermore, TF1 International owns a stake in Téléma and in the TFM Distribution economic interest group.

## Téléma

Téléma, 49% owned via TF1 International since 2000, is the Charles Gassot feature film production company. The Téléma catalogue includes the following films: *La confiance règne* by E. Chatilliez, *La Femme Piège* by E. Bilal, *7 ans de mariage*, *Un air de famille*, *Le bonheur est dans le pré*, etc.

## TFM Distribution

50%-owned TFM Distribution is an economic interest group founded in July 2002 based on an agreement between the TF1 Group and the American film production company Miramax. This company specialises in distributing feature films to cinemas, in particular those of TF1 Films Production and Miramax.

## TF1 Vidéo

TF1 Vidéo is the leading French publisher on the market. Its business has grown substantially since its creation. Above and beyond mass distribution, traditional distribution networks and rental, TF1 Vidéo has, since 1997, been offering several ranges of video products via newsstands and in 1999 launched the dedicated website: www.tf1vidéo.fr.

With a catalogue of over 3,000 items, TF1 Vidéo covers all categories, from film to sport, youth to humour. Among its more recent successes are: films such as *Lord of the Rings – The Return of the King, Kill Bill volume 1, Immortel* and *The Passion of the Christ*; non-films such as *Jean-Marie Bigard au Stade de France, Coucou c'est nous*; hits of former years such as *Le Fabuleux Destin d'Amélie Poulain, La vie est Belle*; and the René Château Vidéo classic catalogue, "*La mémoire du cinéma français* ".

TF1 Vidéo offers its titles in DVD format and already owns a catalogue of some 1,200 titles. From a market point of view, sales of this new digital medium should reach over 75 million DVDs for 2004 (source SEV).

With the growth of non-film on DVD, TF1 Vidéo should regain leadership in this sector.

In all, since its formation, TF1 Vidéo has sold over 100 million video products and generated billings of €1.275 billion.

# Contents

# Board of Directors

## Directors' report presented by the Board of Directors
at the Combined Annual General Meeting on April 12, 2005 (Ordinary part)

Ladies and Gentlemen

We are assembled here today at the Ordinary Annual General Meeting, as required by French law and by our Articles of Incorporation, to report to you on our management during the past financial year, submit the accounts for the 2004 financial year for your approval, and review the company's situation and growth prospects.

As in previous years, the accounts for the financial year 2004 are presented for both TF1 Group (consolidated accounts) and for the parent company, Télévision Française 1.

## 1 Activity and results 2004

### 1.1 The Group

In 2004, TF1 Group operating revenue increased 3.4% to €2,861.5 M. At constant accounting policies (excluding changes to the accounting policies linked to the transition to IFRS standards [1]), the increase of TF1 Group operating revenue would have been 6.5%. The year's business on international markets represented 9.6% of total consolidated operating revenue (€273.6 M, including €200.0 M generated in Europe).

2004 closed with advertising revenue for the main channel up 6.6% for the full year. Buoyed by the traditional sectors of Food, Cosmetics products and Automobiles, and boosted by the Services and Telecommunications sectors, TF1 increased its TV advertising market share [(2)] by 0.1 points to 54.8% for the full year 2004.

Other activities of the TF1 Group posting strong performances include:

- TF1 Vidéo (incl. C.I.C and RCV), which saw its contribution to consolidated operating revenue grow by 9.5% (excluding changes to accounting policies linked to the transition to IFRS standards), thanks to strong programming in new offerings such as *Lord of the Ring III, Kill Bill Volume 1* and in the humour category (Jean-Marie Bigard, Dany Boon, etc.);
- TPS with operating revenue up 7.4% in total at end-December 2004, 1,675,000 subscribers including 1,355,000 direct by satellite and ADSL. TPS's market share for new subscribers is estimated at 37% for satellite (+1 point versus 2003) and 73% for ADSL in partnership with France Télécom (on average in 2004);
- Téléshopping, whose contribution to consolidated operating revenue increased by 14% (excluding changes to accounting policies linked to the transition to IFRS standards) thanks to a good marketing performance and sustained Internet activity, which benefited from the launch of the e-commerce Web site "surinvitation.com";
- TF1 International (+63.3%, excluding changes to accounting policies linked to the transition to IFRS standards), thanks to income generated from the sale of films such as: *Agents Secrets* and *Arsène Lupin.*

Programming costs for the main channel rose by 4.8% to €893.2 M.

Consolidated operating income amounted to €398.8 M, up 19.4%, with an operating margin of 13.9%, up 1.8 points.

The financial result was negative to the tune of €(18.5) M. This figure was composed principally of financial items linked to the net financial debt of TF1 Group (€412.2 M at December 31, 2004).

Exceptional items resulted on a loss of €1.2 M.

Goodwill amortisation in 2004 increased from €(12.0) M in 2003 to €(19.3) M. This followed the acquisition by TF1 of additional shares in Groupe Glem, the goodwill on which was fully written off in the first half of 2004, and the acquisition of 100% of the capital of the Histoire channel, the goodwill on which was entirely written off in the third quarter of 2004.

The group share of net income stood at €220.1 M, an improvement of 14.9%, and the net margin rose by 0.8 points to 7.7%.

At December 31, 2004 the group's shareholders' funds totalled €951.9 M, on total balance sheet assets of €3,227.6 M. Consolidated net debt stood at €412.2 M, that is 43.3% of shareholders' funds. In July 2004, Standards & Poor's confirmed TF1's rating of A/Stable/A-1, underscoring its healthy financial situation.

The restructuring of the group's companies and application of the IAS 14 accounting standard led TF1 to change the way it presents its sector information. Redeployment by major competing communication sector players and the arrival of several new sector players attracted by new distribution possibilities for programmes and services (DTT, ADSL, WiFi, mobile phones, etc.) prompted TF1 to reorganise its entities to make them more competitive within their sectors. In addition, IAS 14 advocates presenting information by sector of activity and by geographical zone in greater detail than is required by French legislation.

1 See paragraph 2.2.2 of the notes to the consolidated accounts
2 Secodip

The group's activities break down into the five following sectors:

- BROADCASTING FRANCE which combines TF1 and the thematic channels broadcast in France, advertising sales, the integrated production companies and the broadcasting diversification activities (namely, TF1 Films Production, TF1 Entreprises, Téléshopping, e-TF1);
- INTERNATIONAL BROADCASTING combining the internationally-based Eurosport activity and Sportitalia;
- DISTRIBUTION through TPS;
- AUDIOVISUAL RIGHTS which includes TF1 Vidéo, TF1 International and its subsidiaries, TCM;
- OTHER ACTIVITIES which brings together the various activities such as Visiowave, Métro and Dfree;

To facilitate comparisons between new and old sector formats, this Directors' report includes a table showing the key profit and loss account figures for the main group companies according to the old format on page 49.

**CONTRIBUTION TO THE CONSOLIDATED PROFIT AND LOSS ACCOUNT**

| (in euros million) | 2004 | 2003 | 2002 |
|---|---|---|---|
| **Operating revenue** | **2,861.5** | **2,768.7** | **2,655.3** |
| BROADCASTING FRANCE | 1,995.4 | 1,897.1 | 1,857.1 |
| DISTRIBUTION | 380.1 | 353.8 | 289.8 |
| AUDIOVISUAL RIGHTS | 226.4 | 269.0 | 260.7 |
| INTERNATIONAL BROADCASTING | 239.2 | 235.1 | 245.4 |
| OTHER ACTIVITIES | 20.4 | 13.7 | 2.3 |
| **Operating profit** | **398.8** | **333.9** | **293.4** |
| BROADCASTING FRANCE | 354.9 | 289.8 | 281.1 |
| DISTRIBUTION | 1.3 | 2.8 | (13.8) |
| AUDIOVISUAL RIGHTS | 15.8 | 15.9 | 6.1 |
| INTERNATIONAL BROADCASTING | 27.5 | 25.7 | 20.0 |
| OTHER ACTIVITIES | (0.7) | (0.3) | 0.0 |
| **Net profit** | **220.1** | **191.5** | **155.2** |
| BROADCASTING FRANCE | 213.4 | 187.7 | 181.1 |
| DISTRIBUTION | (3.4) | (6.4) | (21.2) |
| AUDIOVISUAL RIGHTS | 13.0 | 5.4 | (0.3) |
| INTERNATIONAL BROADCASTING | 2.5 | 5.0 | (0.5) |
| OTHER ACTIVITIES | (5.4) | (0.2) | (3.9) |

## Preamble

An analysis of the contribution to the consolidated financial figures of TF1's subsidiaries is shown below.

TF1 has changed the way it presents its accounts as part of the move towards IFRS standards. This has had a negative impact on the group's 2004 consolidated turnover €(88.1) M. The changes relate to TF1 Entreprises, Téléshopping, TF1 Vidéo and TF1 International and mainly concern the way revenue and charges are presented. Operating income is unaffected. The impact of these changes is shown for each entity.

### 1.1.1 Broadcasting France

**CONTRIBUTION TO THE CONSOLIDATED PROFIT AND LOSS ACCOUNT**

| BROADCASTING FRANCE (in euros million) | 2004 | 2003 | 2002 |
|---|---|---|---|
| **Operating revenue** | **1,995.4** | **1,897.1** | **1,857.1** |
| TF1 SA | 1,654.9 | 1,554.3 | 1,518.1 |
| EUROSPORT FRANCE | 52.0 | 49.3 | 48.9 |
| LCI | 35.2 | 33.9 | 36.3 |
| ODYSSEE | 3.1 | 3.1 | 3.5 |
| TF 6 | 6.8 | 5.9 | 4.4 |
| TV BREIZH | 5.6 | 4.2 | – |
| T FOU | 0.6 | 0.4 | – |
| SERIE CLUB | 3.4 | 3.2 | 3.2 |
| HISTOIRE | 1.4 | – | – |
| TF1 PUBLICITE | 12.5 | 9.4 | 8.1 |
| STUDIO 107 | 3.6 | 7.3 | 6.6 |
| TF1 PUBLICITE PRODUCTION | 6.9 | 7.1 | 7.7 |
| TF1 FILMS PRODUCTION | 14.7 | 13.1 | 16.4 |
| GLEM | 24.9 | 44.3 | 41.6 |
| TF1 ENTREPRISES | 31.7 | 56.2 | 54.7 |
| TELESHOPPING | 82.6 | 73.0 | 69.4 |
| E-TF1 | 47.8 | 26.0 | 11.0 |
| MISCELLANEOUS | 7.7 | 6.4 | 27.2 |
| **Operating profit** | **354.9** | **289.8** | **281.1** |
| TF1 SA | 334.4 | 287.8 | 261.9 |
| EUROSPORT FRANCE | 4.7 | 4.5 | 5.9 |
| LCI | (9.7) | (9.5) | (6.9) |
| ODYSSEE | (0.2) | (0.4) | (0.3) |
| TF 6 | 1.0 | (0.1) | (2.8) |
| TV BREIZH | (5.9) | (6.1) | – |
| T FOU | (1.0) | (0.6) | – |
| SERIE CLUB | 0.7 | 0.4 | 0.5 |
| HISTOIRE | (1.2) | – | – |
| TF1 PUBLICITE | 9.4 | 6.6 | 7.5 |
| STUDIO 107 | (2.0) | (3.8) | 0.1 |
| TF1 PUBLICITE PRODUCTION | (0.4) | 0.2 | 0.2 |
| TF1 FILMS PRODUCTION | 0.7 | 0.5 | 5.6 |
| GLEM | (4.6) | (11.5) | (3.4) |
| TF1 ENTREPRISES | 7.5 | 11.2 | 10.2 |
| TELESHOPPING | 9.5 | 4.4 | 1.3 |
| E-TF1 | 2.5 | (1.2) | (8.9) |
| MISCELLANEOUS | 9.5 | 7.4 | 10.2 |
| **Net profit** | **213.4** | **187.7** | **181.1** |
| TF1 SA | 217.6 | 191.7 | 178.8 |
| EUROSPORT FRANCE | 3.1 | 3.0 | 4.0 |
| LCI | (9.7) | (9.5) | (6.7) |
| ODYSSEE | (0.2) | (0.4) | (0.5) |
| TF 6 | 1.0 | (0.2) | (3.0) |
| TV BREIZH | (4.2) | (2.7) | (1.2) |
| T FOU | (1.0) | (0.6) | – |
| SERIE CLUB | 0.5 | 0.2 | 0.3 |
| HISTOIRE | (1.4) | – | – |
| TF1 PUBLICITE | 6.3 | 3.6 | 5.2 |
| STUDIO 107 | (1.3) | (2.3) | 0.1 |
| TF1 PUBLICITE PRODUCTION | (0.2) | 0.2 | 0.2 |
| TF1 FILMS PRODUCTION | 0.6 | – | 3.9 |
| GLEM | (7.4) | (7.9) | (1.9) |
| TF1 ENTREPRISES | 5.0 | 7.3 | 6.8 |
| TELESHOPPING | 6.6 | 3.2 | 1.7 |
| E-TF1 | 2.6 | (1.1) | (9.1) |
| MISCELLANEOUS | (4.5) | 3.2 | 2.5 |

**• TF1 Channel (source: Médiamétrie)**

In 2004, TF1's audience share among individuals aged four years and above increased by 0.3 points to 31.8%. More significantly, TF1 gained 1.1 audience share points among women under 50, reaching 35.5%. TF1 therefore posted the best improvement in audience share by any channel for these two categories.

This performance underlines how well the programme offering met viewers' expectations. With supply becoming segmented and an increased number of broadcasting channels, the performance reinforces TF1's position as the leading channel. In 2004, TF1 accounted for 89 out of the 100 largest viewing audiences.

Major football competitions, particularly *Euro 2004,* were a major feature last year and generated exceptionally large viewing figures. The Switzerland-France match broadcast on TF1 on June 21 attracted 15.3 million viewers, the highest viewing figure for any channel during the year.

The heroes and heroines of TF1 series and television films accounted for half the top performers, repeating their success year after year. The likes of *Julie Lescaut, Une Femme d'Honneur, Navarro, Commissaire Moulin, Les Cordier Juge et Flic, Commissaire Valence, Joséphine ange gardien, Diane Femme Flic, Femmes de Loi, Sœur Thérèse.com* regularly attracted between 8 and 11 million viewers. The 5-episode summer series, *Zodiaque* generated between 10 and 11 million viewers and is well placed in the rankings.

News is ranked in eighth place. By convention only the largest audience figures for the 8 o'clock news and the 1 o'clock news are mentioned in the rankings. Note that 46 airings of the 8 o'clock news had viewing figures of over 10 million and that the average annual audience share for the 8 o'clock news was 40%. The 1 o'clock news, meanwhile, had an average audience share of 52%.

The improved performance by French film-making compared with last year, with French films accounting for 13 of the 18 biggest box-office audiences, was also reflected in the rankings. The two biggest TV audiences were for *Astérix et Obélix: Mission Cléopâtre* (12.4 million viewers) and *Monsieur Batignolle* (12.3 million viewers), which occupied the 6th and 7th places in the top 100.

**• Thematic channels in France**

In 2004, the TF1 Group continued its development strategy in the pay-TV market, principally through leading thematic channels. At December 31, 2004, TF1 had shareholdings either directly, or through TPS, in 22 thematic channels. In June 2004, TF1 acquired 100% of the capital of the Histoire channel, bolstering the group's thematic channel sector with the creation of a "Discovery" unit comprising Odyssée, Histoire and Ushuaïa TV. This latter channel is due to be launched in 2005. In 2004, TF1 also acquired a 11.4% shareholding in the capital of Pink TV, the first new "gay" and "gay friendly" thematic channel launched in October 2004. In February 2005, TF1 completed the acquisition from Pathé Group of 80% of TMC, along with AB Group.

**UPDATE ON DIGITAL TERRESTRIAL TELEVISION (DTT)**

LCI, TF6, Eurosport France and TPS Star are among the channels selected by the CSA to supplement the digital terrestrial pay TV offering. TMC is among the channels chosen by the CSA to supplement the free-to-air digital terrestrial television offering.

The contribution of the French thematic channel to TF1 Group operating revenue amounted to €108.1 M, up 8.1%. The combined operating income of these channels remained negative at €(12.3) M.

**EUROSPORT FRANCE**

Eurosport France is the French version of the Eurosport channel. It is the only version of Eurosport which has a window of specialised programmes comprising local rights including French Second Division football, French Cup football, the UEFA cup, Handball, Volleyball, Formula 1, etc., as well as regional slots and local magazines. Eurosport France supplements TF1's sports offering, particularly for prestigious events such as Formula 1 racing, the football/rugby World Cups, the Confederation Cup etc..

The contribution to group operating revenue increased by 5.5% to €52 M. Eurosport France generates an operating income of €4.7 M.

**LCI**

At December 31, 2004, LCI totalled 5.3 million subscriber households, up 8% on December 31, 2003. LCI celebrated its 10-year anniversary in 2004. It is ranked third among cable and satellite channels with a market share of 1.4% [3] of A/B+ subscribers.

The contribution to group operating revenue increased by 3.8% to €35.2 M, in a very dynamic advertising environment (advertising turnover rose by 22.3%). In 2004, LCI recorded a loss of €(9.7) M, stable in comparison to 2003. LCI looks set to achieve break-even in 2007.

**ODYSSEE** numbered 2.0 million subscribers at end-2004 and halved its loss, practically reaching break-even on stable revenues.

At December 31, 2004, 4.0 million households were subscribers to the **HISTOIRE** channel. It contributed €1.4 M to TF1's operating revenue, recording a net loss of €(1.4) M in 2004 (6-month figures). Since its purchase, the channel's programme line-up has been overhauled, while staff and operating procedures have been reorganised to improve the audience and enhance the channel image among an enthusiastic audience.

Setting up a "Discovery" unit based on Odyssée, Histoire and Ushuaïa TV will enable certain support functions to be streamlined and operating costs to be reduced, while at the same time continuing to invest in high quality programming.

**TV BREIZH**

At December 31, 2004, TV Breizh was received by almost 4.4 million households (+10% on the year) and had become one of the most distributed French theme channels. The channel has consolidated its ranking among the cable and satellite channels with an audience share of 0.8% [3], representing an increase of 15%. Boosted by these audience figures, the channel continues its strategy of developing a programme schedule with more of a generalist format.

The channel's advertising revenue increased by more than 58%, with an increased contribution to TF1 group's operating revenues of 33.3%. This has been achieved while steadfastly pursuing a policy of acquiring the programming rights for mini-general-interest. It made a negative contribution to TF1's net income of €(4.2) M. TV Breizh has reaffirmed its objective of reaching break-even in 2007.

At December 31, 2004, **TF6** (50%) had 2.7 million subscribers. Given the buoyant advertising market, TF6's contribution to TF1's operating revenue was up 15.3% and, as forecast, the channel had become profitable, posting a net profit of €1.0 M.

At December 31, 2004 **SERIE CLUB** (50%) had 2.3 million subscribers. Série Club's contribution to TF1's operating revenue rose by 6.3% and its net profit almost doubled.

### • Advertising sales

Advertising space on these stations (excluding Série Club) is sold by TF1 Publicité.

After a slight downturn over the summer, French GDP once again picked up and consumption rebounded in the fourth quarter of 2004. GDP growth was expected to reach 2.1% in 2004 (source: INSEE), its best performance since 2000. However, 2004 was marked by a lack of visibility, with most economic indicators (consumption, household confidence and GDP) showing volatility from one quarter to the next.

Against this backdrop, TF1's net advertising revenue grew by 6.6%, while advertising revenue at the group's French-based thematic channels rose by 25.5%.

The **TF1 CHANNEL** consolidated its position, with a market share for "TV ads" at year-end 2004 of 54.8%, a 0.1 point increase versus 2003.

Gross advertising expenditure in the majority of sectors was up:

"Traditional" sectors:

- Food, which increased by 5.3%, was the top spending sector on TF1 with a high market share (58.7%). It continued to improve its position (+0.4% versus 2003);
- Cosmetics rose by 0.9%, with a market share of 55.8% (+0.1 points) and an advertiser reach up by 2.5 points to 85% of advertisers;

  However, there has been an advertising expenditure slowdown in these two sectors since September 2004, caused partly by the Sarkozy pact between retailers and manufacturers.
- Automobiles, which improved by 14.6%, with a market share of 53.7%, up 0.7 point, and an increase in advertiser numbers (+9 advertisers versus 2003).
- House cleaning declined by 16.5%, but with an increased market share to 57.3%.

"Growth" sectors:

- Services rose by 13.6%, with a market share of 45.8% (+0.1 points). The main driver of this sector was Banks and Insurance which increased their budgets by 23.7% and 9.5%, respectively, on TF1;
- Telecommunications rose by 18.3%, with a market share of 55.2%, up 1.0 point. This strong performance stems mainly from Internet access providers.

3 Médiacabsat – December 29, 2003/June 15, 2004.

The arrival of the Press sector in TV advertising from January 1, 2004 mainly benefited TF1: by year-end 2004, €41.4 M had been spent on TF1 (Secodip figures). This is close to 1.5% of the channel's revenues and represents a market share of 55.3%. 70% of Press advertisers using TV opted for TF1 as their communication medium.

In 2004, **THEMATIC CHANNELS** represented 9.0% of gross TV market revenues and 2.8% of the multimedia market (based on six different media). These channels posted a rise of 24.8% (versus 2003) to €512.7 M. This is still a highly concentrated market as the first 15 channels (of 80 polled by Secodip) account for 72% of advertising expenditure and 62% of the audience (Médiamétrie: subscribers to thematic channels aged 4 years and over, first half 2004).

The complementary nature of national free-to-air TV and the thematic channels was illustrated in 2004: 82% of advertisers present in national television also communicated on thematic channels (versus 75% in 2003).

In this environment, TF1 is a leader: 66% of "thematic" advertisers are present in at least one of the channels whose advertising space is sold by TF1 Publicité and 144 other advertisers opted for at least one of the thematic channels selling advertising space.

Retail, Press and Book Publishing, which are new arrivals on the thematic channels, have already spent close to €5 M on the channels whose space is sold by TF1 Publicité. This represents 2.5% of gross advertising revenues on thematic channels as measured by Secodip.

**OUTLOOK FOR 2005**

Growth should be moderate in 2005 (+1.4% according to INSEE), although household consumption could remain buoyant. Because they lack visibility in this challenging environment, advertisers have preferred to wait and embark on short-term advertising. The market tends to overreact to exogenous events like exchange rate movements (euro/dollar), the oil price or even the Sarkozy pact.

Even so, the growth forecasts for the TV advertising market are relatively optimistic:
+3.0% for 2005 according to France Pub;
+3.2% for 2005 according to Ad'Barometer;
+4.5% for 2005 according to Zénith Optimédia.

### • Production companies

In order to supply the various channels with programmes, TF1 has developed several production companies covering all genres: films, entertainment programmes, short programmes, documentaries, TV dramas, etc. The main constituents of the unit are TF1 Film Production, Glem, Quai Sud, TF1 Publicité Production, Alma, TAP, Yagan Productions and Studios 107.

Studios 107 contributed over €3.6 M to group operating revenue but made an operating loss of €(2.0) M.

Operating revenue for TF1 Publicité Production stood at €6.9 M, down 2.8% in comparison to 2003.

TF1 Films Production contributed €14.7 M to group operating revenue, an increase of 12.2%. In 2004, TF1 Films Production co-produced 23 full-length films, of which 9 were seen by more than one million cinemagoers *(Un Long Dimanche de Fiançailles, Podium, Deux Frères, l'Enquête Corse* among others). At end-December 2004, €44.7 M had been invested in 24 full-length films, the required amount of investment as set out in the licensing conditions.

Glem's negative contribution of €(4.6) M to TF1's group operating income was mainly due to the sales decline in tours, reality TV and "entertainment" units.

### • Diversification activities

TF1 Group has also developed various content management and diversified product activities representing spin-offs from the main and thematic channels. The chief of these are TF1 Entreprises, Téléshopping and e-TF1.

In 2004, the TF1 Entreprises faced difficult conditions: the parlour games and music market declined by 4% (source: NPD) and 15% (source: SNEP, excluding video) respectively, increasing competition for Ushuaïa brand products and the Star Academy brand reaching maturity.

Furthermore, since July 1, 2003, TF1 Interactive, previously under TF1 Entreprises, was accounted for in the Internet division and was brought under the e-TF1 umbrella. This creates an unfavourable basis of comparison (TF1 Interactive's turnover at June 30, 2003 was around €12.3 M).

In 2004, the contribution to operating revenue by Téléshopping increased by 13.2% to €82.6 M. All this company's activities are enjoying a positive momentum:

- the programmes have been upgraded thanks to new studio sets, a new format and a new team of presenters;
- the catalogue has been boosted (+28%) by the use of new marketing database tools and a new commercial offering;
- Internet (+43%) benefited as a result of the launch of a new e-commerce site "surinvitation.com", a sales club offering limited quantities of products at reduced prices with specific time limits. This new site, designed to make inroads into the distance buying market, had already attracted close to 71,000 members by year-end 2004.

Operating margins stood at 11.5% (versus 6.0% in 2003) thanks to the sharp rise in processed volumes and lower subcontracting costs made possible by renegotiating contracts and increase shipment volumes. Overheads, production costs and mark-ups were stable.

Téléshopping continues to grow its operation and plans to open two shops in Paris during 2005.

In 2004, the contribution of the Internet sector to TF1 Group operating revenue increased by 83.8% to €47.8 M. The growth was primarily a result of:

- An increase in advertising and e-commerce revenues driven by a recovery in the market, the development of new formats and a sharp rise in site audience figures (+42%). Visits to the TF1.fr site rose dramatically in 2004: with 2.7 million individual visitors in December 2004, TF1.fr matched its record in November and consolidated its position as the no. 1 media site in France;
- The development of mobile multimedia (i-mode, Wap, Gallery etc.);
- The success of the *A prendre ou à laisser* programme.

Operating revenue and net income of e-TF1 were both positive for the first time at end-December 2004.

### 1.1.2 International Broadcasting

| INTERNATIONAL BROADCASTING (in euros million) | 2004 | 2003 | 2002 |
|---|---|---|---|
| **Operating revenue** | **239.2** | **235.1** | **245.4** |
| **Operating profit** | **27.5** | **25.7** | **20.0** |
| **Net profit** | **2.5** | **5.0** | **(0.5)** |

#### Eurosport International

Present in 54 countries and broadcast in 19 languages, the Eurosport channel was received by 98 million households at December 31, 2004, and 51.5 million paying households (+7.3% compared to end-December 2003). Daily cumulative audience grew by 8% over the same period to reach 22.7 million viewers per day.

The sports information channel, Eurosportnews, continued its expansion within Europe and also outside Europe (new distribution contracts in South Africa, India, Malaysia, Australia and New Zealand) and now reaches 18 million households in more than 70 countries.

Launched on January 10, 2005, Eurosport 2 will eventually replace Eurosportnews in Europe, which will continue to be developed outside Europe. A veritable sister channel to Eurosport, Eurosport 2 offers a programme line-up aimed at a younger audience, combining news, magazines and 1,800 viewing hours of sports events per year, of which 450 hours are exclusive live broadcasts.

Eurosport International's contribution to group operating revenue stood at €239.2 M, a rise of 1.7%. Despite a slight fall in subscriber prices, licence fee turnover and miscellaneous items were stable due to the increased number of paying subscribers. Advertising receipts climbed 4.9%, due to the overall improvement in national and pan-European advertising markets and the wealth of sporting events held in 2004 (Euro Football, summer Olympic Games etc.).

The contribution to operating income was €27.5 M (+7.0% compared with December 31, 2003), that is an operating margin of 11.5%, thanks to the optimal use of know-how and resources and the increased realisation of internal production synergies.

The contribution of Eurosport International to the group's net income at end-December 2004 stood at €2.5 M (versus €5.0 M in 2003), taking into account the losses incurred by Sportitalia.

#### Sportitalia

(accounted for under the equity method – 29% TF1)

February 6, 2004 was marked by the launch in Italy of the free-to-air sports channel Sportitalia, broadcast unscrambled on the analogue network. With more than 9 million viewers per week, Sportitalia has succeeded in making its mark in the audiovisual market.

For its first operating year, Sportitalia posted a net loss of €(2.5) M (contribution to net income of TF1 Group).

### 1.1.3 Distribution

| DISTRIBUTION (in euros million) | 2004 | 2003 | 2002 |
|---|---|---|---|
| **Operating revenue** | **380.1** | **353.8** | **289.8** |
| **Operating profit** | **1.3** | **2.8** | **(13.8)** |
| **Net profit** | **(3.4)** | **(6.4)** | **(21.2)** |

#### Télévision Par Satellite – TPS

(66% consolidated by proportionate consolidation)

At end-December 2004, the TPS multi-channel digital offering totalled 1,675,000 active subscribers, of which 1,355,000 receiving direct by satellite and ADSL and 320,000 subscribing to the TPS Cinema channels via cable and satellite networks (France and overseas). TPS's market share of new subscribers was estimated at 37% for satellite (+1 point versus 2003) and 73% for ADSL in partnership with France Télécom (2004 average).

The churn rate (excluding card only) was 10%, an improvement of 0.6 point in comparison to 2003.

TPS's contribution to group operating revenue was at €380.1 M, an increase of 7.4%. Average revenue per subscriber rose slightly to €37.7.

TPS maintained operating break-even with a contribution to TF1 Group operating income of €1.3 M. For the first time the TPS satellite activity reached break-even in terms of net profit in 2004. This enabled it to reduce the total group net loss (including ADSL activity), representing a net impact of €(3.4) M (versus €(6.4) M in 2003) on TF1's net profit.

At end-2004, TPS (100%) net financial debt was €171.3 M, a decrease of €53 M in comparison to 2003.

On October 15, 2004, TPS L expanded its coverage to 15 new towns and launched a "double play" offering: television + Internet access (high speed), which is now available for subscription to 5 million households.

### 1.1.4 Audiovisual rights

| AUDIOVISUAL RIGHTS (in euros million) | 2004 | 2003 | 2002 |
|---|---|---|---|
| **Operating revenue** | **226.4** | **269.0** | **260.7** |
| TF1 VIDEO (incl. CIC and RCV) | 162.5 | 215.2 | 192.1 |
| TF1 INTERNATIONAL | 39.3 | 28.7 | 32.6 |
| OTHERS | 24.6 | 25.1 | 36.0 |
| **Operating profit** | **15.8** | **15.9** | **6.1** |
| TF1 VIDEO (incl. CIC and RCV) | 17.1 | 17.3 | 14.5 |
| TF1 INTERNATIONAL | (5.3) | (1.1) | (6.2) |
| OTHERS | 4.0 | (0.3) | (2.2) |
| **Net profit** | **13.0** | **5.4** | **(0.3)** |
| TF1 VIDEO (incl. CIC and RCV) | 12.2 | 12.4 | 10.3 |
| TF1 INTERNATIONAL | (2.1) | (1.8) | (5.6) |
| OTHERS | 2.9 | (5.2) | (5.0) |

#### TF1 Vidéo (including CIC and RCV)

Robust performances in the kiosk activity and traditional network sales enabled TF1 Vidéo to post a sharp increase in activity in comparison to 2003; this was despite a decline in rental activity as a result of the termination of the distribution contract for the Buena Vista Home Entertainment catalogue (on December 31, 2003). The contribution to operating revenue in 2004 was €235.7 M, an improvement of 9.5% before changes to the presentation of results linked to IFRS.

2004 was marked by a wealth of new programmes, namely *Lord of The Ring III, Kill Bill Volume 1, Immortel, 7 ans de mariage* and *The Passion of The Christ,* and in the comedy category Jean-Marie Bigard and Dany Boon. In terms of volume, global sales represented 19.7 million cassettes/DVDs (+30.5% versus 2003).

TF1 Vidéo's operating margin was 7.3% and its contribution to group net income dipped slightly to €12.2 M (versus €12.4 M in 2003).

#### TF1 International

The contribution of **TF1 International** to group operating revenue was €39.3 M, up 37%, thanks mainly to revenues generated by the sale of films such as *Agents Secrets* and *Arsène Lupin.*

### 1.1.5 Other activities

| OTHER ACTIVITIES (in euros million) | 2004 | 2003 | 2002 |
|---|---|---|---|
| **Operating revenue** | **20.4** | **13.7** | **2.3** |
| METRO | – | – | – |
| VISIOWAVE | 20.4 | 13.7 | 2.3 |
| PRIMA TV | – | – | – |
| SYALIS | – | – | – |
| **Operating profit** | **(0.7)** | **(0.3)** | **0.0** |
| METRO | – | – | – |
| VISIOWAVE | (0.7) | (0.2) | 0.1 |
| PRIMA TV | – | – | – |
| SYALIS | – | (0.1) | (0.1) |
| **Net profit** | **(5.4)** | **(0.2)** | **(3.9)** |
| METRO | (0.9) | – | – |
| VISIOWAVE | (1.0) | 0.1 | – |
| PRIMA TV | (1.6) | – | – |
| SYALIS | (1.9) | (0.3) | (3.9) |

#### Visiowave

In 2004 Visiowave contributed €20.4 M to group operating revenue, representing an increase of 49% and a negative €(1.0) M contribution to TF1 Group net profit.

2004 was the year that Visiowave became the official choice in the New York subway tender offer. The company has also been retained to equip Heathrow airport and has won its first Malaysian contract.

#### Metro

Publications Metro France (TF1 acquired 34% of its capital at the end of the 2003 financial year) was consolidated from December 31, 2003. Activity improved in 2004 thanks to buoyant sales in Paris, Lyons, and Marseilles, and heavy marketing in the new launch areas (Toulouse, Lille, Bordeaux and Nice). The company's net loss stood at €(0.9) M at end-December 2004.

## Contributions to the consolidated profit and loss account according to the former presentation

**CONTRIBUTION TO THE CONSOLIDATED PROFIT AND LOSS ACCOUNT**

| | OPERATING REVENUE | | | OPERATING PROFIT | | | NET PROFIT | | |
|---|---|---|---|---|---|---|---|---|---|
| (in euros million) | 2004 | 2003 | 2002 | 2004 | 2003 | 2002 | 2004 | 2003 | 2002 |
| **TF1 channel** | **1,667.4** | **1,563.7** | **1,526.2** | **352.1** | **299.0** | **274.1** | **224.8** | **193.7** | **177.9** |
| TF1 SA | 1,654.9 | 1,554.3 | 1,518.1 | 334.4 | 287.8 | 261.9 | 217.6 | 191.7 | 178.8 |
| TF1 PUBLICITE | 12.5 | 9.4 | 8.1 | 9.4 | 6.6 | 7.5 | 6.3 | 3.6 | 5.2 |
| DIVERS | 0.0 | 0.0 | 0.0 | 8.3 | 4.6 | 4.7 | 0.9 | (1.6) | (6.1) |
| **Publishing / Distribution** | **280.5** | **349.6** | **343.3** | **35.1** | **34.3** | **30.6** | **24.4** | **23.8** | **21.1** |
| TF1 ENTREPRISES | 31.7 | 56.2 | 54.7 | 7.5 | 11.2 | 10.2 | 5.0 | 7.3 | 6.8 |
| TF1 VIDEO (incl. CIC and RCV) | 162.5 | 215.2 | 192.1 | 17.1 | 17.3 | 14.5 | 12.2 | 120.4 | 10.3 |
| UNE MUSIQUE | 3.2 | 5.1 | 23.5 | 0.8 | 1.3 | 4.7 | 0.5 | 0.9 | 2.9 |
| TELESHOPPING | 82.6 | 73.0 | 69.4 | 9.5 | 4.4 | 1.3 | 6.6 | 3.2 | 1.7 |
| DIVERS | 0.5 | 0.1 | 3.6 | 0.2 | 0.1 | (0.1) | 0.1 | 0.0 | (0.6) |
| **Eurosport** | **291.2** | **284.4** | **294.3** | **32.2** | **30.2** | **25.9** | **8.1** | **8.0** | **3.5** |
| **Thematic channels** | **56.1** | **50.7** | **47.4** | **(17.0)** | **(17.1)** | **(10.9)** | **(17.4)** | **(10.6)** | **(9.3)** |
| LCI | 35.2 | 33.9 | 36.3 | (9.7) | (9.5) | (6.9) | (9.7) | (9.5) | (6.7) |
| ODYSSEE | 3.1 | 3.1 | 3.5 | (0.2) | (0.4) | (0.3) | (0.2) | (0.4) | (0.5) |
| TF6 | 6.8 | 5.9 | 4.4 | 1.0 | (0.1) | (2.8) | 1.0 | (0.2) | (3.0) |
| TV BREIZH | 5.6 | 4.2 | – | (5.9) | (6.1) | – | (4.2) | (2.7) | (1.2) |
| TF1 DIGITAL | – | – | – | (0.7) | (0.8) | (1.4) | (2.4) | 2.6 | 1.8 |
| TFOU | 0.6 | 0.4 | – | (1.0) | (0.6) | – | (1.0) | (0.6) | – |
| SERIE CLUB | 3.4 | 3.2 | 3.2 | 0.7 | 0.4 | 0.5 | 0.5 | 0.2 | 0.3 |
| HISTOIRE | 1.4 | – | – | (1.2) | – | – | (1.4) | – | – |
| **Interactive division** | **47.8** | **26.0** | **11.0** | **2.5** | **(1.2)** | **(8.9)** | **2.6** | **(1.1)** | **(9.1)** |
| **Production** | **39.4** | **59.9** | **56.0** | **(6.1)** | **(13.0)** | **(0.9)** | **(14.4)** | **(9.0)** | **(1.0)** |
| **Audiovisual rights** | **78.6** | **66.9** | **85.0** | **(0.6)** | **(0.9)** | **(2.8)** | **1.4** | **(7.0)** | **(6.7)** |
| **TPS** | **380.1** | **353.8** | **289.8** | **1.3** | **2.8** | **(13.8)** | **(3.4)** | **(6.4)** | **(21.2)** |
| **Miscellaneous** | **20.4** | **13.7** | **2.3** | **(0.7)** | **(0.2)** | **0.1** | **(6.0)** | **0.1** | **0.0** |
| METRO | – | – | – | – | – | – | (0.9) | – | – |
| VISIOWAVE | 20.4 | 13.7 | 2.3 | (0.7) | (0.2) | 0.1 | (1.0) | 0.1 | – |
| PRIMA TV | – | – | – | – | – | – | (1.6) | – | – |
| EUROPA TV | – | – | – | – | – | – | (2.5) | – | – |
| **TOTAL** | **2,861.5** | **2,768.7** | **2,655.3** | **398.8** | **333.9** | **293.4** | **220.1** | **191.5** | **155.2** |

### 1.1.6 Role of TF1 vis-à-vis its subsidiaries

TF1's role is to define, upstream, the prime strategic directions of the group. It acts as stimulator for the various entities, giving priority to the search for synergies and harmonised procedures.

From a financial viewpoint, TF1 ensures that all its subsidiaries are adequately capitalised. The TF1 group's treasury department manages and consolidates the cash of all group subsidiaries, with the exception of TPS, TCM, Téléma, Série Club, Visiowave and Quai Sud subsidiaries, which have their own cash and their own financing.

Since 2003, the TPS financing needs are handled by the shareholders' current accounts (M6 and TF1).

The common services agreement entered into between TF1 and its subsidiaries, described in the special report of the Statutory Auditors, concerns:

- the permanent availability to subsidiaries of specific services supplied (management, legal and finance, internal communication, statistical studies, management control, etc). These services are invoiced to every subsidiary by the application of key allocation criteria (employees and turnover). In 2004, the total invoicing amounted to €25.24 M. Services delivered on demand are invoiced under market conditions.
- Other services supplied (TPS: financing, Eurosport: long term loan) are detailed in the Statutory Auditors' special report.

## Directors' report

The common services agreement entered into between TF1 and Bouygues concerns:

- the permanent availability to TF1 of specific services supplied by Bouygues (human resources activities, finance, information technology, communication, social development, etc.). These services are invoiced to TF1 by the application of key allocation criteria (employees, long term capital and turnover). In 2004, the total invoicing amounted to €5.16 M. Services delivered on demand are invoiced under market conditions.
- Other services supplied (management of share capital, air transport services and agreements on credit lines with Bouygues Relais) are detailed in the Statutory Auditors' special report.

### 1.2 The TF1 parent company

In 2004, TF1 SA revenue amounted to €1,572.1 M, up 6.7%, split between advertising operations (€1,559.2 M) and miscellaneous revenue (€12.9 M). Operating income was €357.8 M, up 12.4%. Net profit for the year stood at €155.8 M, up 53.2%.

#### Distribution and allocation of profits by Télévision Française 1

In the resolutions that we are submitting for your approval, we are seeking your approval of the company and consolidated accounts for financial year 2004. In view of the distributable profits of €185,308,945.65, including the net profit of €155,794,174.71 and the profit of €29,514,770.94, brought forward from the previous financial year, we ask that you agree to the following appropriation and distribution proposed by the Board of Directors:

- Distribution of a dividend of €139,138,823.85 (i.e. a net dividend of €0.65 per share with a nominal value of €0.2)
- Appropriation as balance carried forward €46,170,121.80

In compliance with the dividend tax reform under Article 93 of the 2004 Rectifying Finance Act relating to income distributed with effect from January 1, 2005, and with the provisions of Article 243 bis of the French General Tax Code, the entire dividend distributed is available for the 50% allowance provided for in paragraph 2, section 3 of Article 158 of the General Tax Code. Only natural persons domiciled for tax purposes in France qualify for this tax relief.

The dividend will become payable on May 2, 2005.

We hereby seek your authorisation to appropriate as retained earnings the dividends related to TF1 shares held as treasury shares, as provided for in Article L. 225-210 of French Commercial Law (Code de commerce).

We remind you that, in the last three financial years, dividends paid for the 2001, 2002 and 2003 financial years were respectively €0.65, €0.65 and €0.65 net per share with a nominal value of €0.2; depending on the situation of the beneficiary, the corresponding tax credits on the basis of a 50% rate were respectively €0.325, €0.325 and €0.325.

| FIVE YEAR FINANCIAL RECORD | 2000 | 2001 | 2002 | 2003 | 2004 |
|---|---|---|---|---|---|
| **I - Share capital at the end of the accounting period (in €)** | | | | | |
| a) Share capital | 42,236,632 | 42,399,216 | 42,810,116 | 43,030,830 | 42,951,946 |
| b) Number of shares issued | 211,183,160 [1] | 211,996,079 | 214,050,579 | 215,154,149 | 214,759,729 |
| c) Number of bonds convertible into shares | | | | | |
| **II - Profit and loss account (in €)** | | | | | |
| a) Turnover (excluding VAT) | 1,491,806,305 | 1,431,613,565 | 1,435,159,747 | 1,473,209,669 | 1,572,077,137 |
| b) Profit before tax, profit sharing, depreciation, amortisation and provisions | 596,567,739 | 442,366,777 | 308,600,140 | 350,491,202 | 388,424,004 |
| c) Corporate income tax | 150,087,760 | 126,152,134 | 86,651,600 | 102,216,908 | 130,525,658 |
| d) Employees profit sharing | 13,511,247 | 11,592,039 | 8,650,777 | 10,395,547 | 12,885,824 |
| e) Profit after income tax, profit sharing, depreciation, amortisation and provisions | 358,132,161 | 276,227,636 | 198,022,521 | 101,673,966 | 155,794,175 |
| f) Total dividends | 137,269,054 | 137,797,451 | 138,303,875 | 139,021,195 | 139,593,824 [2] |
| **III - Earnings per share (in €)** | | | | | |
| a) Net profit before depreciation, amortisation and provisions | 2.05 | 1.44 | 1.00 | 1.09 | 1.14 |
| b) Net profit after depreciation, amortisation and provisions | 1.70 | 1.30 | 0.93 | 0.47 | 0.73 |
| c) Dividend per share | 0.65 | 0.65 | 0.65 | 0.65 | 0.65 [2] |
| **IV - Employees** | | | | | |
| a) Number of employees | 1,299 | 1,330 | 1,383 | 1,436 | 1,485 |
| b) Total payroll costs in € | 97,677,913 | 98,448,241 | 98,927,602 | 96,459,545 | 101,314,664 |
| c) Total of employee benefit costs in € | 43,173,430 | 43,930,772 | 43,279,320 | 46,200,725 | 48,465,021 |

1 After stock split 1 for 10 June 21, 2000.
2 Submitted for approval at the general meeting.

## 1.3 2005 outlook

The TF1 Group's successes within a changing audiovisual environment augur well for the future. They also validate the strategy pursued by the Group since the end of the 1990's, a strategy driven by a number of objectives:

- to remain the leader in the development of programmes in France;
- to continue to develop programme and service distribution;
- to consolidate Eurosport as the leading pan-European channel.

The pursuit of these ambitions in 2005 will entail the following:

- TF1's general-interest, family-oriented and events-based programming will aim to meet audiences' and advertisers' expectations;
- Our thematic offering will be bolstered in terms of content and available channels. In particular, a "Discovery" entity combining Odyssée, Histoire and Ushuaïa TV, is planned, to be launched in the first quarter of 2005;
- TF1 is to be distributed on the terrestrial digital network from March 2005, followed by LCI, Eurosport France and TF6;
- After the excellent start made distributing TPS's offering via high-speed telephone lines (ADSL), TPS Star, TPS's premium channel, is to be distributed on the terrestrial digital network. These new distribution channels will bring TPS, a multi-platform operator, within reach of most of the French population;
- Eurosport's development in both Eastern Europe and Southern Europe, where Sportitalia has been successfully launched, has continued with the roll-out in January 2005 of the new Eurosport 2 channel, already broadcast in four languages and received by more than 10 million European subscribers.

The TF1 Group will also grow its other sectors of activity further, namely video, home-shopping and broadcasting rights distribution, which are set to experience another year of profitable growth.

Finally, taking into account a low visibility of the advertising market, TF1 channel advertising revenue should grow "in the market", ie between 3% to 4%, and TF1 Group consolidated revenue should increase by approximately 3% to 5%. At the same time, TF1 channel programming costs should rise by 3.9%.

## 1.4 Transition to IFRS standards

In application of the European regulation no. 1725/2003 published in the European Union's Official Journal of October 13, 2003, companies listed on a regulated market of one of the member states must present their consolidated accounts for financial years from January 1, 2005, applying the accounting standards issued by the International Accounting Standard Board (IASB).

Starting on January 1, 2005, TF1 will therefore adopt IFRS accounting standards. French accounting standards will still apply in the transition year of 2004. However, TF1's profit and loss account and balance sheet since January 1st, 2004 will also be restated according to IFRS standards and in line with French accounting practice thus facilitating comparison on an IFRS basis (see note 2.2.2. in the Notes to the Consolidated Financial Statements).

The main differences between the balance sheet as at December 31, 2003, on the basis of French GAAP and the opening balance sheet at January 1, 2004, based on IFRS standards are summarised below. A preliminary version was announced to the market at the analysts' meeting following the announcement of the H1 2004 results:

| SIMPLIFIED (in euros million) | 31.12.03 FRENCH GAAP | 01.01.04 IFRS STANDARDS | CHANGE | COMMENTS ON THE MAIN IMPACTS |
|---|---|---|---|---|
| **ASSETS** | | | | |
| Intangible fixed assets | 894.9 | 131.1 | (763.8) | (1) |
| Goodwill | 114.9 | 876.5 | 761.6 | (1) |
| Tangible fixed assets | 197.5 | 229.5 | 32.0 | |
| Financial assets | 13.3 | 24.3 | 11.0 | |
| Other non-current assets | | 48.0 | 48.0 | |
| Programmes and film rights | 693.4 | 501.0 | (192.4) | (2) |
| Trade debtors | 621.6 | 841.1 | 219.5 | (2) |
| Other current assets | 492.3 | 311.7 | (180.6) | (2) and (3) |
| Marketable securities and cash | 185.1 | 185.1 | 0.0 | |
| Financial instruments (assets) | | 5.1 | 5.1 | |
| **Total assets** | **3,213.0** | **3,153.4** | **(59.6)** | **(2)** |
| **LIABILITIES** | | | | |
| Shareholders' funds attributable to the group | 866.2 | 886.1 | 19.9 | |
| Minority interest | (0.1) | 1.4 | 1.5 | |
| Total shareholders' funds | 866.1 | 887.5 | 21.4 | (4) |
| Non-current provisions | 102.9 | 22.7 | (80.2) | (3) |
| Financial creditors | 628.3 | 627.0 | (1.3) | |
| Deferred tax | 62.1 | 72.7 | 10.6 | |
| Trade creditors | 919.1 | 836.9 | (82.2) | (2) |
| Current provisions | | 69.2 | 69.2 | |
| Other current liabilities | 634.5 | 626.0 | (8.5) | |
| Financial instruments (liabilities) | | 11.4 | 11.4 | |
| **Total liabilities** | **3,213.0** | **3,153.4** | **(59.6)** | **(2)** |

(1) Business goodwill reclassified as goodwill (IAS 38).

(2) Reclassification of programmes not ready for broadcasting (IAS 38). This item also reclassified according to French standards from January 1, 2004 (see 2.2.2. in the notes to the Consolidated Financial Statements).

(3) Balance sheet presentation on the basis of recurring/non-recurring items (IAS 1).

(4) Most of the €21.4 M increase in consolidated shareholders' funds is explained by the following accounting adjustments:

- Restatement of head office item (net of deferred tax) (IAS 16) €20.7 M
- Financial instruments (IAS 39) €0.8 M
- Miscellaneous € (0.1) M

The consolidated accounts for the periods ending March 31, June 30 and September 30, 2004 restated to IFRS standards are currently under examination by our auditors, while the consolidated accounts for the year to December 31, 2004, are in the process of being drawn up.

The main effects of restating net income for the year to December 31, 2004 for IFRS standards are:

- Entries for straight-line amortisation of goodwill reversed in the group's books;
- Financial instrument assets and liabilities shown at fair value;
- Expenses for stock-option plans covered by the IFRS 2 standard booked.

These restatements will not significantly impact the group's net income for the year ended December 31, 2004.

TF1 is due to release its first set of accounts to IFRS standards on June 20, 2005 after the close of the 1st quarter of 2005. The group will at the same time also release the full set of 2004 accounts to IFRS standards (1st quarter, 1st half, 9 months and 12 months 2004).

### 1.5 Events since the financial year-end

No significant event has occurred since the close of the financial year.

### 1.6 Research and Development costs

Research and Development costs of the TF1 Group are not significant and represent an annual charge of approximately €4.5 M in 2004. TF1 has redefined more broadly its research and development activity. It can be broken down into three key themes:

#### New technologies

- at TF1, within the Internal Technologies and Resources Department: research into new technologies (digital broadcasting, portability of reporting tools, networks, information exchange, image processing,…) and new associated services (interactivity, VOD, transfer of TF1 content to mobile phones, games consoles,…)
- at TPS: work on the following themes: high definition, television on mobile phones, ADSL, MPEG4, home-networking.
- at Visiowave: this 80% TF1-owned company has developed a very powerful, promising video compression technology that could constitute the base for the future MPEG4 standard.

#### Marketing research and development

The advertising and broadcasting marketing departments carry out behavioural studies, research into new viewer indices (joint viewing), processing and analysis of audience statistics and sociological analyses.

#### Programme innovation

TF1 Group activity also includes significant creation and innovation in terms of entertainment programmes, TV dramas and production of films whose results are difficult to forecast.

This new, broader definition justifies an annual research and development budget of around €20 M.

## 2 Human resources and environment update

### 2.1 Human resources

**Workforce:**
*Statistics for the whole TF1 Group*

Group TF1's workforce increased by 5% in 2004 (figures at December 31). The breakdown is as follows:

#### Permanent staff

| EMPLOYEES | SUPERVISORY STAFF | MANAGERS | JOURNALISTS | MOBILE STAFF | TOTAL |
|---|---|---|---|---|---|
| 74 | 775 | 2,440 | 563 | 15 | 3,867* |

* Including 116 people working abroad + 6 employees of Eurosport media.

N.B. These figures differ from those included in the notes to the consolidated accounts, which give only the workforce of companies consolidated by the group.

#### Fixed-term staff

| | |
|---|---|
| Number of staff on fixed-term contracts | 290 |
| Number of staff with a qualification contract | 45 |
| Number of staff with an apprenticeship contract | 35 |

The TF1 Group continued with its policy of upgrading temporary workers to permanent staff status, which helps to explain the low percentage of fixed-term staff (12.3% vs. 13.6% in 2003).

The breakdown at group level of equivalent full-time staff represented by temporary workers over the 12-month period was as follows:

| TEMPORARY STAFF | FREE-LANCE JOURNALISTS | FIXED-FEE CONTRACT WORKERS | PRODUCERS |
|---|---|---|---|
| 352.4 | 81.42 | 154.48 | 36.16 |

### Hiring and departures in 2004

| | |
|---|---|
| Number of staff hired on fixed-term contracts | 534 |
| Number of staff hired on non-fixed-term contracts | 465 |
| Number of retirement departures | 2 |
| Number of redundancies | 36 |
| Number of negotiated departures | 89 |

The noticeable drop in **overtime hours** (at 125% and 150%) in 2003 continued in 2004. The table below indicates 5% less overtime compared with 2003. The decline is also a reflection of the group's hiring policy over the past year. Moreover, temporary workers accounted for 2/3rds of overtime thanks to a more favourable system for calculating their overtime hours than for permanent staff:

| NUMBER OF HOURS | AMOUNT |
|---|---|
| 36,431 | €939,752 |

Recourse by the TF1 Group to outside labour (temporary workers) in 2004 still represented a very low full-time worker equivalent at only 41.84, i.e., 1% of the group's permanent workforce.

### Organisation of work time

Agreements on the organisation and reduction of work time have been concluded in all group companies and govern the different staff categories based on status (agreements concerning permanent staff – production, technical and administrative staff, journalists – and non-permanent staff).

Non-managerial staff work 37 hours/week and have 14 "reduced work time" days per annum. Managerial staff, with a fixed number of days annually, have 12 or 13 "reduced work time" days per annum, while executives are not affected by reduced work time.

Therefore, all TF1 Group companies are governed by "reduced work time" agreements. These allow employees to take the initiative concerning when they take their holidays, on the one condition that it does not affect the smooth running of the department.

To encourage measures enabling all staff, as part of their personal development and without any direct connection to their employment, the opportunity of acquiring new skills, it is possible to use "reduced work time" days for personal development. These measures are not part of the company's training plan.

### Annual number of working hours/days

**SUMMARY OF THE DIFFERENT AGREEMENTS FOR THE ORGANISATION AND REDUCTION OF TF1 GROUP COMPANIES' WORK TIME**

| STATUS | ANNUAL NUMBER OF WORKING HOURS/DAYS FOR ATP STAFF* |
|---|---|
| Non-managerial staff with a constant number of hours working in cycle (Employees and Supervisory staff) | from 1,569 to 1,576 hours |
| Managers working in cycle | from 1,584 to 1,591 hours |
| Managers with a fixed number of days annually | from 213 to 216 days |
| Executives | unaffected |

* Administrative and Technical Production staff.

| STATUS | ANNUAL NUMBER OF WORKING DAYS FOR JOURNALISTS |
|---|---|
| Journalists with a fixed number of days annually | from 208 to 215 days |
| Executives | unaffected |

TF1 Group: absenteeism and reasons:

| | |
|---|---|
| Rate of absenteeism (as a % of staff) | 4.04 |
| Total days of absence | 43,996 |
| Number of unpaid absence days | 606 |
| Number of absence days due to sickness | 18,989 |
| Number of absence days due to work/travel-related accidents | 1,602 |
| Number of absence days for maternity or paternity leave | 19,270 |
| Number of absence days for exceptional leave | 3,529 |

At December 31, 2004, 170 non-fixed-term employees worked part time.

### Remuneration

Remuneration is reviewed every year with measures potentially combining a general increase with a performance-related increase and methods/possibilities for customised employee savings schemes.

As part of TF1's privatisation in 1987, 10% of the company's capital was offered to employees, on preferential terms. 1,384 employees or former employees became company shareholders, representing 2.33% of the capital.

In 1988, TF1 introduced a company savings plan for all the group's staff.

There are currently three joint investment funds.

- At December 31, 2004, 2,647 employees belonged to the company savings plan, i.e., 89% of permanent staff of companies participating in the group savings plan. The employer top up paid by TF1 and its subsidiaries (€3,450 per year and per employee, i.e. the maximum allowed by the law) represents €7.3 M.
- In 1999 and 2001, TF1 embarked on a capital increase reserved for employees as part of two new company schemes. 1,628 employees or 75.3% of the workforce joined the first scheme and 1,944 the second, that is 53.7% of group employees. To be noted: the performance index of TF1 Avenir 1, which fell due on October 29, 2004, is 235.90%.

TF1 Group employees were also able to subscribe to the capital increase reserved for staff of the Bouygues group at the time of Bouygues' capital increase in 1999, 2000, 2001 and 2002.

All employees have benefited from employee profit sharing since 1989. In 2004, this amounted (for financial year 2003) to €12 M, that is an average amount per employee of €2,749.

### TF1 Group: average monthly remuneration for non fixed-term contracts by professional category in 2004 (in €)

| EMPLOYEES | SUPERVISORY STAFF | MANAGERS | JOURNALISTS | SALES REP. | ALL CATEGORIES |
|---|---|---|---|---|---|
| 2,000 | 2,883 | 4,972 | 5,292 | 2,921 | 4,510 |

In 2004, the annual percentage increase was 4.51% for the TF1 Group. This figure corresponds to the difference in the remuneration of employees present both on December 31, 2003 and December 31, 2004.

### Summary of the group's social security contributions in 2004

| EMPLOYEE CONTRIBUTIONS | EMPLOYER CONTRIBUTIONS | TOTAL |
|---|---|---|
| €52.6 M | €106.8 M | **€159.4 M** |

### Professional equality between men and women

### 2004 statistics for the whole of the TF1 group:

**AVERAGE MONTHLY GROSS STARTING SALARY***

| | SUPERVISORY STAFF | MANAGERS |
|---|---|---|
| Women | €2,080 | €2,247 |
| Men | €1,716 | €2,328 |

* Employees of 18 to 26 years of age and with less than one year seniority.

**HIRING**

| | |
|---|---|
| Women | 179 |
| Men | 286 |
| **Total** | **465** |

**PROMOTIONS***

| | |
|---|---|
| Women | 205 |
| Men | 235 |
| **Total** | **440** |

* With or without change in professional category.

**NUMBER OF TRAINEE STAFF IN 2004***

| | |
|---|---|
| Women | 1,035 |
| Men | 1,178 |
| **Total** | **2,213** |

* Trainees in professional training.

**NUMBER OF TRAINEESHIP HOURS IN 2004**

| | |
|---|---|
| Women | 40,453 |
| Men | 46,748 |
| **Total** | **87,201** |

### Professional relations and collective bargaining agreements

Nearly all TF1 Group companies have Staff Representative Committees, a Works Council, a Health & Safety Committee and trade union representatives. The agreements reached by companies with staff representatives offer benefits in terms of welfare protection, severance pay, holidays, trade union rights … which go well beyond labour law guarantees.

### The trade union environment at TF1 Group in 2004 (titular members)

| | WORKS COUNCIL | STAFF REPRESENTATIVES | HSC | BOARD OF DIRECTORS | TOTAL |
|---|---|---|---|---|---|
| CFTC | 21 | 24 | 29 | 24 | 98 |
| CGC | 0 | 1 | 0 | 0 | 1 |
| CFTC/FO/CGC | 5 | 8 | 0 | 2 | 15 |
| CGT/SNJ-CGT | 1 | 2 | 0 | 0 | 3 |
| CFDT RadioTélé | 3 | 4 | 5 | 1 | 13 |
| Independents | 0 | 2 | 0 | 0 | 2 |
| CFTC/FO | 0 | 6 | 0 | 0 | 6 |
| **Total** | **30** | **47** | **34** | **27** | **138** |

| | |
|---|---|
| Number of meetings with staff representatives (WC+SR+HSC+BD) | 348 |
| Number of meetings with trade union representatives | 62 |
| Number of collective agreements during the year under consideration | 8 |

### Health and safety conditions

In 2004, TF1 placed particular emphasis on preventing occupational risks and sought to heighten the awareness of each category of worker.

Safety training (375 employees underwent safety training in 2004) is aimed at the different staff categories. Fire prevention training is given on a regular basis and evacuation exercises for the entire staff are mounted as and when required by existing regulations.

The unified assessment of occupational risks was updated. The document itemises the risks in each of the company's working units and the prevention measures to counteract these risks (operating instructions, training).

The medical department, comprising a company doctor and three nurses, provides daily cover (in 2004 there were 6,987 nurse interventions and 3,305 employees examined by the doctor) but also carry out specific examinations of certain employees involved in hazardous occupations. In 2004, 900 employees were vaccinated and 157 first aid kits were prepared for employees leaving on reporting missions in high-risk regions. Furthermore, the medical department this year took over the annual medical check-up for free-lance journalists working in the group, as the profession's supervisory body has not opened up a medical centre offering routine check-ups.

| | 2004 |
|---|---|
| Number of work accidents resulting in lost time | 38 |
| Number of fatal work/travel-related accidents | 0 |
| Number of HSC meetings | 56 |
| Staff with safety training | 382 |

### Professional training

The purpose of training is to ensure that staff have the requisite high level of technical, personal and managerial skills to carry out their responsibilities and to prepare staff for new positions.

A major staff training drive aimed primarily at technicians was mounted ahead of the introduction of a digitised final production room, new broadcasting technology and the design of the new "virtual" studios.

Safety and IT technical training for IT staff continued to be priority areas again in the past year.

Management training has long been a priority, with courses for new managers and team leaders. New modules have been introduced this year, particularly in the area of conflict management.

Among the other types of training offered, human relationship techniques again took pride of place in the training plan, with courses on "presentation techniques", "meeting leadership", "communicating in a professional context", "train the trainers" and "negotiating practices".

Then there are the "professional skills" courses enabling staff to develop their specific expertise in fields as diverse as journalism, management, law and marketing.

Finally, language courses and theme days to discover the professions practised within the group were continued.

In 2004, a budget of €4.7 M was dedicated to training within the group, i.e. 3.42% of total wage costs.

2,213 TF1 Group employees received training during 2004. A total of 87,200 hours of training was dispensed in the TF1 Group. Moreover, 30,123 hours of additional training was given to 84 TF1 Group trainees through sandwich courses and individual training leave.

The group's apprenticeship tax for 2004 amounted to €1.2 M.

TF1 pursues an active graduate trainee recruitment policy. Trainees represent an important source of new recruitment for TF1, which has established close partnerships with schools and universities. In 2004, the group hired 982 trainees.

Special relationships exist with the following teaching establishments:

- Secondary School Diploma in Audiovisual Studies, Lycée Jacques Prévert, Boulogne
- Secondary School Diploma in Audiovisual Studies, Lycée René Cassin, Bayonne
- Secondary School Diploma in Audiovisual Studies, Lycée de l'image et du son, Angoulême
- IIIS: Institut International de l'Image et du Son, Trappes
- Advanced Technical Diploma in Audiovisual Communications, University of Paris (Sorbonne)
- Masters degree in Media Studies, ESCP/EAP, Paris
- ISEP: Institut Supérieur d'Electronique de Paris
- INT: Institut National des Télécommunications (Management and Telecoms), Evry

### Employment and the integration of handicapped workers

For a number of years, TF1 has operated a policy in favour of handicapped workers. This takes several forms:

- Employing handicapped workers,
- Signing subcontracting agreements with sheltered workshops.

| | |
|---|---|
| Number of handicapped workers | 35 |
| Amount paid to sheltered workshops | €211,122 |

### Community work

Each year, the TF1 involves itself in the community through already existing sponsorships. In 2004, the TF1 Group spent more than €16 M (i.e., the equivalent of about 1% of its advertising revenue) on humanitarian, social or cultural operations.

Thus, TF1 contributes in its own way towards promoting general-interest initiatives on themes as varied as public health, citizenship and environmental protection.

A scheme was launched in July 2004 to donate refurbished equipment to associations. Most of the donations are made through Jeveuxaider.com, which is responsible for selecting and vetting recipient associations and ensuring that the equipment is used for its intended purpose. This simplifies the logistics aspects for TF1, enabling large batch sizes and a single entry point. Between July and December 2004, 500 items of IT hardware, 25 items of audiovisual broadcasting equipment and 190 pieces of office furniture, reprographics equipment and consumables were donated to 10 associations. Recipient associations in turn redistribute the IT hardware to a network French or foreign associations, particularly in Africa.

Plastic bottle caps are collected on behalf of the "Un Bouchon = Un Sourire" association

### Example of territorial impact of the group's activity

TV Breizh, the Breton channel broadcast on cable and satellite, was launched in September 2000. Setting up an operation 500 km from Paris was a challenge. Although the region was not lacking in production facilities, they were privately run and technical facilities were rare. The arrival on the scene of TV Breizh has seen the development of the audiovisual sector in Brittany, with several production companies established locally acting as suppliers to TV Breizh, particularly in magazine programmes and fiction dubbing.

The daily news programme, Actu Breizh, was launched in September 2002. The Nantes-based Ouest Info press agency, which already provides local correspondent reporting for TF1 and LCI, has been appointed to handle the outside news reporting. It has recruited an additional 10 television reporters to supply the requirements of TV Breizh. TV Breizh itself has recruited eight persons internally to work specifically on this news programme.

A new milestone was reached at the end of the second half of 2004. In October 2004, TV Breizh became a technical service provider, broadcasting Pink TV. In November 2004, TV Breizh began the technical migration of the theme channels of TF1's Discovery unit, Odyssée and Histoire, to its new technical site. This new broadcasting platform was designed jointly by TF1 Digital and the TF1 group's Thematic Channels Technical Department. It features shared digital technology and is jointly managed by Paris and Lorient. This new site in Lorient took five months to build and represents an additional 300 m$^2$ of new premises and an investment of €2.5 M. Designed to host up to six channels, it will broadcast the programmes produced by the theme channels and will also be responsible for their preliminary verification and digitisation. It is also preparing for the arrival of Ushuaïa TV due to be launched during 2005.

By becoming a technical service provider for the other national channels, TV Breizh has consolidated its regional position and reaffirmed its regional roots. Today, this channel directly and indirectly employs a little over 60 persons (36 TV Breizh employees, 10 Ouest Info journalists and 14 Objectif Ouest technicians).

### Importance of sub-contracting

The TF1 Group makes almost no use of sub-contracting. However, it does entrust third parties with some services such as security, building maintenance, catering, etc. Within the framework of these different partnerships, the TF1 Group asks each of its service providers (through a contract) to adhere to the social and environmental regulations, etc. in force. Since most of our partners are French, the risk of these regulations not being adhered to is very small.

Other elements on social benefits or health and safety conditions within TF1 Group will be find in chapters "advances in terms of social benefits", "Health, safety and hygiene" in the section "TF1 and society".

### 2.2 Environment

By its very nature, TF1's activity has a limited impact on the environment and poses no particular industrial risk. Nevertheless, the group is actively involved in protecting and safeguarding the environment, particularly through waste recycling. The amount of waste generated by the TF1 Group has fallen for four years running.

#### Controlling energy consumption (Electricity/Water/Gas/Steam)

The TF1 Group requires electricity for the company's everyday activity, the air conditioning systems in the various buildings and for its broadcasting business (studio lighting, final production). Electricity consumption increased between 2003 and 2004 and represented around 39.5 million kWh (+2.5 M KWh). The increase is explained by the move to new premises, the installation of an extra control room at Eurosport and new final production unit at TF1.

Water consumption (used essentially in the air conditioning system, wash rooms and kitchens) was lower in 2004 than in 2003 and represented around 65,000 $m^3$ in 2004, i.e., the lowest level of consumption in the past four years.

Gas consumption increased. Gas is used to heat some buildings and consumption is therefore dependent on the weather. It amounted to around 49,700 $m^3$ in 2004 (+4,000 $m^3$).

The consumption of steam, also used to heat some buildings, totalled 705 tons in 2004 (+100 tonnes vs. 2003).

#### Waste

Miscellaneous waste, waste paper, salvaged neon light bulbs and batteries, represented practically the same weight in 2004 as in 2003, i.e., around 1,200 tons. Skip waste rose by 100 tons to 383 tons in 2004 mainly due to office refurbishment. Construction waste is not a by-product of the TF1 group's routine business.

Other elements on environment within TF1 Group will be find in the chapter “the environment” in thesection “TF1 and society”.

## 3 Risk factors

TF1 Group has instituted a pro-active policy of risk identification, notably to ensure uninterrupted broadcasting of its programmes for the TF1 channel and the group's thematic channels.

Any exceptional event preventing access to the TF1 group's various buildings would have a major impact on business. For this reason, the group has reinforced the procedures aimed at guaranteeing “service continuity” for its key processes by securing them on a protected external site.

A multi-disciplinary team of technical and IT specialists, general services, human resources, communications and security staff has been formed to operate an emergency site for the following four processes: programme broadcasting, production of the 1 o'clock and 8 o'clock television news programmes, production and selling of advertising slots for the TF1 channel, production and broadcasting of the television news for LCI. The security of these key processes is regularly tested and represents an annual operating cost around €2 M.

Added to this is the security of the company's vital functions (information systems, channel-related services, advertising sales, accounts, treasury, payroll…) and the formation of a crisis management team to ensure vigilance, prevention of risks and the rapid resumption of activity, thus minimising operating losses in case of risk.

### 3.1 Industrial and environmental risks

Broadcasting of **TF1** programmes – Risk of interruption in signal transmission

TF1's programmes are currently broadcast to French homes:
- by radio waves, via the 112 main transmission sites and 3,161 TDF re-transmission sites;
- by satellite, namely Atlantic Bird 3 for unscrambled broadcasts and Hotbird for broadcasting on TPS and;
- by cable (the cable operators “must-carry analogue” obligation).

TDF ensures the transmission (providing broadcasting sites with the TF1 signal) and broadcasting of programmes for TF1 (and all the national channels) jointly via its free-to-air and satellite network.

TDF is the only national operator broadcasting the television signal and there is no substitute for the TDF network in the form of alternative offerings.

TF1 is therefore dependent on TDF for the broadcasting of its signal and cannot call on other transmission methods if the TDF network breaks down.

TDF provides secure transmission to its transmitters through a dual transmission system (free-to-air and satellite). Therefore, if a radio wave feeding a transmitter fails, it is possible to switch to the satellite signal (and vice versa).

Broadcasting sites are largely secure as a result of the many broadcasting transmitters. However, incidents do occur with the antenna system (antenna, wave guides and frequency multiplexers), while the electricity supply can escape TDF's notice (responsibility of EDF).

Power cuts have therefore occurred in the broadcasting of our signal for either technical reasons (defective transmitters/electricity supply) or reasons internal to TDF (mainly strikes). The penalties provided for in the contract are in no way commensurate with TF1's potential operating losses during these incidents (loss of audience, impact on TF1's image, advertisers requesting reductions, loss of merchandising rights…).

The loss that TF1 could suffer if a transmitter fails is obviously proportional to the number of television viewers served by the defective transmitter. A failure in the Paris region (10 million viewers) could have major economic repercussions. This is why TF1 has negotiated a deal to ensure that TDF's services intervene very quickly in the event of a failure. To date, no transmitter failures have exceeded four hours.

**TPS'** primary activity is the provision of a programme offering broadcast by satellite on Eutelsat's Hot Bird 13 position.

TPS' main programmes are broadcast on two of the five satellites in the orbital position and occupy six frequencies, whereas the position has 100.

The risk of a unit disruption is limited to one satellite, since the satellites are located several tens of kilometres from each other and cannot, therefore, be disrupted simultaneously. TPS must therefore be prepared for a failure on half its capacity. The solutions are a better use of satellite output.

In 2001, TPS experienced an incident on the HB5 satellite lasting several hours. HB5 has now been abandoned in favour of HB6. The measures described above were immediately implemented and proved successful. Eutelsat was able to verify TPS' ability to react, particularly as TPS can remotely guide the configuration for the list of channels and frequencies received by its subscribers.

With the TPS offering in France now distributed via ADSL over France Telecom phone lines, TPS and France Télécom have set up the infrastructure (main and back-up networks) needed for continuously broadcasting the first 20 channels on a secure basis. France Télécom is contractually liable to pay penalties to TPS for any breaks in transmission. The size of penalty payments depends on the viewing hour during which the incident occurs.

**Eurosport** has an entity in the UK that secures the broadcasting of its programmes.

### 3.2 Regulation-related risks

The legal regulation to which TF1 is subject is described in the section "legal environment".

TF1 is an audiovisual communications service subject to authorisation. The company's initial authorisation to use frequencies for a duration of 10 years starting April 4, 1987 (Law of September 30, 1986) expired in 1997. Based on decision no. 96-614 of September 17, 1996, the channel received a first five-year renewal of this authorisation, without a bid for candidatures, effective starting April 16, 1997.

The TF1 channel's authorisation to transmit was automatically renewed for the years 2002 to 2007 by a decision of the CSA of November 20, 2001. Under the provisions of Article 82 of the modified Law of September 30, 1986, this authorisation could be automatically extended to 2012 on the basis of the "simulcast" broadcast of the digital terrestrial free-to-air channel. The CSA, by a decision dated June 10, 2003, modified the TF1 authorisation and its convention to integrate the specifications relative to digital terrestrial television broadcast of the programme.

TF1 Group must also respect a certain number of general obligations relative to broadcasting and production investment. Any extension of these constraints could have a negative impact on the company's profitability.

No further regulations have been adopted since the beginning of 2005 that could have a significant impact on TF1 Group.

### 3.3 Customer risk

TF1 Publicité automatically monitors the financial health of advertisers wishing to invest in the TF1 group's channels that are served by TF1 Publicité. The risk of non-payment by TF1 Publicité's advertisers is historically less than 0.1% of total annual revenue.

Eurosport automatically monitors the financial health of satellite or cable operators on which the channel is distributed. The risk of non-payment by distributors is historically low.

TF1 Vidéo and TF1 Entreprises have taken out credit insurance to protect themselves against customer bad debts.

There are no other significant single customer risks in the group's other subsidiaries which could durably affect the group's profitability.

### 3.4 Market risks

A detailed analysis of market risks (interest rates, exchange rates, liquidity, shares) is provided in the notes to the consolidated accounts.

#### Interest rate and exchange rate hedging

In 2004, TF1 undertook no interest rate hedging.

In 2004, the group used exchange rate hedging instruments (forward currency purchases and sales and purchase of options) to protect itself from exchange rate fluctuations, primarily for the purchase of broadcasting rights paid in foreign currency.

#### Share-related risks

TF1 is not exposed to the risk of fluctuating prices for shares held.

### 3.5 Insurance cover

As indicated in the introduction to chapter 3, concerning the section on risk factors, the group has instituted a pro-active policy of risk identification and a corresponding unit has been established. This unit implements a regularly updated prevention plan. The group's insurance policies are then negotiated through brokers dealing with major companies such as Zurich, Chubb, Gan, Allianz, Generali, …

The existence of this prevention plan makes it easier for TF1 Group to obtain insurance contracts with these first rate insurance companies.

The group has two main types of insurance:

- Non-life insurance (cover: €347.8 M, premium of some €900 K, deductible of around €25 K). This policy provides insurance cover for TF1, its existing or future subsidiaries, in France and worldwide, everywhere that TF1 operates. The policy provides cover against material damage caused to TF1 property and the operating losses resulting from this damage. The cover applies particularly in cases involving terrorist acts.
- Public liability insurance (cover: around €30.5 M, premium of some €130 K, deductible of €3 K to €80 K depending on the nature of the damage). This policy covers the consequences if the public liability of TF1 and its existing or future subsidiaries is called into question.

Cover is established for injury caused to third parties within the framework of Operating, Product and Professional Liability.

TF1 has also subscribed to a liability insurance for company officers since 1997. The insured are TF1's trade union representatives, its representatives on the Board of Directors of subsidiary companies or associate companies (companies in which TF1 has at least 50% of the voting rights either directly or indirectly).

In addition, the insurance provides cover for de facto managers and employees who would be liable for any professional error committed in their executive, supervisory or management capacity.

All TF1 Group insurance contracts have been renewed.

### 3.6 Litigation

External counsel analyses individual disputes likely to harm TF1's interests. Where necessary, litigation gives rise to risk provisioning.

No individual disputes or litigation are, to the group's or company's knowledge, likely to significantly impact the company's or group's revenues, income, financial situation or assets. Any litigation of which the company or the group is aware has been fully provisioned in the accounts. Provision amounts are conservatively evaluated.

Provision charges in respect of litigation are detailed in the notes to the consolidated accounts. TF1 limits itself to the description in the notes owing to the confidential nature of these disputes.

#### Risks associated with the rights of individuals (privacy of an individual's private life, libel)

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

#### Risks associated with competition rights

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

## 4 Subsidiaries and shareholdings

### 4.1 New incorporations

**TRANSPORT AUTOMATIQUE DE PRODUITS AUDIOVISUELS SPECIAUX 5 – TAPAS 5**

Incorporated on July 29, 2004, the simplified joint stock company TAPAS 5, with a capital of €40,000, divided into 40,000 shares with a nominal value of €1 each, of which TF1 holds 100%.

Its aim is to create and exploit all television content, in French or foreign languages, on every support, especially terrestrial, cable, satellite or telecommunication networks, using all known or not yet known technologies and standards.

**TRANSPORT AUTOMATIQUE DE PRODUITS AUDIOVISUELS SPECIAUX 6 – TAPAS 6**

Incorporated on July 29, 2004, the simplified joint stock company TAPAS 6, with a capital of €40,000, divided into 40,000 shares with a nominal value of €1 each, of which TF1 holds 100%.

Its aim is to create and exploit all television content, in French or foreign languages, on every support, especially terrestrial, cable, satellite or telecommunication networks, using all known or not yet known technologies and standards.

**TRANSPORT AUTOMATIQUE DE PRODUITS AUDIOVISUELS SPECIAUX 7 – TAPAS 7**

Incorporated on July 29, 2004, the simplified joint stock company TAPAS 7, with a capital of €40,000, divided into 40,000 shares with a nominal value of €1 each, of which TF1 holds 100%.

Its aim is to create and exploit all television content, in French or foreign languages, on every support, especially terrestrial, cable, satellite or telecommunication networks, using all known or not yet known technologies and standards.

**TRANSPORT AUTOMATIQUE DE PRODUITS AUDIOVISUELS SPECIAUX 8 – TAPAS 8**

Incorporated on December 30, 2004, the simplified joint stock company TAPAS 8, with a capital of €40,000, divided into 40,000 shares with a nominal value of €1 each, of which TF1 holds 100%.

Its aim is to create and exploit all television content, in French or foreign languages, on every support, especially terrestrial, cable, satellite or telecommunication networks, using all known or not yet known technologies and standards.

**TRANSPORT AUTOMATIQUE DE PRODUITS AUDIOVISUELS SPECIAUX 9 – TAPAS 9**

Incorporated on December 30, 2004, the simplified joint stock company TAPAS 9, with a capital of €40,000, divided into 40,000 shares with a nominal value of €1 each, of which TF1 holds 100%.

Its aim is to create and exploit all television content, in French or foreign languages, on every support, especially terrestrial, cable, satellite or telecommunication networks, using all known or not yet known technologies and standards.

**TRANSPORT AUTOMATIQUE DE PRODUITS AUDIOVISUELS SPECIAUX 10 – TAPAS 10**

Incorporated on December 30, 2004, the simplified joint stock company TAPAS 10, with a capital of €40,000, divided into 40,000 shares with a nominal value of €1 each, of which TF1 holds 100%.

Its aim is to create and exploit all television content, in French or foreign languages, on every support, especially terrestrial, cable, satellite or telecommunication networks, using all known or not yet known technologies and standards.

**SOCIETE PANEUROPEENNE D’EDITION ET D’EXPLOITATION DE DOCUMENTAIRES – TRADING NAME: USHUAÏA TV**

Incorporated on December 30, 2004, the limited partnership USHUAIA TV, with a capital of €10,000, divided into 10,000 shares with a nominal value of €1 each, in which TF1 holds a 99% stake and SYALIS 1%.

Its aim is to hold USHUAIA TV, the thematic channel on nature and discovery, exclusively distributed by TPS.

### 4.2 Subscriptions and shareholdings

**TV BREIZH**

On January 28, 2004, TF1 purchased 40,500 shares from Artemis and F. Pinault, for the sum of €4,049,901.

On March 3, 2004, TF1 purchased 19,500 shares from News International Limited, for the sum of €1,950,000.

On April 15, 2004, TF1 purchased 9,000 shares from Sportfive, for the sum of €900,000.

Following these purchases, TF1 holds 71.14% of the capital of TV BREIZH.

*Changes in Shareholders' funds:* on June 28, 2004, a capital increase was made, raising the nominal value of the shares by incorporating €3.8 M of issue premium, followed by a capital reduction, reducing the nominal value of the shares (by charging the negative balance on profit and loss account of €22.9 M). As a result, the share capital of €22.5 M was raised to €26.4 M, then reduced to €3.4 M. The breakdown of capital between shareholders remains unchanged.

**PINK TV**

On July 2, 2004, TF1 took a stake in the capital of PINK TV, representing 11.4% of the capital, for the sum of €0.5 M.

**TF1 INTERNATIONAL**

Following the deficit which arose on the merger transactions undertaken as part of the rationalisation of the cinema division, TF1 International's capital of €37 M was increased by a cash injection of €30 M and its nominal value was reduced by €56.2 M. This reduction was effected by charging the €51 M negative balance brought forward on profit and loss account and applying the remaining balance to a blocked reserve account, to which was also debited the loss for the 2004 financial year. These entries were effective on November 10, 2004.

As a result, the share capital of TF1 International is €10.8 M, and the net position again became positive to the extent of €17 M.

**GROUPE GLEM (NOW RENAMED GLEM)**

TF1 subscribed the whole of the capital increase amounting to €13.5 M, which was decided by the Shareholders' General Meeting of December 17, 2004. The increase was effected by the issue at par of 843,750 shares each with a nominal value of €16. The share capital thus rose from €80,000 to €13,580,000 divided into 848,750 shares each with a nominal value of €16.

## 4.3 Disposals

**TOP SHOPPING (FORMERLY TAPAS)**

On September 6, 2004, TF1 sold all the shares it owned (2,475) in this company to TELESHOPPING at net book value (i.e. €39,600). On the same date, SYALIS also sold to TELESHOPPING at a net book value (i.e. €400) all the 25 shares it held in the company. As a result of these two transactions, TOP SHOPPING is now owned 100% by TELESHOPPING.

**EUROPA TV**

On October 29, 2004, EUROSPORT sold to TF1 all the 1,885 shares it held in EUROPA TV for the sum of €22,031,000.

**TF1 PRODUCTION**

In order to simplify the administrative, legal and financial structure, TF1 PRODUCTION has ceased to be an intermediate holding company. To this end, its subsidiaries TAP, STUDIOS 107, ALMA PRODUCTIONS, TPP, YAGAN PRODUCTIONS and GLEM are now 100% subsidiaries of TF1. These changes took place in December at net book value.

**FIGHT TV (FORMERLY TAPAS 4)**

On November 24, 2004, TF1 sold to EUROSPORT all the 40,000 shares it held in FIGHT TV, for the sum of €40,000.

Since that date, the channel FIGHT TV, dedicated to combat sports and broadcast during prime-time six days a week, is owned by this company.

## 5 Capital

| OPERATION | | ISSUE PRICE PER SHARE NOMINAL | PREMIUM | NUMBER OF SHARES ISSUED | TOTAL | TOTAL SHARE CAPITAL AFTER INCREASE |
|---|---|---|---|---|---|---|
| **24.07.87** | Privatisation of TF1 | FRF 10 | 0 | 0 | 21,000,000 | FRF 210,000,000 |
| **29.10.99** | Increase of employee capital | FRF 10 | FRF 969.21 | 118,316 | 21,118,316 | FRF 211,183,160 |
| OPERATION | | NOMINAL VALUE PER SHARE NOMINAL | INCREASE | NUMBER OF SHARES ISSUED | TOTAL | TOTAL SHARE CAPITAL |
| **01.01.00** | **Conversion of capital to Euro** | | | | | |
| | a) Capital increase | FRF 10 | FRF 3.11914 | 0 | 21,118,316 | FRF 277,054,144.17 |
| | b) Conversion | €2 | 0 | 0 | 21,118,316 | €42,236,632 |
| **20.06.00** | **Division of nominal value** | €0.2 | 0 | 0 | 211,183,160 | €42,236,632 |
| OPERATION | | ISSUE PRICE PER SHARE NOMINAL | PREMIUM | NUMBER OF SHARES ISSUED | TOTAL | TOTAL SHARE CAPITAL AFTER INCREASE |
| **20/12.01** | Increase of employee capital | €0.2 | €23.21 | 812,919 | 211,996,079 | €42,399,216 |
| **Fr. 01.01.02 to 30.06.02 certified on 04.09.02** | Exercise of stock options in plan no. 2 | €0.2 | €7.77 | 1,249,000 | 213,505,079 | €42,701,016 |
| | Exercise of stock options in plan no. 3 | €0.2 | €9.82 | 260,000 | | |
| **Fr. 01.07.02 to 31.12.02 certified on 24.02.03** | Exercise of stock options in plan no. 2 | €0.2 | €7.77 | 275,500 | 214,050,579 | €42,810,116 |
| | Exercise of stock options in plan no. 3 | €0.2 | €9.82 | 270,000 | | |
| **Fr. 01.01.03 to 31.12.03 certified on 23.02.04** | Exercise of stock options in plan no. 2 | €0.2 | €7.77 | 242,070 | 215,154,149 | €43,030,830 |
| | Exercise of stock options in plan no. 3 | €0.2 | €9.82 | 861,500 | | |
| **Fr. 01.01.04 to 30.11.04 certified on 30.11.04** | Exercise of stock options in plan no. 2 | €0.2 | €7.77 | 263,430 | 215,573,679 | €43,114,736 |
| | Exercise of stock options in plan no. 3 | €0.2 | €9.82 | 156,100 | | |
| OPERATION | | AMOUNT OF CAPITAL CHANGES NOMINAL | PREMIUM | NUMBER OF SHARES CANCELLED | TOTAL | TOTAL SHARE CAPITAL AFTER REDUCTION |
| **30.11.04** | Cancellation of treasury shares | €0.2 | – | 313,950 | 214,759,729 | €42,951,946 |
| | Cancellation of shares bought by the company | €0.2 | – | 500,000 | | |
| **15.02.05** | Cancellation of shares bought by the company | €0.2 | – | 700,000 | 214,059,729 | €42,811,946 |

### 5.1 Amount/type of share

There are no investment certificates, preference shares or shares with double voting rights.

### 5.2 Market transactions

Shareholders' Meetings of April 20, 2004 and previous years gave the Board of Directors the authorisation to purchase the Company's own shares up to a maximum of 10% of the share capital at the date of instituting the share buy-back programme. In particular, these authorisations enable the Board of Directors to purchase the Company's shares in order to cancel them.

Under the terms of these authorisations, TF1 acquired 500,000 shares between October 20 and November 25, 2004 at an average price of €23.89 per share for a total of €11.9 M and 700,000 shares between January 11and February 14, 2005 at an average price of €25.05 per share for a total of €17.5 M.

### 5.3 Share management

TF1, as issuing company, manages its own securities department and financial department.

## 5.4 Shareholders

To the best knowledge of the Board of Directors, the Company's share ownership broke down as follows:

| | SITUATION AT 31 DECEMBER 2004 | | | SITUATION AT 31 DECEMBER 2003 | | | SITUATION AT 31 DECEMBER 2002 | | |
|---|---|---|---|---|---|---|---|---|---|
| | NO. OF SHARES | % OF CAPITAL | % OF VOTING RIGHTS | NO. OF SHARES | % OF CAPITAL | % OF VOTING RIGHTS | NO. OF SHARES | % OF CAPITAL | % OF VOTING RIGHTS |
| Bouygues | 89,017,073 | 41.5% | 41.5% | 88,458,329 | 41.1% | 41.4% | 88,457,409 | 41.3% | 41.5% |
| Société Générale | 3,100,000 | 1.4% | 1.5% | 3,100,000 | 1.4% | 1.4% | 3,100,000 | 1.5% | 1.5% |
| ***Total core shareholders*** (1) | ***92,117,073*** | ***42.9%*** | ***43.0%*** | ***91,558,329*** | ***42.6%*** | ***42.8%*** | ***91,557,409*** | ***42.8%*** | ***43.0%*** |
| Others France (2) (3) | 75,985,606 | 35.4% | 35.4% | 63,574,975 | 29.5% | 29.7% | 53,823,520 | 25.1% | 25.3% |
| of which employees | 7,138,603 | 3.3% | 3.3% | 7,666,847 | 3.6% | 3.6% | 7,481,214 | 3.5% | 3.5% |
| Treasury shares | 251,537 | 0.1% | 0.0% | 1,275,387 | 0.6% | 0.0% | 1,275,387 | 0.6% | 0.0% |
| Europe (ex France) (3) | 35,583,907 | 16.6% | 16.6% | 43,401,938 | 20.2% | 20.3% | 48,137,584 | 22.5% | 22.6% |
| Others (3) | 10,821,606 | 5.0% | 5.0% | 15,343,520 | 7.1% | 7.2% | 19,256,679 | 9.0% | 9.1% |
| **Total** | **214,759,729** | **100.0%** | **100.0%** | **215,154,149** | **100.0%** | **100.0%** | **214,050,579** | **100.0%** | **100.0%** |

(1) Core as declared to Euronext on February 23, 1994 (avis Euronext no. 94-600).
(2) Including non-identified holders (around 9% in 2004, 12% in 2003 and 11% in 2002).
(3) Estimates by Euroclear.

The number of shareholders is estimated at more than 100,000.

There is no double voting right.

To the best knowledge of the company, there are no TF1 pledged shares and TF1 has pledged none of its subsidiaries' shares.

### Thresholds crossed

Very few declarations have been made of thresholds being crossed in 2004. No declaration was made that the 2% threshold has been crossed.

### Concerted action

The shareholders resulting from the group of buyers involved in TF1's privatisation (Bouygues and Société Générale at 31/12/04 representing 42.9% of the capital) constitute the group of core shareholders. This concerted action has existed since 1987 and was declared to Euronext on February 23, 1994 (avis Euronext n° 94-600), in accordance with the regulations in force.

1987 saw the group of TF1 buyers implement a number of agreements, jointly and severally, in accordance with the law. They also linked up to manage TF1, thus making the concerted action a reality.

In the event that one of the members of the group of buyers were in the position of selling its shares, the other group members would be given priority in purchasing them. The other members will have the opportunity of acquiring the shares on the basis of their existing shareholding. If there are no purchasers among the group members, then the assignor will have the opportunity of selling its shares to one or more other assignees who will then become members of the group of core shareholders.

### Shareholders' agreement

In July 2002, TF1 and M6 signed a protocol agreement with Suez for the purchase of its 25% stake in TPS. This resulted in a 66% stake in TPS for TF1 and 34% for M6.

The purchase includes a shareholders' agreement providing for the joint management of TPS by TPS Gestion (sole statutory manager). There are eight members on the Board of Directors of TPS Gestion, five of whom are appointed by TF1 and three by M6. Strategic decisions and decisions that are key to TPS's financial and operational objectives are taken by the qualified majority of 75% of the Board of Directors. The decisions include approval of TPS' annual operating budget and investments or expenditure representing a financial commitment of more than €6 M.

### 5.5 Stock warrant or stock purchase plans

**HISTORICAL INFORMATION ON STOCK WARRANT OR STOCK PURCHASE PLANS**

| | PLAN N° 2 | PLAN N° 3 | PLAN N° 4 | PLAN N° 5 | PLAN N° 6 | PLAN N° 7 | PLAN N° 8 |
|---|---|---|---|---|---|---|---|
| Date of AGM | 12.06.1995 | 12.06.1995 | 12.06.1995 | 18.04.2000 | 18.04.2000 | 23.04.2002 | 23.04.2002 |
| Date of Board Meeting | 08.04.1997 | 18.03.1998 | 20.09.1999 | 06.12.2000 | 11.12.2001 | 24.02.2003 | 31.08.2004 |
| Date of allocation | 08.04.1997 | 18.03.1998 | 20.09.1999 | 06.12.2000 | 11.12.2001 | 12.03.2003 | 16.09.2004 |
| Type of plan | Subscription | Subscription | Subscription | Subscription | Subscription | Subscription | Subscription |
| Total no. of shares eligible as options or for purchase | 2,270,000 | 2,300,000 | 2,300,000 | 840,000 | 2,071,300 | 2,300,500 | 1,008,000 |
| *• by directors* | *550,000* | *570,000* | *400,000* | *–* | *550,000* | *550,000* | *0* |
| *• by the ten principal staff* | *700,000* | *800,000* | *620,000* | *100,000* | *370,000* | *390,000* | *100,000* |
| Option exercisable as from | 08.04.2000 | 18.03.2001 | 20.09.2002 | 06.12.2003 | 11.12.2004 | 12.03.2006 | 16.09.2007 |
| Maturity date | 08.04.2004 | 18.03.2005 | 20.09.2006 | 06.12.2007 | 11.12.2008 | 12.03.2010 | 16.09.2011 |
| Purchase or warrant price | €7.97 | €10.02 | €23.27 | €53.04 | €27.80 | €20.20 | €23.46 |
| Terms of exercise | Exercise after 3 years Sale after 5 years | Exercise after 3 years Sale after 5 years | Exercise after 3 years Sale after 5 years | Exercise after 3 years Sale after 4 years | Exercise after 3 years Sale after 4 years | Exercise after 3 years Sale after 4 years | Exercise after 3 years Sale after 4 years |
| No. of stock warrants exercised at 10/02/2004 | 2,030,000 | 1,547,600 | 0 | 0 | 0 | 0 | 0 |
| Stock warrants or purchase options that have been cancelled or lapsed | 210,000 | 80,000 | 62,000 | 49,500 | 105,000 | 0 | 3,000 |
| Remaining stock warrants or purchase options | 30,000 | 672,400 | 2,238,000 | 790,500 | 1,966,300 | 2,300,500 | 1,005,000 |

Plan no. 1 became obsolete on October 10, 2002.

The options for the purchase of shares detailed above are currently the only financial instruments issued by TF1 having a potentially dilutive impact. The potential dilutive impact on profits is mentioned in the consolidated profit and loss account.

If all options were exercised, the share capital of TF1 would be 223,062,429 shares.

There is no other form of potential capital.

### Information on stock warrants or stock purchase options

**STOCK WARRANTS OR STOCK PURCHASE OPTIONS GRANTED TO DIRECTORS (EXCLUDING EMPLOYEE REPRESENTATIVES) AND OPTIONS EXERCISED**

| | GRANTED OR SHARES SUBSCRIBED OR BOUGHT | PRICE | TERMS OF EXERCISE | PLAN NO. |
|---|---|---|---|---|
| Options granted during the year to each director by the company or any group company | 0 | – | – | – |
| Options raised during the fiscal year by each director | 0 | – | – | – |

**STOCK WARRANTS OR STOCK PURCHASE OPTIONS GRANTED TO THE 10 OTHER EXECUTIVES WHO RECEIVED THE LARGEST NUMBER OF OPTIONS (EXCLUDING NON EMPLOYEE REPRESENTATIVES) AND OPTIONS EXERCISED**

| | NO. OF OPTIONS GRANTED OR SHARES SUBSCRIBED OR BOUGHT | PRICE | PLAN NO. |
|---|---|---|---|
| Options granted during the year to the 10 other executives who received the largest number of options | 100,000 | €23.46 | 8 |
| Options exercised during the year by the 10 other executives who received the largest number of options | 177,930<br>130,000 | €7.97<br>€10.02 | 2<br>3 |

### 5.6 Gross compensation of company officers

| NAME *Function* | COMPENSATION | FIXED BENEFITS IN KIND | VARIABLE COMPENSATION FOR 2004 PAID IN 2005 |
|---|---|---|---|
| LE LAY Patrick (1) *Chairman & CEO* | €920,000 | €4,140 | €1,132,667 |
| Change 2004/2003 | – 17.76% | 0.50% | – 17,92% |
| MOUGEOTTE Etienne (2) *Senior Executive Vice President* | €946,239 | €47,014 | €610,000 |
| Change 2004/2003 | 1,15% | 0.00% | 35,56% |
| COHEN Claude *Chairman of TF1 Publicité* | €611,000 | €21,724 | €427,000 |
| Change 2004/2003 | 3.44% | 0.00% | 18,61% |

(1) 100% of the remuneration (in line with the AMF recommendation). In 2004, the amount invoiced to TF1 SA was €2,304,140.

(2) Of which TF1 Films Production: €83,239.

There is no joining or leaving bonus payment.

Patrick Le Lay's gross variable pay in 2004 depended on: a) the share prices of Bouygues and TF1; b) TF1's group share of net consolidated income; c) a number of qualitative objectives: quality of management, personal contribution to the group's development and contribution to the business's value added.

The variable element of his pay is pegged at 150% of fixed salary. Each component element is weighted differently.

The gross 2004 variable pay of Etienne Mougeotte and Claude Cohen was based on four qualitative and quantitative revenue performance criteria and the realisation of certain commitments. The variable element of their pay is pegged at 70% of their fixed pay.

### Board of Directors' fees

In 2004, Board of Directors' fees of €285,468.74 were paid to the administrators as follows:

| | |
|---|---|
| BARBIZET Patricia | €26,779.16 |
| BOUYGUES Martin | €20,050.00 |
| SABAN Haïm | €8,895.83 |
| COHEN Claude | €15,250.00 |
| DERBESSE Michel | €15,250.00 |
| LE LAY Patrick | €92,050.00 |
| MONTAGNER Philippe | €15,250.00 |
| MOUGEOTTE Etienne | €20,050.00 |
| PERNAUT Jean-Pierre (employee representative) | €15,250.00 |
| PETTON Céline (employee representative) | €15,250.00 |
| POUPART LAFARGE Olivier | €26,143.75 |
| POUYAT Alain | €15,250.00 |

Martin Bouygues is also administrator, Chairman and Chief Executive Officer of the listed company, Bouygues SA.

Michel Derbesse is also administrator and Joint Chief Executive Officer of the listed company, Bouygues SA.

Philippe Montagner is also Chief Executive Officer for Telecommunications of the listed company, Bouygues SA.

Olivier Poupart Lafarge is also administrator and Joint Chief Executive Officer of the listed company, Bouygues SA.

Alain Pouyat is also administrator and Chief Executive Officer of Information Systems and New Technology of the listed company, Bouygues SA.

Bouygues has disclosed in its annual report all amounts paid to these five individuals.

## 5.7 The stock

The TF1 stock is quoted on the Paris stock exchange – ISIN code: FR000005490. There is currently no request for it to be admitted to any other stock exchange.

At December 31, 2004, the TF1 stock was included in the following stock market indices: CAC 40, ITCAC, SBF 120 and FTSE Eurotop 300. The TF1 stock is also included in the following sustainable development indices: DJSI STOXX, FTSE4Good Europe and ASPI Eurozone.

Dividends are available to shareholders from their date of payment, either at TF1 for registered shares or at financial institutions for managed registered shares and bearer shares. Dividends that are not claimed within five years are remitted to the Government.

### Dividends and yield

| YEAR | DIVIDEND PAID (1) (€) | | | SHARE PRICE (1) (€) (CLOSING PRICE) | | | YIELD |
|---|---|---|---|---|---|---|---|
| | NET | TAX CREDIT | TOTAL | HIGH | LOW | CLOSE | (CLOSING PRICE) |
| 1997 | 0.24 | 0.12 | 0.36 | 9.4 | 7.4 | 9.4 | 3.9% |
| 1998 | 0.34 | 0.17 | 0.51 | 17.1 | 9.4 | 15.2 | 3.3% |
| 1999 | 0.46 | 0.23 | 0.69 | 54.9 | 14.8 | 52.0 | 1.3% |
| 2000 | 0.65 | 0.325 | 0.975 | 94.2 | 45.9 | 57.5 | 1.7% |
| 2001 | 0.65 | 0.325 | 0.975 | 63.1 | 19.1 | 28.4 | 3.4% |
| 2002 | 0.65 | 0.325 | 0.975 | 36.9 | 19.6 | 25.5 | 3.8% |
| 2003 | 0.65 | 0.325 | 0.975 | 29.8 | 18.6 | 27.7 | 3.5% |
| 2004 | 0.65 (2) | – | 0.65 | 31.1 | 21.3 | 23.95 | 2.7% |

(1) Adjusted for 10 for1 split.

(2) Submitted for approval at the General Meeting.

### Trend in share price and trading volumes

TF1's closing share price on December 31, 2004 was €23.9, down 13.5% over the year compared with a growth of 7.4% for the CAC 40 index and 8.2% for the SBF 120 index.

In 2004, TF1 stock's average daily trading volume was 1,160,154, in line with 2003's figures. TF1 stock recorded its highest volume of transactions on May 5, with 5,009,271 shares traded.

The TF1 group's market capitalisation at December 31, 2004 was €5.1 billion. On the basis of the 2004 net profit, this equates to a PER (Price Earnings Ratio – market capitalisation in relation to net profit) of 23.4 compared with 31.1 at December 31, 2003.

The trend in TF1's share price and trading volumes over the last three years and in the current year has been as follows:

| YEAR | MONTH | HIGH (1) € | LOW (1) € | CLOSE € | NUMBER OF SHARES TRADED (2) | MARKET CAPITALISATION (3) €M |
|---|---|---|---|---|---|---|
| 2002 | January | 31.6 | 26.0 | 27.1 | 14,482,576 | 5,745.1 |
| | February | 27.7 | 24.9 | 26.9 | 13,437,677 | 5,706.9 |
| | March | 36.1 | 26.7 | 35.7 | 37,913,751 | 7,559.8 |
| | April | 36.9 | 30.0 | 31.6 | 35,879,485 | 6,699.1 |
| | May | 35.0 | 30.2 | 32.8 | 26,467,830 | 6,953.5 |
| | June | 33.1 | 24.2 | 27.1 | 26,955,816 | 5,788.1 |
| | July | 28.8 | 21.6 | 25.0 | 28,193,278 | 5,327.0 |
| | August | 25.1 | 19.6 | 20.8 | 20,814,102 | 4,438.8 |
| | September | 25.9 | 20.1 | 21.5 | 35,463,759 | 4,588.2 |
| | October | 28.1 | 20.4 | 26.0 | 34,688,307 | 5,551.1 |
| | November | 31.3 | 24.9 | 30.3 | 21,226,844 | 6,458.5 |
| | December | 31.5 | 23.8 | 25.5 | 16,978,884 | 5,449.7 |
| 2003 | January | 26.7 | 22.3 | 22.9 | 17,128,356 | 4,903.9 |
| | February | 22.9 | 20.8 | 21.2 | 19,169,359 | 4,542.2 |
| | March | 24.5 | 18.6 | 20.9 | 22,199,105 | 4,477.3 |
| | April | 27.5 | 20.3 | 25.2 | 39,500,528 | 5,404.4 |
| | May | 26.0 | 23.5 | 25.1 | 17,415,353 | 5,383.0 |
| | June | 28.0 | 25.5 | 26.8 | 21,739,581 | 5,749.1 |
| | July | 29.2 | 26.3 | 28.2 | 21,560,251 | 6,054.5 |
| | August | 28.3 | 26.3 | 27.7 | 11,343,833 | 5,947.1 |
| | September | 29.8 | 24.8 | 25.4 | 27,637,385 | 5,454.3 |
| | October | 27.1 | 24.4 | 25.8 | 26,135,050 | 5,545.9 |
| | November | 27.3 | 24.8 | 26.9 | 34,644,097 | 5,782.4 |
| | December | 28.9 | 26.6 | 27.7 | 22,045,200 | 5,959.8 |
| 2004 | January | 31.4 | 27.5 | 29.0 | 28,489,074 | 6,239.5 |
| | February | 29.5 | 27.4 | 27.7 | 26,108,348 | 5,959.6 |
| | March | 28.6 | 24.5 | 25.8 | 27,522,667 | 5,559.6 |
| | April | 27.8 | 25.5 | 25.8 | 34,864,258 | 5,546.4 |
| | May | 26.7 | 23.8 | 25.4 | 24,092,844 | 5,471.9 |
| | June | 26.7 | 24.8 | 25.9 | 23,261,329 | 5,577.6 |
| | July | 26.3 | 23.0 | 23.7 | 21,711,933 | 5,104.4 |
| | August | 23.8 | 21.1 | 23.1 | 22,966,019 | 4,975.2 |
| | September | 25.2 | 22.4 | 22.8 | 28,604,328 | 4,921.3 |
| | October | 24.3 | 22.2 | 23.6 | 26,326,170 | 5,083.2 |
| | November | 24.8 | 23.2 | 24.0 | 24,121,214 | 5,163.0 |
| | December | 24.1 | 22.8 | 23.9 | 24,372,189 | 5,143.5 |
| 2005 | January | 25.6 | 23.9 | 24.6 | 22,718,500 | 5,293.8 |

Source: Euronext Paris SA.

Note: The prices have been rebased to take account of the 10-for-1 split in June 2000.

(1) Highs and lows are those recorded at stock market sessions.

(2) Trading volumes represent transactions recorded both on and off the central CAC system.

(3) Based on the last closing price of each month multiplied by the number of shares at the end of the month.

## 6 Resolutions

The group's Statutory Auditors will make known their reports on the group's accounts for financial year 2004 and the agreements governed by Article L. 225-38 of French Commercial Law (Code de commerce).

In the resolutions that are being submitted to you, we propose that you:

- approve the company and consolidated accounts for financial year 2004, the appropriation and distribution of profits, and the agreements and operations governed by article L. 225-38 of French Commercial Law (Code de commerce) mentioned in the special report of the Statutory Auditors;
- give full discharge to the Board of Directors;
- transfer amounts from the special long-term capital gains reserve to a reserve account;
- take due note of the presentation of operations concerning stock warrants or stock purchase plans granted or exercised in 2004;
- take due note of the presentation of share buy-back operations in 2004;
- take due note of the presentation of the preparation and organisation of the Board of Directors' work and of internal control procedures;
- renew for a further two years the term in office of Patricia BARBIZET, Martin BOUYGUES, Claude COHEN, Patrick LE LAY, Philippe MONTAGNER, Etienne MOUGEOTTE, Olivier POUPART LAFARGE and Haïm SABAN, whose term as Director is due to expire at the end of this Annual General Meeting;
- appoint as Director for to years, Olivier BOUYGUES, instead of Michel DERBESSE, whose term as Director is due to expire at the end of this Annual General Meeting;
- renew for a further six years the term in office of Salustro Reydel, whose term as Statutory Auditor is due to expire at the end of this Annual General Meeting;
- appoint as Statutory Auditor for six years, Michel SAVIOZ, instead of Jean-Louis MULLENBACH, whose term is due to expire at the end of this Annual General Meeting;
- authorise the implementation of a share acquisition programme enabling the company to buy back its own shares on the stock market. The aim of the buy-back programme is to regulate the stock market price, appropriate shares for employees, keep or transfer shares in the course of financial operations, or cancel shares subject to the adoption of the 20th resolution (extraordinary part), notably to repurchase a number of shares corresponding to shares issued in stock warrant plans or in capital increases reserved for employees. Such acquisition would be limited to 10% of total share capital. The maximum purchase price per share is to be set at €55 and the minimum selling price per share at €15.

We invite you to vote in favour of the above-proposed resolutions.

**The Board of Directors**

## Consolidated profit and loss account - Operational breakdown

| (in euros million) | 2004 | 2003 | 2002 |
|---|---|---|---|
| **TF1 Channel** | | | |
| Advertising revenue | 1,645.5 | 1,543.7 | 1,507.3 |
| Advertising agency fees | (86.3) | (82.4) | (83.1) |
| **NET REVENUE FROM BROADCASTING** | **1,559.2** | **1,461.3** | **1,424.2** |
| **Royalties and contributions** | | | |
| Authors | (63.9) | (58.1) | (58.2) |
| CNC | (81.5) | (76.5) | (74.7) |
| **Transmission costs** | | | |
| TDF, Satellites, Transmissions | (56.5) | (57.2) | (56.0) |
| **Programming costs** | **(893.2)** | **(852.0)** | **(881.6)** |
| **GROSS MARGIN** | **464.1** | **417.5** | **353.7** |
| Diversification and other revenue | 1,209.8 | 1,219.4 | 1,143.5 |
| Other operating expenses | (1,176.4) | (1,141.4) | (1,069.4) |
| Depreciation, amortisation and provisions (net) | (98.7) | (161.6) | (134.3) |
| **OPERATING PROFIT** | **398.8** | **333.9** | **293.5** |
| **FINANCIAL LOSS** | **(18.5)** | **(14.4)** | **(29.7)** |
| **PROFIT BEFORE TAX AND EXCEPTIONAL ITEMS** | **380.3** | **319.5** | **263.8** |
| Exceptional items | (1.2) | (8.1) | (4.4) |
| Goodwill amortisation | (19.3) | (12.0) | (8.9) |
| Corporate income tax | (136.2) | (114.7) | (94.2) |
| Share in net earnings of companies consolidated under the equity method | (5.0) | 0.0 | (1.2) |
| **NET PROFIT OF CONSOLIDATED COMPANIES** | **218.6** | **184.7** | **155.1** |
| Minority interest | 1.5 | 6.8 | 0.1 |
| **NET PROFIT ATTRIBUTABLE TO THE GROUP** | **220.1** | **191.5** | **155.2** |

The additional information provided by the operational breakdown of the consolidated profit and loss account does not replace the information given in the notes to the consolidated financial statements, but is to facilitate understanding of the two main components of TF1's activities:
- TF1 channel broadcasting activities;
- diversification activities.

### 1 Net revenue from broadcasting

Net revenue from broadcasting relate to net revenue invoiced to advertisers by TF1 Publicité after deduction of running costs.

### 2 Gross margin

The gross margin breaks down as follows:

- Net revenue from broadcasting (see above).
- Royalties and contributions:

These fees are fully or partly based on advertising revenue
– fees paid to authors,
– contribution to the CNC (National Cinema Council).

- Transmission costs:

These expenses result from the transmission of TF1's programmes.

- Programming costs:

These are the internal and external costs of programming. They include expired and retired broadcasting rights.

### 3 Operating profit

The operating profit is calculated on the basis of the gross margin. It takes into account revenue from diversification activities and other operating revenue minus operating expenses related to diversification activities and other operating expenses not directly attributable to programmes. This operating profit is that stated in the consolidated profit and loss account.

### 4 Other items

As stated in the consolidated profit and loss account.

# Consolidated profit and loss account

| (in euros million) | NOTES | 2004 | 2003 | 2002 |
|---|---|---|---|---|
| **Turnover** | | **2,861.5** | **2,768.7** | **2,655.3** |
| Net advertising revenue<br>• *TF1 Channel*<br>• *Others* | *2.14* | 1,781.2<br>*1,645.5*<br>*135.7* | 1,663.2<br>*1,543.7*<br>*119.5* | 1,628.5<br>*1,507.3*<br>*121.2* |
| Diversification revenue | | 1,034.1 | 1,056.1 | 968.8 |
| Technical services revenue | | 20.1 | 23.6 | 27.3 |
| Other revenue | | 26.1 | 25.8 | 30.7 |
| | | | | |
| **Operating expenses** | | **(2,462.7)** | **(2,434.8)** | **(2,361.8)** |
| External production costs | | (644.6) | (593.3) | (538.4) |
| Staff costs | | (379.2) | (363.9) | (337.3) |
| Other operating expenses | *4.1* | (1,340.3) | (1,316.0) | (1,351.8) |
| Depreciation, amortisation and provisions (net)<br>• Depreciation<br>• Provisions | | <br>(100.5)<br>1.9 | <br>(117.5)<br>(44.1) | <br>(111.7)<br>(22.6) |
| | | | | |
| **OPERATING PROFIT** | | **398.8** | **333.9** | **293.5** |
| | | | | |
| Financial revenue | | 20.1 | 15.5 | 11.2 |
| Financial expenses | | (38.6) | (29.9) | (40.9) |
| | | | | |
| **FINANCIAL LOSS** | *4.2* | **(18.5)** | **(14.4)** | **(29.7)** |
| | | | | |
| **PROFIT BEFORE TAX AND EXCEPTIONAL ITEMS** | | **380.3** | **319.5** | **263.8** |
| | | | | |
| Exceptional items | *4.3* | (1.2) | (8.1) | (4.4) |
| Goodwill amortisation | | (19.3) | (12.0) | (8.9) |
| Corporate income tax | *4.4* | (136.2) | (114.7) | (94.2) |
| Share in net earnings of companies consolidated under the equity method | *4.5* | (5.0) | 0.0 | (1.2) |
| | | | | |
| **NET PROFIT BEFORE MINORITY INTEREST** | | **218.6** | **184.7** | **155.1** |
| | | | | |
| Minority interest | | 1.5 | 6.8 | 0.1 |
| | | | | |
| **NET PROFIT ATTRIBUTABLE TO THE GROUP** | | **220.1** | **191.5** | **155.2** |
| | | | | |
| Average number of shares in circulation (in thousands) | | 214,229 | 213,281 | 211,970 |
| Earnings per share (€) | | 1.03 | 0.90 | 0.73 |
| Diluted earnings per share (€) | | 1.02 | 0.89 | 0.73 |

# Financial statements

## Consolidated balance sheet

| **ASSETS** (in euros million) | NOTES | **31.12.04 NET VALUE** | 31.12.03 NET VALUE | 31.12.02 NET VALUE |
|---|---|---|---|---|
| **Intangible fixed assets** | | **890.1** | **894.9** | **892.1** |
| Audiovisual rights | *2.3 and 3.1* | 92.8 | 99.7 | 97.4 |
| Other intangible fixed assets | *2.4 and 3.2* | 797.3 | 795.2 | 794.7 |
| | | | | |
| **Goodwill** | *2.5 and 3.3* | **107.8** | **114.9** | **111.5** |
| | | | | |
| **Tangible fixed assets** | *2.6 and 3.4* | **176.7** | **197.5** | **217.6** |
| Land | | 45.7 | 45.7 | 45.7 |
| Freehold buildings | | 32.3 | 34.7 | 37.1 |
| Other tangible assets | | 98.7 | 117.1 | 134.8 |
| | | | | |
| **Financial assets** | *2.7 and 3.5* | **55.7** | **13.3** | **9.8** |
| Investments consolidated under the equity method | | 45.1 | 1.0 | 0.0 |
| Investments and loans to associated undertakings | | 6.4 | 6.4 | 6.1 |
| Other financial assets | | 4.2 | 5.9 | 3.7 |
| | | | | |
| **FIXED ASSETS** | | **1,230.3** | **1,220.6** | **1,231.0** |
| | | | | |
| Programmes and film rights | *2.9 and 3.6* | 535.4 | 693.4 | 666.6 |
| Raw materials and supplies | | 16.0 | 10.5 | 8.7 |
| Trade debtors | *3.7* | 912.4 | 621.7 | 671.7 |
| Other debtors and adjustment accounts | *3.8 and 3.15* | 372.9 | 481.7 | 503.5 |
| Marketable securities and cash at bank in hand | *2.10 and 3.9* | 160.6 | 185.1 | 55.0 |
| | | | | |
| **CURRENT ASSETS** | | **1,997.3** | **1,992.4** | **1,905.5** |
| | | | | |
| **TOTAL ASSETS** | | **3,227.6** | **3,213.0** | **3,136.5** |

| SHAREHOLDERS' EQUITY AND LIABILITES (in euros million) | NOTES | 31.12.04 NET VALUE | 31.12.03 NET VALUE | 31.12.02 NET VALUE |
|---|---|---|---|---|
| Share capital | | 43.0 | 43.0 | 42.8 |
| Share premium | | 50.0 | 63.7 | 53.4 |
| | | | | |
| Other reserves | | 638.8 | 568.0 | 554.8 |
| Profit attributable to the group | | 220.1 | 191.5 | 155.2 |
| | | | | |
| **Shareholders' funds** | *2.16 and 3.10* | **951.9** | **866.2** | **806.2** |
| | | | | |
| Minority interest | *3.11* | (0.7) | (0.1) | 0.6 |
| Provisions for liabilities and charges | *2.12 and 3.12* | 88.2 | 102.9 | 71.4 |
| | | | | |
| Financial creditors and borrowings (1) (2) | *3.13* | 572.8 | 628.3 | 547.6 |
| Trade creditors | *3.15* | 891.9 | 919.1 | 952.7 |
| Other creditors and adjustment accounts | *2.11, 2.13, 3.14 and 3.15* | 723.5 | 696.6 | 758.0 |
| | | | | |
| **Creditors** | | **2,188.2** | **2,244.0** | **2,258.3** |
| | | | | |
| **TOTAL SHAREHOLDERS' FUNDS AND LIABILITIES** | | **3,227.6** | **3,213.0** | **3,136.5** |
| (1) Including current bank overdrafts | | 16.6 | 0.6 | 18.6 |
| (2) Less than one year | | 58.1 | 116.3 | 532.2 |

## Consolidated cash flow statement

| (in euros million) | NOTES | 31.12.04 | 31.12.03 | 31.12.02 |
|---|---|---|---|---|
| ***1 – Operating activities*** | | | | |
| **Net profit** | | **218.6** | **184.7** | **155.1** |
| **Depreciation, amortisation and provisions** | | **95.5** | **155.9** | **129.3** |
| • Intangible fixed assets | | 48.0 | 50.5 | 55.0 |
| • Tangible fixed assets | *3.4* | 48.1 | 58.9 | 65.1 |
| • Financial assets | | (6.6) | 5.9 | 0.0 |
| • Expense to amortise | | 1.5 | 2.0 | 0.1 |
| • Goodwill | *3.3* | 19.3 | 12.0 | 8.9 |
| • Provisions for liabilities and charges | *3.12* | (14.8) | 26.6 | 0.2 |
| | | | | |
| Investment grants release to revenue | *3.14* | (7.7) | (12.3) | (7.8) |
| Expense to amortise | | 0.0 | (1.5) | (11.0) |
| Capital gains/(losses) on disposal of fixed assets | | 8.1 | (3.4) | 2.0 |
| Change in deferred taxation | *4.4* | (12.0) | (2.8) | 1.4 |
| Share of investments consolidated under the equity method | | 5.0 | 0.0 | 1.2 |
| **Cash flow** | | **307.5** | **320.6** | **270.2** |
| | | | | |
| Stocks | | (39.1) | (20.4) | (20.7) |
| Trade debtors | | (11.0) | 52.9 | 95.6 |
| Trade creditors | | 53.4 | (54.3) | (21.1) |
| Net advances from third parties | | (12.4) | 14.5 | 10.1 |
| **Change in working capital needs** | | **(9.1)** | **(7.3)** | **63.9** |
| | | | | |
| **NET CASH INFLOW FROM OPERATING ACTIVITIES** | | **298.4** | **313.3** | **334.1** |
| | | | | |
| ***2 - Investing activities*** | | | | |
| Purchase of intangible fixed assets | *3.1 and 3.2* | (51.5) | (58.2) | (51.0) |
| Purchase of tangible fixed assets | *3.4* | (29.5) | (42.0) | (31.7) |
| Disposal of fixed assets | *5.2* | 6.6 | 5.5 | 61.1 |
| Purchase of financial asset investments | *5.1* | (61.3) | (17.1) | (372.8) |
| Change in liabilities on purchase of financial asset investments | | 0.0 | (50.2) | 50.2 |
| Increase/(decrease) in other financial assets | | 0.2 | (1.9) | 8.6 |
| Increase/(decrease) in fixed assets creditors | | 1.8 | 8.9 | 8.0 |
| | | | | |
| • Consolidation adjustments | | (0.2) | 1.9 | 9.0 |
| **NET CASH OUTFLOW FROM INVESTING ACTIVITIES** | | **(133.9)** | **(153.1)** | **(318.6)** |
| | | | | |
| ***3 - Financing activities*** | | | | |
| Increase in shareholders' funds | *5.3* | 13.7 | 20.1 | 24.7 |
| Increase in capital subscribed by minorities | | 0.0 | 2.4 | 122.5 |
| Decrease in loans | *5.4* | (79.2) | 103.8 | 0.0 |
| Dividends paid | *3.9 and 3.10* | (139.4) | (138.3) | (138.7) |
| **NET CASH OUTFLOW FROM FINANCING ACTIVITIES** | | **(204.9)** | **(12.0)** | **8.5** |
| | | | | |
| **TOTAL INCREASE IN CASH AND CASH EQUIVALENTS** | | **(40.4)** | **148.2** | **24.0** |
| | | | | |
| Cash at beginning of period | | 184.5 | 36.3 | 12.3 |
| Net inflow/outflow | | (40.4) | 148.2 | 24.0 |
| Cash at end of period | | 144.1 | 184.5 | 36.3 |

# Notes to the consolidated financial statements

## 1 The TF1 Group

### 1.1 Presentation of TF1

TF1 is operating under a 10-year broadcasting licence, effective from April 16, 1987, enabling it to broadcast on the frequencies previously allocated to it as a state-owned channel.

Also, Article 28.1 of Law 94-88 of February 1, 1994 stipulates that licences are “renewed by the CSA (Conseil Supérieur de l’Audiovisuel), without tender offer, up to twice and on each occasion for a duration of five years, (...) unless the CSA considers that the penalty(ies) imposed on the licensee or claims made against the licensee justify, by reason of their seriousness, that the licence should not be renewed without tender offer”. On March 26, 1996, the CSA renewed TF1’s licences for use of frequencies for a period of 5 years. TF1 benefits from an automatic renewal of this autorisation, from 2002 to 2007, by decision of the CSA on November 20, 2001.

Under the terms of Article 82 of the Law of September 30, 1986, as amended, this authorisation may be subject to an automatic extension until 2012, by reason of the repeat on “simulcast” of the digital terrestrial channel. On June 10, 2003, the CSA decided to modify TF1’s licence and its convention in order to include provisions relating to the implementation of DTT.

### 1.2 Scope of consolidation

The companies over which TF1 has, directly or indirectly, exclusive control, whether by law or in fact, are fully consolidated. The companies jointly controlled by several shareholders are proportionately consolidated by reference to the percentage held. The companies in which TF1 has a significant influence are consolidated under the equity method. Certain subsidiaries, which are not material to the group accounts, have not been consolidated.

| COMPANY | LEGAL STRUCTURE | SHARE CAPITAL (1) | CURRENCY | NATIONALITY | ACTIVITY | CONTROL% (2) |
|---|---|---|---|---|---|---|
| | | | FULLY CONSOLIDATED COMPANIES | | | |
| TF1 PUBLICITE | SASU | 2,400 | € | French | Marketing of TF1 advertising airtime | 100.00 |
| TF1 FILMS PRODUCTION | SA | 2,550 | € | French | Co-production of films | 100.00 |
| TELESHOPPING | SASU | 128 | € | French | Home shopping | 100.00 |
| SYALIS SA | SA | 36,912 | € | French | Financing company | 100.00 |
| TV BREIZH | SA | 3,403 | € | French | Thematic channel | 71.14 |
| UNE MUSIQUE | SASU | 40 | € | French | Music publishing | 100.00 |
| EUROSPORT | SA | 15,000 | € | French | Selling of the Eurosport channel outside France | 100.00 |
| TF1 PUBLICITE PRODUCTION | SAS | 37 | € | French | Commercials and promos | 100.00 |
| TF1 ENTREPRISES | SASU | 3,000 | € | French | Video, on-line services, merchandising products | 100.00 |
| STUDIOS 107 | SASU | 1,800 | € | French | TV production studios | 100.00 |
| CIC | SASU | 118 | € | French | Video distribution | 100.00 |
| ALMA PRODUCTIONS | SASU | 80 | € | French | Production of programmes | 100.00 |
| EUROSPORT FRANCE | SA | 2,325 | € | French | Selling of the Eurosport channel in France | 100.00 |
| EUROSPORT TELEVISION | BV | 18 | € | Dutch | Selling of the Eurosport channel in Holland | 100.00 |
| EUROSPORT TELEVISION | LTD | 10 | GBP | English | Selling of the Eurosport channel in the UK | 100.00 |
| EUROSPORT TV | AB | 100 | SEK | Swedish | Selling of the Eurosport channel in Sweden | 100.00 |
| EUROSPORT MEDIA | GMBH | 30 | € | German | Selling of the Eurosport channel in Germany | 100.00 |
| EUROSHOPPING | SCS | 75 | € | French | Home shopping theme | 100.00 |
| TF1 DIGITAL | SA | 99,132 | € | French | Holding company of the theme channel division | 100.00 |
| E-TF1 | SCS | 1,000 | € | French | Creation/broadcasting of Internet services | 100.00 |
| LA CHAINE INFO | SCS | 4,500 | € | French | News channel | 100.00 |
| TF1 DEVELOPPEMENT | SA | 38 | € | French | Development of digital technology | 100.00 |
| EUROSALES | SCS | 225 | € | French | Eurosport advertising agency | 100.00 |
| TF1 VIDEO | SASU | 3,095 | € | French | Video distribution | 100.00 |
| TF1 INTERNATIONAL | SA | 10,800 | € | French | Audiovisual rights | 100.00 |
| GLEM | SA | 13,580 | € | French | Production of programmes | 100.00 |

(1) Local currency (in thousands).
(2) There is no difference between the percentage of control and that of shares held.

## Notes to the consolidated financial statements

| COMPANY | LEGAL STRUCTURE | SHARE CAPITAL (1) | CURRENCY | NATIONALITY | ACTIVITY | CONTROL% (2) |
|---|---|---|---|---|---|---|
| BAXTER | SA | 562 | € | French | Music publishing | 100.00 |
| COMIQUE COMPAGNIE | SARL | 8 | € | French | Press agency | 100.00 |
| GLEM FILM | SAS | 80 | € | French | Co-production of films | 100.00 |
| TOUT AUDIOVISUEL PRODUCTION | SASU | 80 | € | French | Production of programmes | 100.00 |
| TF1 EXPANSION | SA | 38 | € | French | Development of digital | 100.00 |
| LES NOUVELLES EDITIONS TF1 | SAS | 38 | € | French | Publishing | 51.00 |
| STE D'EXPLOITATION DE DOCUMENTAIRES | SCS | 8 | € | French | Documentary thematic | 100.00 |
| REGIE CASSETTE VIDEO | SASU | 40 | € | French | Video distribution | 100.00 |
| CIBY DA | SA | 9,294 | € | French | Audiovisual rights | 100.00 |
| GIE APHELIE | GIE | – | – | French | Real estate leasing | 95.00 |
| TF1 PRODUCTION | SAS | 40 | € | French | Holding company of the production division | 100.00 |
| QUAI SUD TELEVISION | SA | 40 | € | French | Production of programmes | 75.00 |
| SACAS | SNC | 38 | € | French | Development of digital technology | 100.00 |
| TF1 SATELLITE | SNC | 38 | € | French | Development of digital technology | 100.00 |
| VISIOWAVE | AG | 350 | CHF | Swiss | Network digital video | 79.98 |
| TFOU | SCS | 40 | € | French | Thematic channel | 100.00 |
| CIBY 2000 | SA | 13,798 | € | French | Audiovisual rights | 100.00 |
| HISTOIRE (3) | SA | 937 | € | French | Thematic channel | 100.00 |
| YAGAN PRODUCTIONS (3) | SAS | 53 | € | French | Audiovisual rights | 100.00 |
| KIGEMA SPORT ORGANISATION (3) | LTD | 20 | GBP | English | Car race organisation | 60.00 |
| SRW EVENTS LTD (3) | LTD | 4 | GBP | English | Car race organisation | 60.00 |
| **COMPANIES PROPORTIONATELY CONSOLIDATED** | | | | | | |
| TF6 | SCS | 80 | € | French | Thematic channel (general interest) | 50.00 |
| TF6 GESTION | SA | 80 | € | French | TF6's management company | 50.00 |
| SERIE CLUB (EXTENSION TV) | SA | 50 | € | French | Thematic channel (series) | 50.00 |
| SOUS-GROUPE TPS (4) | | | | | | |
| TPS | SNC | 1,800 | € | French | Selling of TPS programmes | 66.00 |
| TPS GESTION | SA | 72 | € | French | TPS's management company | 66.00 |
| TPS CINEMA | SNC | 8 | € | French | Movie channel | 66.00 |
| MULTIVISION | SNC | 601 | € | French | Pay per view theme channel | 66.00 |
| TPS JEUNESSE | SNC | 8 | € | French | Youth channel | 66.00 |
| TPS SPORT | SNC | 8 | € | French | Sport channel | 66.00 |
| TPS INTERACTIF | SNC | 8 | € | French | Publishing and marketing of services | 66.00 |
| TPS ENTREPRISES | SNC | 8 | € | French | Communication projects | 66.00 |
| TPS FOOT | SNC | 8 | € | French | Sport theme channel | 66.00 |
| TPS MOTIVATION | SA | 45 | € | French | Management of marketable securities | 66.00 |
| TPS TERMINAUX | SNC | 154,374 | € | French | Management of the equipment base | 66.00 |
| TCM DA | SNC | 240 | € | French | Audiovisual rights | 50.00 |
| TCM GESTION | SA | 40 | € | French | TCM DA's management | 50.00 |
| TELEMA | SAS | 1,000 | € | French | Audiovisual rights production | 49.00 |
| **COMPANIES CONSOLIDATED UNDER THE EQUITY METHOD** | | | | | | |
| PUBLICATIONS METRO FRANCE | SAS | 100 | € | French | Publishing | 34.30 |
| EUROPA TV (3) | SPA | 6,500 | € | Italian | Production and distribution of Sportitalia | 29.00 |
| PRIMA TV (3) | SPA | 6,500 | € | Italian | Multiplexe operator | 49.00 |

(1) Local currency (in thousands).
(2) There is no difference between the percentage of control and that of shares held.
(3) Company consolidated for the first time in 2004, without any significant impact on TF1 Group's financial figures.
(4) TPS Sub-Group: shareholders' agreement signed by TF1 and M6 on July 19, 2002, TPS is jointly controlled and thus consolidated under the proportionate method.

## 2 Group accounting policies

### 2.1 Basis of accounting

The consolidated financial statements of the TF1 Group have been prepared in accordance with Generally Accepted French Accounting Standards, notably the 99/02 regulation of the Accounting Regulations Committee, ratified by Government order dated June 22, 1999.

The accounting policies adopted for the 2004 consolidated financial statements are comparable to those for the 2003 and 2002 consolidated financial statements.

The consolidated financial statements incorporate a certain number of restatements and adjustments compares with the individual company accounts of TF1 group companies.

The restatements relate essentially to rights in co-produced programmes, which, in the consolidated financial statements, are treated as current assets and written off when broadcast, as described in note 2.9.

The adjustments, other than those arising on consolidation, relate particularly to:
- the elimination of tax depreciation allowances recognised in individual company accounts;
- exchange differences arising on assets and liabilities and accounted for through the profit and loss account;
- the recognition of significant leasing contracts in fixed assets and in liabilities (creditors);
- deferred taxation, calculated as described in the note 2.13.

### 2.2 Comparability of consolidated financial statements

#### 2.2.1 Change in scope of consolidation

The 2004 changes in scope, described below, have no significant impact in TF1 Group consolidated financial statements.

**Entries**

- In 2004, Kigema Sport Organisation, Super Racing Week-end Events and Histoire (acquired companies) have been fully consolidated for the first time as well as Yagan Productions (newly formed company).
- From January 1, 2004, Italian companies Prima TV (49% owned) and Europa TV (29% owned) have been consolidated under the equity method.

  Prima TV holds a national television broadcasting authorisation for a DTT network on the Italian territory (commercial name: D-Free). Following this acquisition, TF1 Group has the opportunity to exercise a two year option relative to a part of the multiplex capacity, in order to broadcast a pay channel over the area covered. TF1 Group has a pre-emption right over the shares of its partner, as well as a "guaranteed price" put option to be exercised in 2006. In return, TF1 Group has granted to its partner a promise to sell at the same time. In addition, the shareholders' agreement includes a mechanism for resolving any management deadlock, through a guaranteed price issue.

Europa TV holds a national television broadcasting licence for an analogue terrestrial network on the Italian territory. TF1 Group has a pre-emption right over the shares of its partner, as well as a continuation right. The shareholders' agreement includes a mechanism for resolving any management deadlock, through a guaranteed price issue. Europa TV launched in February 2004 the channel Sportitalia.

**Exits**

- TF1 Cinéma, Protecrea, Les Films du Jour, Parmentier Production, Cogelda, Les Films Ariane, Big Cash, SICCIS, TF1 Catalogue and TF1 International Pictures, previously fully consolidated, have been excluded from the scope of consolidation because of internal restructuring operations taking effect on January 1, 2004.
- The company Cabale, previously fully consolidated, has been eliminated from the scope because of its takeover by Ciby DA on December 30, 2004.
- The company Mikado, previously fully consolidated, which was liquidated on December 28, 2004, has been excluded with effect from December 28, 2004.
- The company Groupe Glem, which took over Glem with effect from January 1, 2004, is now named Glem.

**Changes in stake**

- The additional stake in TV Breizh increased TF1 Group's interest in this subsidiary from 40.5% to 71.1%.
- The additional stake in Groupe Glem (which was renamed Glem) increased TF1 Group's interest in this subsidiary from 72.8% to 100%.

### 2.2.2 Changes of method

With effect from January 1, 2004, TF1 Group made changes in accounting presentation which, while based on the accounting framework described in paragraph 1, converge on the presentation that will be adopted in 2005 under International Financial Reporting Standards. Those changes in presentation are described below.

#### Programmes and film rights (impact on the balance sheet presentation)

Programmes and film rights are accounted for in inventories when technical acceptance of them has occurred and the rights are opened.

All rights not fulfilling the preceding conditions are accounted for in commitments and contingencies (for the part of rights not paid) or in prepayments and accrued income (for the rights already prepaid).

The impact on the consolidated balance sheet as of January 1, 2004 is summarised in the table below (in €M):

| HEADING CONCERNED | PART NOT PAID | PART PAID | TOTAL IMPACT |
|---|---|---|---|
| Programmes and film rights | (22.3) | (170.0) | (192.3) |
| Trade debtors | (7.9) | 249.0 | 241.1 |
| Other debtors and adjustment accounts | (42.0) | (79.0) | (121.0) |
| **Total assets** | **(72.2)** | **0.0** | **(72.2)** |
| | | | |
| Trade creditors | (72.2) | – | (72.2) |
| **Total shareholders' funds and liabilities** | **(72.2)** | **–** | **(72.2)** |
| | | | |
| **Trade creditors** | **72.2** | **–** | **72.2** |

This change in accounting presentation does not affect the change in working capital needs.

#### Turnover (impact on the profit and loss presentation)

Forecasts for returns of merchandise sold are no longer accounted for through a risk accrual but rather through credit notes to be issued, which decreases revenue and related expenses. This change in presentation concerns primarily TF1 Entreprises, TF1 Vidéo and Téléshopping.

The pay-backs on certain distribution contracts are deducted from revenue such that only the economic advantage to TF1 (commission) appears as income. This change primarily concerns TF1 Entreprises and TF1 Vidéo.

These two changes have a negative impact of €88.1 M on 2004 consolidated operating revenue. They only concern the presentation of revenue and expense and do not impact operating income.

### 2.3 Audiovisual rights

This note refers to the shares owned in films that have been co-produced by TF1 Films Production, TF1 Cinema, TF1 Video, Glem, Les Films du Jour, Téléma and Les Films Ariane, the audiovisual trading and distribution rights held by TF1 International, TF1 International Pictures, TF1 Catalogue, TCM DA, TF1 Entreprises, Ciby DA and Cogelda, and the musical rights held by Une Musique and Baxter.

The date of posting as intangible assets and the amortisation rates applied are defined as follows:

| DATE OF POSTING | AMORTISATION RATE | | | |
|---|---|---|---|---|
| | CO-PRODUCTION SHARE | AUDIOVISUAL DISTRIBUTION RIGHTS | AUDIOVISUAL TRADING RIGHTS | MUSICAL RIGHTS |
| End of shooting date | in line with revenue | | | |
| Censors' certificate | straight-line rate over 3 years | | | |
| Signing of contract | | straight-line rate over 3 years or in line with revenue | straight-line rate over 5 years | 2 years 75% 1st year 25% 2nd year |

For films co-produced by TF1 Films Production and Téléma, the method applied is the one, which enables the film to be written off for tax purposes as quickly as possible. It can thus differ from film to film.

A provision is set up when estimated future revenue do not cover the book value, net of amortisation.

### 2.4 Other intangible fixed assets

This mainly concerns valuation differences, as defined in note 3.2. Other intangible assets relate essentially to acquisition of trademarks and software, and are amortised over a period of between one and two years, except for the Eurosport trade mark which is not amortised.

### 2.5 Goodwill

The difference between the purchase price of the participation acquired and the corresponding share of shareholders' equity is allocated to the assets and liabilities of the acquired company, so that the consolidated balance sheet reflects their fair value.

Residual goodwill is amortised over the relevant period on a straight-line basis, between 4 and 20 years.

Negative goodwill is reversed in line with the related losses.

However, where the amount of goodwill (or negative goodwill) is not significant, it is fully written off in the year of acquisition.

The TF1 Group continues to apply the partial revaluation method, in accordance with the option offered by paragraph 230 of the 99/02 regulation of the Accounting Regulations Committee.

Under French regulations, the allocation of the purchase price may be subject to revision during a period expiring at the end of the accounting period of the year following the year of acquisition.

### 2.6 Tangible fixed assets

Depreciation rates are as follows:

| | | |
|---|---|---|
| Buildings | Straight-line | 20 years |
| Technical facilities | Straight-line or reducing balance | 3 to 7 years |
| Other tangible fixed assets | Straight-line or reducing balance | 2 to 10 years |

When fixed assets acquired under leasing contracts by companies of the Group are material, they are restated in the consolidated accounts in order to recognise the fixed asset and the related debt in the balance sheet.

### 2.7 Financial assets

Participations in non-consolidated companies are accounted for at their acquisition cost, if necessary reduced by provisions for impairment calculated by reference to their value in use.

Participations consolidated under the equity method are accounted for in the balance sheet for a value representing the proportion of shareholders' funds held by the Group, including their share of net profit.

### 2.8 Subsequent monitoring of the value of fixed assets

The carrying value of fixed assets is reviewed, in accordance with group accounting policies, annually or more frequently if events or circumstances, whether internal or external, suggest that a reduction in value may have occurred.

In particular, the balance sheet value of intangible assets (excluding audiovisual rights which are dealt with as in note 2.3) and goodwill is compared with recoverable value. TF1 Group is not applying in advance Regulation 2002-10 of the Accounting Regulations Committee (CNC); however the method described below, if applied to make this comparison, does not give rise to any material difference compared with that recommended by this Regulation.

Recoverable value is the higher of net realisable value and value in use. In order to determine the value in use, those intangible assets with which it is impossible to directly associate cash flows are grouped in the Cash Generating Unit (CGU) to which they belong. The CGU's value in use is determined by the Discounted Cash Flow method according to the following principles:

- cash flows (after tax) come from a medium term business plan made by the management of the unit concerned;
- the adopted discount rate corresponds to TF1 Group's Weighted Average Cost of Capital (WACC);
- the terminal value is calculated by sum to infinity of the Discounted Cash Flow determined on the basis of a prescriptive flow and a constant growth rate. This growth rate is in accordance with the potential development of those markets where the company operates, as well as with its competitive position in those markets.

The recoverable value of the CGU is then compared to the value its fixed assets (including goodwill) contribute to the consolidated balance sheet; a provision for impairment is set up if this balance sheet value proves to be higher than the recoverable value of the CGU.

### 2.9 Programmes and film rights

**a)** The term "programmes and film rights" covers:

- TF1 group in-house productions to be broadcast on the TF1 channel;
- external productions, including broadcasting rights acquired by the group's channels as well as co-productions.

**b)** A programme is regarded as ready for broadcast and is accounted for under "programmes and films rights" if the following two conditions are met:

- technical approval (for both in-house and external production);
- grant of the rights (for external production).

External production which has not been broadcast and the rights over which have expired are retired.

**c)** The principles for valuing "programmes and film rights" are the following:

- In-house production is valued at its overall production cost (direct costs plus attributable production overheads);
- Film rights and co-productions are valued at the end of each financial year on the basis of their purchase cost less their "consumption" values as indicated under section "d";
- Programmes in progress are valued according to the investment outlay at year-end.

**d)** Programmes are deemed "consumed" at the moment of transmission.

**d.1 Purchased TV rights and co-produced programmes** (Children excluding Cartoons - Variety - Theatre - Documentaries - News and Sport).

| POSSIBLE TRANSMISSIONS | 1 | 2 OR MORE |
|---|---|---|
| 1st transmission | 100% | 100% |
| 2nd transmission | – | – |

Some purchases of audiovisual rights relating to children's programmes are amortised according to the valuation of each transmission as contractually defined.

**d.2 Co-productions of duration less than 52 minutes**

| POSSIBLE TRANSMISSIONS | 1 | 2 OR MORE |
|---|---|---|
| 1st transmission | 100% | 100% |
| 2nd transmission | – | – |

**d.3 Co-productions of duration equal to or exceeding 52 minutes**

| POSSIBLE TRANSMISSIONS | 1 | 2 OR MORE |
|---|---|---|
| 1st transmission | 100% | 80% |
| 2nd transmission | – | 20% |

**d.4 Purchased rights for full-length feature films, TV dramas, series and cartoons.**

| POSSIBLE TRANSMISSIONS | 1 | 2 OR MORE |
|---|---|---|
| 1st transmission | 100% | 50% |
| 2nd transmission | – | 50% |

**d.5 All other programmes are fully written off at first transmission, and therefore are no longer considered as company assets whatever the duration of the owner's rights.**

A provision is made if it becomes probable that a given programme will not be broadcast.

**e)** Tax depreciation allowances (in respect of co-production shares) included in "regulated provisions" in TF1 SA's accounts have been restated, in accordance with consolidated accounting principles, in order to eliminate their impact on the consolidated accounts.

### 2.10 Marketable securities

The value of marketable securities is calculated at cost of acquisition. When the value is lower than the acquisition cost, a provision is made.

### 2.11 Government grants for investment

Government grants, when received irrevocably, are credited to the profit and loss account in line with the depreciation of the assets they are financing.

Grants received from the CNC (National Cinema Council) are credited to the profit and loss account in the financial year during which the relevant films are completed.

### 2.12 Provisions for liabilities and charges

A provision for liabilities and charges is set up when an obligation to a third party causes, certainly or probably, a cash outflow without an offset at least equivalent, and when this is not already recognised as a liability. The provision is maintained as long as the expiry and the amount are not precisely set.

The main types of provisions for liabilities and charges are the following:

- Provisions for litigation concern the potential expenditure that will be caused by current trials or litigation whose underlying event existed at the year-end, even if the litigation arose subsequently.
- Provisions for pension costs cover TF1's commitment to its employees. Pension commitments are limited to those laid down in the Collective Agreements of Group companies. They are calculated by applying to the forecast final salary the rights as anticipated at the forecast retirement date, taking into account:
  - rights under those Agreements by reference to the years of service of different grades of staff;
  - employee turnover calculated according to the average of resignations and retirements experienced;
  - salaries and benefits, including an index of employer's payroll taxes in force;
  - an annual revaluation rate of salaries;
  - the life expectancy of employees determined from statistical tables;
  - a discount rate applied to the retirement commitment, revised each year.

A part of this commitment is covered by an insurance contract, the balance being the subject of a provision for liabilities and charges annually adjusted.

• Provisions for long-service leave were set up for the first time in 2003. They cover the cost of additional leave attributed by companies of the Group to their employees according to their years of service. The accruing cost of such leave is calculated taking into account the years of service of employees, the salary at the date of benefiting from the rights and employee turnover. The provision is discounted at the same rate as is applied to pension commitments.
• The provisions for return of goods sold in the publishing and distribution businesses (video and music) have been released in accordance with the change of method described note 2.2.2

### 2.13 Deferred taxation

Consolidated deferred taxation results mainly from:
• restatements that are made in order to eliminate the impact, on the financial statements, of book entries resulting from fiscal allowances;
• differences in timing of recognition of items between the financial statements and tax regulations.

Deferred tax has been calculated using the liability method. The potential impact of changes in tax rates, whether variable or reduced (long term capital gains) is included in the profit of the year.

### 2.14 Advertising

Income from advertising is recorded net of rebates and commissions paid to agents.

### 2.15 Financial instruments

The Group uses financial instruments to protect itself from exposure to interest rate and exchange rate fluctuations. The Group operates on currency markets to hedge commitments linked to its business activity only and not for speculative purposes.

Gains and losses on financial instruments used for hedging purposes are determined and accounted for on a symmetrical basis with the losses and gains on the hedged items except in the case of option premiums, which are charged when paid.

### 2.16 Treasury shares

TF1 shares accounted for under the heading "Other investments held as fixed assets" in the company's financial statements are restated so as to reduce shareholders' equity.

### 2.17 Programme purchase commitments

Contractual amounts of financing remaining to be made – in respect of broadcasting rights awaiting technical approval or not yet opened – are accounted for in the valuation of commitments and contingencies. In practice a purchase programme or broadcasting right can lead to several payments depending on its stage of progress (first day or end of shooting, etc.), and the portion remaining to be paid at the year-end is accounted for in commitments and contingencies.

## 3. Notes to the consolidated balance sheet

### 3.1 Audiovisual rights

Movements during the year are as follows:

| | 01.01.04 | CHANGE IN THE SCOPE OF CONSOLIDATION AND RESTATEMENTS | INCREASE | DECREASE | 31.12.04 |
|---|---|---|---|---|---|
| Gross value | 722.0 | (14.6) | 43.3 | (20.6) | 730.1 |
| Amortisation | (604.2) | 10.4 | (44.8) | 18.1 | (620.5) |
| Provisions | (18.1) | (1.9) | (4.0) | 7.2 | (16.8) |
| **Net book value** | **99.7** | **(6.1)** | **(5.5)** | **4.7** | **92.8** |

### 3.2 Other intangible fixed assets

| | 01.01.04 | CHANGE IN THE SCOPE OF CONSOLIDATION AND RESTATEMENTS | INCREASE | DECREASE | 31.12.04 |
|---|---|---|---|---|---|
| Cost | | | | | |
| Business goodwill (1) | 772.7 | – | – | – | 772.7 |
| Brands and software | 67.3 | (0.5) | 8.2 | (0.6) | 74.4 |
| ***Gross value*** | ***840.0*** | ***(0.5)*** | ***8.2*** | ***(0.6)*** | ***847.1*** |
| Business goodwill | – | – | – | – | – |
| Brands and software | (44.8) | 0.6 | (7.2) | 1.6 | (49.8) |
| ***Amortisation*** | ***(44.8)*** | ***0.6*** | ***(7.2)*** | ***1.6*** | ***(49.8)*** |
| **Net book value** | **795.2** | **0.1** | **1.0** | **1.0** | **797.3** |

(1) Business goodwill is composed of identified intangible assets arising on the allocation of goodwill, broken down as follows:

| (in euros million) | 31.12.04 |
|---|---|
| Eurosport SA | 241.3 |
| Eurosport France | 75.0 |
| Série Club | 21.9 |
| Groupe TPS | 420.3 |
| Visiowave | 14.2 |
| **Total** | **772.7** |

The monitoring of this business goodwill, in accordance with the methodology described in note 2.8, discloses no impairment of value at December 31, 2004.

### 3.3 Goodwill

| (in euros million) | GROSS VALUE AT 01.01.04 | CHANGE IN SCOPE OF CONSOLI-DATION AND RESTATEMENTS | GROSS VALUE AT 31.12.04 | AMORTISATION AT 01.01.04 | INCREASE | CHANGE IN SCOPE OF CONSOLI-DATION AND RESTATEMENTS | AMORTISATION AT 31.12.04 | NET VALUE AT 31.12.04 |
|---|---|---|---|---|---|---|---|---|
| Parmentier Production | 0.5 | (0.5) | – | (0.5) | – | 0.5 | – | – |
| CIC | 0.5 | – | 0.5 | (0.5) | – | – | (0.5) | – |
| Protécréa | 0.6 | (0.6) | – | (0.6) | – | 0.6 | – | – |
| Syalis | 0.2 | – | 0.2 | (0.2) | – | – | (0.2) | – |
| Glem | 8.3 | 5.9 | 14.2 | (8.3) | (6.2) | 0.3 | (14.2) | – |
| Téléshopping | 2.8 | – | 2.8 | (2.8) | – | – | (2.8) | – |
| Eurosport (ESO) | 80.7 | – | 80.7 | (13.2) | (4.0) | – | (17.2) | 63.5 |
| Téléma | 5.0 | – | 5.0 | (4.0) | (1.0) | – | (5.0) | – |
| Eurosport France | 25.9 | – | 25.9 | (4.0) | (1.3) | – | (5.3) | 20.6 |
| SETS | 14.8 | – | 14.8 | (2.3) | (0.8) | – | (3.1) | 11.7 |
| Quai Sud | 2.4 | 0.6 | 3.0 | (1.5) | (0.9) | – | (2.4) | 0.6 |
| TV Breizh | 4.3 | 5.8 | 10.1 | (4.3) | (0.3) | – | (4.6) | 5.5 |
| Métro France | 11.1 | (11.1) | – | – | – | – | – | – |
| KSO/SRW | – | 6.2 | 6.2 | – | (0.3) | – | (0.3) | 5.9 |
| Histoire | – | 4.5 | 4.5 | – | (4.5) | – | (4.5) | – |
| **Total** | **157.1** | **10.8** | **167.9** | **(42.2)** | **(19.3)** | **1.4** | **60.1** | **107.8** |

The monitoring of this goodwill, in accordance with the methodology describes in note 2.8, discloses no impairment of value at December 31, 2004, except for the Glem and Histoire CGUs. The goodwill in respect of these units has been entirely written off.

The following table presents the different assumptions used for the impairment tests which resulted in these write-offs.

| | CGU BOOK VALUE IN BALANCE SHEET (€M) | INTANGIBLE FIXED ASSETS DEPRECIATION FOR THE PERIOD (€M) | FORWARD VIEW | DISCOUNT RATE | METHOD OF CALCULATING TERMINAL VALUE | CONSTANT GROWTH RATE |
|---|---|---|---|---|---|---|
| Histoire | 4.7 | (4.5) | 5 years | 8.10% | See note 2.8 | 3.75% |
| Glem | 6.3 | (6.2) | 5 years | 8.10% | See note 2.8 | 3.00% |

Cash flow from these CGUs being negative throughout the period projected, it was not felt relevant to go on to carry out tests on the sensitivity of the value in use to variations in the growth and discount rates.

### 3.4 Tangible fixed assets

Movements of tangible fixed assets and of the corresponding depreciation during the year are summarised as follows:

| (in euros million) | 01.01.04 | CHANGE IN THE SCOPE OF CONSOLI-DATION AND RESTATEMENTS | INCREASE | DECREASE | 31.12.04 |
|---|---|---|---|---|---|
| Land | 45.7 | – | – | – | 45.7 |
| Buildings | 58.0 | – | – | – | 58.0 |
| Technical facilities and equipment (1) | 151.5 | 0.3 | 7.0 | (5.3) | 153.5 |
| Other tangible assets (2) | 293.3 | 6.3 | 18.7 | (7.6) | 310.7 |
| Assets under construction | 9.6 | (9.7) | 5.9 | (2.0) | 3.8 |
| ***Gross Value*** | ***558.1*** | ***(3.1)*** | ***31.6*** | ***(14.9)*** | ***571.7*** |
| Buildings | (23.3) | – | (2.4) | – | (25.7) |
| Technical facilities and equipment | (128.4) | 1.5 | (13.0) | 5.0 | (134.9) |
| Other tangible assets | (208.9) | – | (32.5) | 7.0 | (234.4) |
| ***Amortisation*** | ***(360.6)*** | ***1.5*** | ***(47.9)*** | ***12.0*** | ***(395.0)*** |
| **Net book value** | **197.5** | **(1.6)** | **(16.3)** | **(2.9)** | **176.7** |

(1) Including leasing: €12.4 M (comprising an increase of €2.1 M for the year).
(2) Including leasing: €32.7 M.

### 3.5 Financial assets

| (in euros million) | 01.01.04 | CHANGE IN THE SCOPE OF CONSOLIDATION AND RESTATEMENTS | INCREASE | DECREASE | 31.12.04 |
|---|---|---|---|---|---|
| Investments consolidated under the equity method | 1.0 | 49.1 (1) | – | (5.0) | 45.1 |
| Investments and loans to associated undertakings | 17.2 | (0.1) | 3.0 | (9.5) | 10.6 |
| Other financial assets | 6.0 | (1.8) | 0.7 | (0.5) | 4.4 |
| **Total gross value** | **24.2** | **47.2** | **3.7** | **(15.0)** | **60.1** |
| Provisions | (10.9) | – | (0.8) | 7.3 | (4.4) |
| **Total net book value** | **13.3** | **47.2** | **2.9** | **(7.7)** | **55.7** |

(1) Including a proportion of shareholders' funds of Europa TV: €24.2 M, Prima TV: €13.8 M and goodwill restatement of Publications Metro France: €11.1 M.

The acquisition of shares in consolidated companies (which do not appear in the above table as they are eliminated on consolidation), are detailed below in note 5.1 relating to the cash flow statement.

### 3.6 Programmes and film rights

The following table provides a breakdown of stocks of programmes and film rights, in accordance with 2.9.

| (in euros million) | 01.01.04 | CHANGE IN THE SCOPE OF CONSOLIDATION AND RESTATEMENTS (1) | NET CHANGE | 31.12.04 |
|---|---|---|---|---|
| TF1 Channel | 737.4 | (159.4) | 49.4 | 627.4 |
| Groupe TPS | 51.6 | (30.7) | 1.1 | 22.0 |
| Groupe Eurosport | 13.2 | (13.2) | – | 0.0 |
| TF6 | 3.2 | (1.1) | 0.7 | 2.8 |
| Série Club | 2.5 | (0.5) | (0.4) | 1.6 |
| Odyssée | 1.1 | (0.4) | 0.1 | 0.8 |
| Histoire | – | 0.8 | (0.2) | 0.6 |
| TV Breizh | 4.1 | (1.5) | 1.2 | 3.8 |
| **Total gross value** | **813.1** | **(206.0)** | **51.9** | **659.0** |
| Provisions | (119.7) | 0.5 | (4.4) | (123.6) |
| **Total net book value** | **693.4** | **(205.5)** | **47.5** | **535.4** |

(1) Restatement essentially includes the impact of the change of method as described above (note 2.2.2).

### 3.7 Trade debtors

| (in euros million) | 01.01.04 | CHANGE IN THE SCOPE OF CONSOLIDATION AND RESTATEMENTS (1) | NET CHANGE | 31.12.04 |
|---|---|---|---|---|
| Advances from creditors | 15.2 | 246.1 (1) | 1.1 | 262.4 |
| Trade debtors | 626.3 | 41.2 | 8.2 | 675.7 |
| **Total gross value** | **641.5** | **287.3** | **9.3** | **938.1** |
| Provisions | (19.8) | – | (5.9) | (25.7) |
| **Total net book value** | **621.7** | **287.3** | **3.4** | **912.4** |

(1) Restatement essentially includes the impact of the change of method as described above (note 2.2.2).

### 3.8 Other debtors and adjustment accounts

| (in euros million) | 31.12.04 GROSS VALUE | 31.12.04 PROVISIONS | 31.12.04 NET VALUE | 31.12.03 NET VALUE |
|---|---|---|---|---|
| Other operating debtors (Government, local authorities, staff, social organisations and others) | 223.8 | – | 223.8 | 216.5 |
| Sundry debtors (tax, assets sale proceeds, current accounts and others) | 99.7 | (35.1) | 64.6 | 61.3 |
| Adjustment accounts (1) | 36.5 | – | 36.5 | 157.9 |
| Deferred taxation (2) | 48.0 | – | 48.0 | 46.0 |
| **Total** | **408.0** | **(35.1)** | **372.9** | **481.7** |

(1) Adjustment accounts mainly include prepaid expenses (€24.8 M), a decrease compared to 2003 (€144.2 M in 2003) because of the €121.0 M restatement of prepaid expenses on sports broadcasting rights in accrued income or commitments and contingencies.

(2) Deferred tax assets relate essentially to provisions for charges that only become deductible for tax purposes when paid, and provisions for amortisation of programmes. Deferred tax assets not recognised (since their realisation is judged improbable) amount to €62.9 M and are composed of carry forward tax losses for €51.6 M and deferred amortisation for €11.3 M.

### 3.9 Marketable securities and cash at bank and in hand

Cash at bank and in hand amounted to €29.0 M.

Marketable securities, for a net amount of €131.6 M, consist mainly of money market funds (on which all capital gains have been realised at December 31, 2004),

## 3.10 Shareholders' funds

| (in euros million) | SHARE CAPITAL | RETAINED EARNINGS | SHAREHOLDERS' FUNDS |
|---|---|---|---|
| **Shareholders' funds at 31 Dec. 01** | **42.4** | **728.0** | **770.4** |
| Capital increase (1) | 0.4 | 17.1 | 17.5 |
| Dividends | – | (136.9) | (136.9) |
| 2002 net profit | – | 155.2 | 155.2 |
| **Shareholders' funds at 31 Dec. 02** | **42.8** | **763.4** | **806.2** |
| Capital increase (1) | 0.2 | 10.3 | 10.5 |
| Dividends | – | (138.3) | (138.3) |
| Exchange effect | – | (0.6) | (0.6) |
| Change in the method of consolidation (2) | – | (3.1) | (3.1) |
| 2003 net profit | – | 191.5 | 191.5 |
| **Shareholders' funds at 31 Dec. 03** | **43.0** | **823.2** | **866.2** |
| Capital increase (1) | 0.1 | 3.6 | 3.7 |
| Dividends | – | (139.1) | (139.1) |
| Exchange effect | – | (0.2) | (0.2) |
| Operations on Treasury shares | (0.1) | 1.2 | 1.1 |
| 2004 net profit | – | 220.1 | 220.1 |
| **Shareholders' funds at 31 Dec. 04 (3)** | **43.0** | **908.8** | **951.8** |

(1) Stock options exercised
(2) Set up of opening net of tax provisions for long-service leave
(4) Share capital is divided into 214,759,729 ordinary shares with a nominal value of €0.20 per share. Share capital is fully subscribed.

## 3.11 Minority interest

| (in euros million) | 2004 | 2003 | 2002 |
|---|---|---|---|
| Opening minority interest | (0.1) | 0.6 | 0.3 |
| Change in the scope of consolidation | 1.3 | 6.2 | 2.2 |
| Exchange effect | – | (0.1) | – |
| Dividends | (0.4) | – | (1.8) |
| Net profit | (1.5) | (6.8) | (0.1) |
| Closing minority interest | (0.7) | (0.1) | 0.6 |

## 3.12 Provisions for liabilities and charges

Provisions, as indicated in note 2.12, are as follows:

| (in euros million) | 01.01.04 | CHANGE IN THE SCOPE OF CONSOLIDATION AND RESTATEMENTS | INCREASE | RELEASE | | 31.12.04 |
|---|---|---|---|---|---|---|
| | | | | USED | NOT USED | |
| Claims (1) | 46.4 | (3.1) | 8.6 | (6.4) | (16.0) | 29.5 |
| Associated companies | 0.2 | – | – | – | – | 0.2 |
| Other provisions (2) | 38.4 | 3.5 | 11.9 | (15.4) | (4.2) | 34.1 |
| Pension costs | 17.9 | (0.3) | 10.1 | (0.4) | (3.0) | 24.3 |
| **Total** | **102.9** | **0.1** | **30.6** | **(22.2)** | **(23.2)** | **88.2** |

(1) Claims include:

| | |
|---|---|
| • disputes with TF1 core channel customers | 2.8 |
| • disputes with other customers | 2.9 |
| • dispute involving TPS and counterfeiting | 3.5 |
| • legal disputes with private companies | 15.1 |
| • legal disputes with public companies | 3.8 |
| Total | **29.5** |

(2) Other provisions cover the following risks:

| | |
|---|---|
| • TPS set top boxes lost or stolen | 2.5 |
| • renewal of TPS cards due to piracy | 6.2 |
| • long-service leave | 5.5 |
| • taxation | 9.0 |
| • SOFICAS | 7.5 |
| • miscellaneous | 3.4 |
| Total | **34.1** |

Provisions for liabilities and charges are valued so as to cover claims and other risks linked to group activities that could lead to a definite or likely cash outflow.

No other potential liability (disputes likely to cause a cash outflow) has been identified at year-end.

### 3.13 Financial debt

At December 31, 2004, the breakdown of the consolidated financial debt is broadly as follows:

| DESCRIPTION (in euros million) | MATURITY LESS THAN 1 YEAR | BETWEEN 1 AND 5 YEARS | OVER 5 YEARS | TOTAL |
|---|---|---|---|---|
| Bond issue | – | – | 500.0 | 500.0 |
| Committed revolving credit lines (1) | 12.9 | – | – | 12.9 |
| Leasing (2) | 8.7 | 14.4 | 0.3 | 23.4 |
| ***Sub-total credit lines*** | ***21.5*** | ***14.4*** | ***500.4*** | ***536.3*** |
| Current bank overdrafts | 16.4 | – | – | 16.4 |
| Current accounts and others | 16.1 | – | – | 16.1 |
| Bond issue interest | 4.0 | – | – | 4.0 |
| **Total gross financial debt** | **58.1** | **14.4** | **500.3** | **572.8** |
| Cash at the bank and in hand | (29.0) | – | – | (29.0) |
| Marketable securities | (131.7) | – | – | (131.7) |
| **Total net financial debt** | **(102.6)** | **14.4** | **500.3** | **412.1** |

(1) Telema: €8.7 M and Visiowave: €4.0 M.
(2) TPS: €19.9 M.

TF1's exposure to liquidity risk is analysed below in note 6.3.1.

The breakdown of financial debt between fixed and variable rates, and after taking into account hedging operations, is as follows:

| | 31.12.04 |
|---|---|
| Fixed rate debt | 81.3% |
| Variable rate debt | 15.8% |
| Non-exposed debt | 2.9% |

See detail in note 6.3.2.

The sensitivity of TF1's consolidated accounts to rate changes is analysed in note 6.3.2.

TF1 group's financial debt is not supported by mortgages, guarantees or charges over property.

### 3.14 Other creditors and adjustment accounts

The breakdown is as follows:

| (in euros million) | 2004 | 2003 | 2002 |
|---|---|---|---|
| Taxes and social security | 343.3 | 323.0 | 322.4 |
| Deferred tax (1) | 52.1 | 62.1 | 68.4 |
| Fixed assets creditors | 22.8 | 23.9 | 94.5 |
| Other creditors | 242.2 | 225.9 | 205.2 |
| Government grants for investment | 5.7 | 4.7 | 6.3 |
| Adjustment and related accounts | 57.4 | 57.0 | 61.2 |
| **Total** | **723.5** | **696.6** | **758.0** |

(1) Deferred tax, previously accounted for in the balance sheet under a separate line, are now accounted for under other creditors and adjustment accounts.

Taxes and social security mainly include VAT collected and corporate income tax.

Deferred tax liabilities principally relate to the cancellation of accelerated amortisation. They may be analysed as follows:

| (in euros million) | 2004 | 2003 | 2002 |
|---|---|---|---|
| TF1 SA | 42.9 | 51.0 | 54.4 |
| Subsidiaries | 9.2 | 11.1 | 14.0 |
| **Total** | **52.1** | **62.1** | **68.4** |

The change in other creditors is due to the increase of credit notes to be issued to advertisers

The amount of government grants for investment included in liabilities mainly comprise grants from the French Cinema Council (CNC) for TF1 Films Production. In 2004, the amount credited to the profit and loss account is €7.7 M vs €12.3 M in 2003.

Adjustment accounts mainly comprise prepayments (including €32.8 M from TPS subscribers).

### 3.15 Due dates for debtors and creditors

Debtors and creditors are due as follows:

| (in euros million) | LESS THAN 1 YEAR | BETWEEN 1 AND 5 YEARS | OVER 5 YEARS | TOTAL |
|---|---|---|---|---|
| Net trade debtors (excl. advances from creditors) | 650.0 | – | – | 650.0 |
| Other debtors (net) | 363.2 | 7.8 | 1.9 | 372.9 |
| Financial creditors and loans | 58.1 | 14.4 | 500.3 | 572.8 |
| Trade creditors | 830.0 | 24.5 | 37.4 | 891.9 |
| Other creditors | 715.7 | 7.0 | 0.8 | 723.5 |

## 4 Notes to the consolidated profit and loss account

### 4.1 Other operating expenses

Other operating expenses include the following items:

| (in euros million) | 2004 | 2003 | 2002 |
|---|---|---|---|
| Transmission costs (TDF) | 64.7 | 65.0 | 65.4 |
| Subcontracting and production costs | 275.9 | 256.9 | 339.5 |
| Audiovisual fees and tax | 180.9 | 170.2 | 168.5 |
| Taxes and levies | 38.8 | 36.6 | 35.4 |
| Other operating expenses | 780.0 | 787.3 | 743.0 |
| **Total** | **1,340.3** | **1,316.0** | **1,351.8** |

### 4.2 Financial loss

The financial loss for 2004 comprises the following:

| (in euros million) | 2004 | 2003 | 2002 |
|---|---|---|---|
| Net profits/(losses) on the sale of marketable securities | 2.3 | 1.1 | 0.5 |
| Net provisions/(releases) for contingencies and financial investments | (1.4) | 1.2 | – |
| Provisions/(releases) for marketable securities | (0.4) | – | (7.8) |
| Interest | (25.3) | (17.0) | (17.6) |
| Foreign exchange gains/(losses) | 0.6 | (0.2) | (7.4) |
| Dividends | 1.7 | 1.2 | 0.7 |
| Others | 4.0 | (0.7) | 1.9 |
| **Total** | **(18.5)** | **(14.4)** | **(29.7)** |

### 4.3 Exceptional items

Exceptional items in 2004 comprise the following:

| (in euros million) | 2004 | 2003 | 2002 |
|---|---|---|---|
| Capital gains/(losses) on disposal of fixed assets | (0.7) | 0.1 | (2.0) |
| Net provisions | (0.4) | (1.6) | (0.6) |
| Donations | – | – | (2.3) |
| Capital losses on the sale of Film par Film | – | (3.9) | – |
| Others | (0.1) | (2.7) | 0.5 |
| **Total** | **(1.2)** | **(8.1)** | **(4.4)** |

### 4.4 Corporate income tax

| (in euros million) | 2004 | 2003 | 2002 |
|---|---|---|---|
| Current taxation | 148.2 | 117.5 | 92.8 |
| Deferred taxation | (12.0) | (2.8) | 1.4 |
| **Total** | **136.2** | **114.7** | **94.2** |

Deferred taxation is calculated on the liability basis at the rate of 34.93% (common rate) and 15.72% (reduced rate) at December 31, 2004.

The effective tax rate of 38.4% corresponds to the total tax charge (€136.2 M) as a percentage of pre-tax profit. The 3% difference compared with the common rate arises principally because goodwill amortisation charged is not deductible and because the tax losses of the year (the realisation of which is judged improbable) have not been recognised as deferrred tax assets.

Since January 1, 1989, TF1 has opted for tax consolidation treatment, an option regularly renewed. Tax savings by reason of the tax losses of subsidiaries are always reimbursed to those companies.

### 4.5 Subsidiaries consolidated under the equity method

| MAIN FIGURES AT 100% (in euros million) | PUBLICATIONS METRO FRANCE | PRIMA TV | EUROPA TV |
|---|---|---|---|
| Net fixed assets | 0.6 | 1.7 | 2.9 |
| Financial creditors (gross) | 1.4 | 0.9 | 1.2 |
| Total net assets | 15.8 | 20.2 | 19.4 |
| Turnover | 21.4 | 13.2 | 8.1 |
| Operating profit | (2.6) | (3.2) | (8.5) |
| Net profit | (2.7) | (3.2) | (8.5) |

Prima TV and Europa TV have been consolidated since January 1, 2004 (note 2.2.1).

## 5 Notes to the cash flow statement

The cash flow statement has been drawn up in accordance with the method advocated by the Accounting Regulations Committee (99/02).

### 5.1 Purchases of financial assets

The purchases of financial assets in 2004 are as follows:

| COMPANIES PURCHASED (in euros million) | 31.12.04 |
|---|---|
| Europa TV | 24.3 |
| Prima TV | 13.8 |
| TV Breizh (minority purchase) | 6.9 |
| Kigema Sport Organisation | 4.2 |
| Histoire | 3.9 |
| Glem (minority purchase) | 3.6 |
| Quai Sud Television | 0.9 |
| Pink TV | 0.5 |
| Others | 3.2 |
| **Total** | **61.3** |

### 5.2 Disposal of fixed assets

| (in euros million) | 31.12.04 |
|---|---|
| Disposal of tangible and intangible fixed assets | 4.4 |
| Disposal of financial assets | 2.2 |
| **Total** | **6.6** |

### 5.3 Increase of shareholders' funds linked to financing activities

Cash flow with an impact on shareholders' funds in 2004 include the following items (€M):

| | |
|---|---|
| Exercise of TF1 SA stock options | 3.7 |
| Operations on Treasury shares | 1.3 |
| Subventions granted: | 8.7 |
| **Total** | **13.7** |

### 5.4 Change in financial creditors

The decrease of financial creditors in 2004 (€79.2 M) is mainly linked to the reimbursement by TPS of bilateral lines for a total amount of €74.3 M.

## 6 Others information

### 6.1 SECTOR INFORMATION

#### 6.1.1 Contributions by sector to the Profit and Loss Account

| CONTRIBUTIONS | TURNOVER | | OPERATING PROFIT | |
|---|---|---|---|---|
| (in euros million) | **2004** | 2003 | **2004** | 2003 |
| TF1 core channel | 1,666.1 | 1,561.2 | 352.1 | 299.0 |
| Publishing – Distribution | 275.1 | 344.3 | 35.1 | 34.3 |
| TPS | 375.7 | 353.1 | 1.3 | 2.8 |
| Eurosport | 290.6 | 283.4 | 32.2 | 30.2 |
| Thematic channels | 56.1 | 50.9 | (17.0) | (17.1) |
| Internet | 47.8 | 26.0 | 2.5 | (1.2) |
| Production | 37.6 | 57.3 | (6.1) | (13.0) |
| Audiovisual rights | 66.8 | 53.3 | (0.6) | (0.9) |
| Miscellaneous | 19.6 | 13.4 | (0.7) | (0.2) |
| **Total** | **2,835.4** | **2,742.9** | **398.8** | **333.9** |

#### 6.1.2 Contributions by sector to the Balance Sheet

| CONTRIBUTIONS | NET FIXED ASSETS | |
|---|---|---|
| (in euros million) | **2004** | 2003 |
| TF1 core channel | 138.4 | 154.4 |
| Publishing – Distribution | 4.9 | 5.1 |
| TPS | 475.7 | 486.1 |
| Eurosport | 424.6 | 425.7 |
| Thematic channels | 26.2 | 24.2 |
| Internet | 0.4 | 0.3 |
| Production | 4.4 | 6.5 |
| Audiovisual rights | 93.2 | 100.4 |
| Miscellaneous | 62.5 | 17.9 |
| **Total** | **1,230.3** | **1,220.6** |

#### 6.1.3 Contributions by sector under the new 2005 presentation

Taking into account IFRS standards, TF1 Group has selected a new breakdown of sectors as of January 1, 2005. By way of illustration, the contributions to the consolidated profit and loss account and balance sheet at December 31, 2004 would be as follows:

| CONTRIBUTIONS (in euros million) | TURNOVER | OPERATING PROFIT | NET FIXED ASSETS |
|---|---|---|---|
| Broadcasting France | 1,986.5 | 354.9 | 269.7 |
| Distribution | 375.7 | 1.3 | 475.7 |
| Audiovisual rights | 215.0 | 15.8 | 74.6 |
| Broadcasting international | 238.6 | 27.5 | 369.6 |
| Others | 19.6 | (0.7) | 40.7 |
| **Total** | **2,835.4** | **398.8** | **1,230.3** |

### 6.2 Commitments and contingencies

Commitments and contingencies related to the day-to-day business of the TF1 group are analysed as follows at December 31, 2004:

**COMMITMENTS GIVEN**

| (in euros million) | LESS THAN 1 YEAR | BETWEEN 1 AND 5 YEARS | OVER 5 YEARS | TOTAL **2004** | TOTAL 2003 |
|---|---|---|---|---|---|
| Programmes and broadcasting rights (1) | 501.6 | 469.6 | 53.3 | 1,024.5 | 848.4 |
| Sports transmission rights (1) | 191.3 | 285.9 | 17.0 | 494.2 | 427.4 |
| Image transmission | 81.2 | 301.7 | 63.9 | 446.8 | 231.4 |
| Leasing | – | – | – | – | – |
| Operating leases | 14.1 | 36.2 | 1.7 | 52.0 | 40.8 |
| Guarantees | 1.2 | 0.1 | 0.2 | 1.5 | 1.7 |
| Other commitments | 69.0 | 60.9 | 25.7 | 155.6 | 124.3 |
| **Total** | **858.4** | **1,154.4** | **161.8** | **2,174.6** | **1,674.0** |

(1) Incl. €55.4 M in CHF, €101.3 M in GBP and €173.1M in USD.

**COMMITMENTS RECEIVED**

| (in euros million) | LESS THAN 1 YEAR | BETWEEN 1 AND 5 YEARS | OVER 5 YEARS | TOTAL **2004** | TOTAL 2003 |
|---|---|---|---|---|---|
| Programmes and broadcasting rights (1) | 501.6 | 469.6 | 53.3 | 1,024.5 | 848.4 |
| Sports transmission rights (1) | 191.3 | 285.9 | 17.0 | 494.2 | 427.4 |
| Image transmission | 81.2 | 301.7 | 63.9 | 446.8 | 231.4 |
| Leasing | 14.1 | 36.2 | 1.7 | 52.0 | 40.8 |
| Operating leases | 8.2 | – | – | 8.2 | 5.7 |
| Guarantees | 52.2 | 17.3 | – | 69.5 | 84.3 |
| **Total** | **848.6** | **1,110.7** | **135.9** | **2,095.2** | **1,638.0** |

(1) Incl. €55.4 M in CHF, €101.3 M in GBP and €17.1 M in USD.

#### Programmes and broadcasting rights

The acquisition of broadcasting rights and co-productions giving rise to a definite contractual liability for the group prior to the year end – but for which technical approval has not been given or rights are not yet opened at that date – appear as commitments given and received. According to the principle in note 2.17, these liabilities are valued at their contractual amounts, after deduction of the contractual financing amounts, which are shown in “accrued income” on the balance sheet, are shown in trade debtors. These commitments concern mainly TF1 SA (€682.0 M) and TPS (€245.9 M).

#### Sports transmission rights

The acquisition of sports transmission rights, which give rise to a definite contractual liability for the group prior to the year end, are included in commitments given and received at the value not yet paid.

These commitments concern TF1 SA (€228.5 M), Eurosport (€229.0 M) and TPS (€36.7 M).

#### Image transmission

Commitments under this heading comprise:
- in respect of TF1, the fees payable to TDF for a broadcasting service, until the expiry of the contact;
- in respect of Eurosport and TPS, rental payable (until contract expiry) to private companies for satellite capacity and transmitter-receiver.

#### Leasing

GIE Aphélie, the entity from which TF1 leases the property it has occupied since 1992, entered the consolidation scope with effect from January 1, 2000, in accordance with the provisions of regulation 99-02 of the Accounting Regulations Committee. Since that date, the commitment under the leasing contract has been included in the consolidated financial statements of the group.

Other leasing commitments, to the extent they are significant, have been restated for consolidated financial statements in accordance with note 2.6.

#### Operating leases

Included here are – in both commitments given and received – the minimum future payments due under operating leases which are non-cancellable and current at the year end. Only those leases, which are significant at group level, have been taken into account and they comprise principally property leases, in particular offices occupied by TF1 and the French companies which are members of the Eurosport group.

#### Guarantees

This covers deposits and guarantees made under commercial contracts or leases.

#### Other commitments

This covers mainly:
- Contractual obligations under financial instruments to hedge exchange rate risks, principally future currency purchases and sales (see note 6.3.3). These have been marked to market at the year-end; thus, for a forward purchase contract, the commitment given is valued at the future rate and the commitment received at the reverse rate. Conversely, for a forward sale contract, the commitment given is valued at the reverse rate and the commitment received at the future rate.
- Contractual obligations under financial instruments to hedge rate risks, accounted for at their market value at year-end (SWAP and CAP on Eurosport’s loan, SWAP on TPS’ loan, SWAP on TF1’s bond issue). Those financial instruments are detailed in note 6.3.2.
- Miscellaneous contracts for the supply of materials and the provision of services as part of the recurring business activities of group companies; in particular, contracts to purchase TPS terminals and the related computer and technical maintenance.
- A financial investment granted by TPS to France Télécom for TPSL activity.
- Sale of TF1 share purchase options (see note 2.3 of the Notes to the financial statements of TF1 SA).
- An estimate made by TPS of the future investment concerning DTT (commitments given).

TF1’s fixed assets (intangible, tangible and financial) are not supporting mortgages.

No complex obligation has been entered into by the TF1 Group at December 31, 2004.

The above description omits no off-balance sheet items, which would be significant under the terms of accounting standards in force.

## 6.3 Financial market risks

### 6.3.1 Liquidity risk

As shown in the table below, the cash position of the TF1 Group at December 31, 2004 remains strong: TF1 has confirmed credit lines amounting to €876.9 M, with the maturity dates mainly falling between one and five years ahead, and a bond of €500 M maturity 2010. Lines drawn amount to €536.3 M, 39% of the total available.

During H2 2004, TF1 Group decided to give up before the final redemption its second syndicated credits (€350 M maturity 2007).

Bank credits contracted by the TF1 Group provide for no financial covenant and no trigger event.

| (in euros million) | F/V | AUTHORISED CREDIT LINES MATURITY LESS THAN 1 YEAR | BETWEEN 1 AND 5 YEARS | OVER 5 YEARS | TOTAL | AMOUNTS DRAWN MATURITY LESS THAN 1 YEAR | BETWEEN 1 AND 5 YEARS | OVER YEARS | TOTAL | AVAILABLE |
|---|---|---|---|---|---|---|---|---|---|---|
| Committed revolving credit lines | V | 106.0 | 747.5 | – | 853.5 (1) | 12.9 | – | – | 12.9 | 840.6 |
| Leasing | V | 8.7 | 14.4 | 0.3 | 23.4 | 8.7 | 14.4 | 0.3 | 23.4 | – |
| **Total bank authorisations** | **–** | **114.7** | **761.9** | **0.3** | **876.9** | | | | | |
| Bond issue | F/V | – | – | 500.0 | 500.0 | – | – | 500.0 | 500.0 | – |
| **Total** | **–** | **114.7** | **761.9** | **500.3** | **1,376.9** | **21.6** | **14.4** | **500.3** | **536.3** | **840.6** |

(1) Incl. TF1 SA: €595.5 M and TPS: €197.3 M.

### 6.3.2 Interest rate risk

**MATURITY DATES OF FINANCIAL ASSETS AND DEBTS ARE AS FOLLOWS AT DECEMBER 31, 2004**

| (in euros million) | LESS THAN 1 YEAR | BETWEEN 1 AND 5 YEARS | OVER 5 YEARS | TOTAL |
|---|---|---|---|---|
| Fixed rate financial liabilities | 12.7 | 14.4 | 500.3 | 527.4 |
| Variable rate financial liabilities | 29.0 | – | – | 29.0 |
| Non-exposed financial liabilities (1) | 16.4 | – | – | 16.4 |
| **Gross financial liabilities** | **58.1** | **14.4** | **500.3** | **572.8** |
| Variable rate net marketable securities | 131.7 | – | – | 131.7 |
| Variable rate cash | 29.0 | – | – | 29.0 |
| Non-exposed financial assets (1) | – | – | – | – |
| **Variable rate cash and marketable securities** | **160.7** | **0.0** | **0.0** | **160.7** |

(1) Credit balances at bank.

**MATURITY DATES OF FINANCIAL INSTRUMENTS ARE AS FOLLOWS AT DECEMBER 31, 2004**

| (in euros million) | LESS THAN 1 YEAR | BETWEEN 1 AND 5 YEARS | OVER 5 YEARS | TOTAL | MARKET VALUE (1) |
|---|---|---|---|---|---|
| Fixed rate SWAP | 185.7 | 52.8 | – | 238.5 | (2.4) |
| Variable rate SWAP (2) | – | – | 300.0 | 300.0 | 10.6 |
| CAP | 139.5 | – | – | 139.5 | (0.1) |
| **Total** | | | | | **8.1** |

(1) Excluding accrued interest not yet due.
(2) The group made variable a part (€300 M) of the bond issue.

**FOLLOW UP AND MANAGEMENT OF THE INTEREST RATE RISK**

| (in euros million) | FIXED RATE | VARIABLE RATE | NON-EXPOSED | TOTAL |
|---|---|---|---|---|
| Financial liabilities (financial debts) | 527.4 | 29.0 | 16.4 | 572.8 |
| Financial assets (cash and marketable securities) | – | (160.7) | – | (160.7) |
| **Net position before hedging** | **527.4** | **(131.7)** | **16.4** | **412.2** |
| Interest rate hedges: variable rate SWAP | (300.0) | 300.0 | – | – |
| Interest rate hedges: fixed rate SWAP | 238.5 | (238.5) | – | – |
| **Net position after hedging** | **465.9** | **(70.2)** | **16.4** | **412.2** |

The interest rate risk policy consists in fixing at fixed rate that part of the gross financial debt corresponding to the financing requirement of TF1 Group (net debt), by making variable the excess (which is invested by definition at variable rate) in order to obtain a natural hedging of the balance sheet.

Having regard to the rate hedging portfolio at December 31, 2004, the net situation after hedging at variable rate is an asset position of €70.2 M; thus the Group has a low sensitivity to a rate decrease.

Thus, an immediate one point decrease of interest rate would lead to a decrease of the financial result amounting to €0.7 M; this would represent an increase in financial expenses (net of investment revenue) of 4.0% for the full year 2004.

### 6.3.3 Exchange rate risk

**INSTRUMENTS OF EXCHANGE RATE HEDGES**

| (in euros million) | CURRENCY | NOMINAL VALUE OF HEDGES | MARKET VALUE |
|---|---|---|---|
| Forward purchase | USD | 36.0 | (3.6) |
| Activating forward purchase (1) | USD | 11.5 | (0.4) |
| Forward purchase | GBP | 10.8 | (0.2) |
| Activating forward purchase (1) | GBP | 0.9 | 0.0 |
| Forward purchase | GBP | 6.8 | 0.7 |
| Forward sale | Other currencies | 11.0 | 0.1 |
| **Total hedges** | | | **(3.4)** |

(1) An activating forward purchase secures a minimum hedge price and allows the holder to benefit from a positive trend of the currency up to the level of threshold. If this threshold is crossed, the hedge price becomes once more the minimum secured price.

**FOLLOW UP AND MANAGEMENT OF THE EXCHANGE RATE RISK**

| AT 2004 CLOSING PRICE (in euros million) | USD (1) | CHF | GBP (2) | OTHER CURRENCIES (3) | TOTAL |
|---|---|---|---|---|---|
| Assets | 22.7 | 11.0 | 11.5 | 8.2 | |
| Liabilities | (35.5) | (11.5) | (13.5) | (3.7) | |
| Off-balance sheet | (173.1) | (55.4) | (101.3) | – | |
| Before hedging | (185.9) | (55.9) | (103.3) | 4.5 | |
| Hedges (1) | 47.5 | – | 4.9 | (11.0) | |
| **Net position after hedging** | **(138.4)** | **(55.9)** | **(98.4)** | **(6.5)** | **(299.1)** |
| Sensitivity | (1.0) | (0.4) | (1.4) | (0.0) | (2.7) |
| Price used +/– 0.01 € | 1.376 | 1.558 | 0.712 | | |

(1) The net position in relation to the dollar must be seen in context. In fact, several companies of the Group (TF1, TPS, Eurosport), by reason of their business activities, enter into contracts to purchase forward multiannual rights, which explains the magnitude of off-balance sheet exposed amounts. Those off-balance sheet commitments are deliberately not fully hedged because there is a strong probability they will be offset by recurrent turnover in USD.

(2) The net position after hedging in sterling results from a hedging instrument of which the underlying asset is future turnover not taken into account in off-balance sheet commitments.

(3) Other currencies are mainly NOK, SEK and DKK. As for GBP, the net position after hedging results from a hedging instrument of which the underlying asset is future turnover not taken into account in off-balance sheet commitments.

The consolidated net position in currency after taking into account hedges (valued in euros at the closing price) is €340.4 M. The risk of loss on the overall net currency position by reason of an unfavourable and uniform movement of one euro centime against all the currencies concerned would be negative to the extent of €3.1M.

### 6.3.4 Investment risk

TF1 has no exposure to the risk of price movements in securities held.

### 6.3.5 Risk management policy

At the end of each year, "budget rates" are established for the following year in respect of currency and interest rates. These budgeted rates are validated by the Chief Executive Officer and then become the rate to be adopted for the purpose of hedging instruments.

Daily monitoring of the markets is effected in real time by using financial information software.

The position is reviewed each month with the Chief Executive Officer with regard to open positions so as to validate the strategy seeking to meet the budgeted rates.

The group manages its exposure to exchange rate and interest rate risk by using hedging instruments such as swaps, forward sale and purchase contracts, exchange options and rate options. The derivatives are used for hedging only and never for speculatiove purposes.

## 6.4 Employees

The number of employees at the financial year-end, according to the standards in force under the Collective Agreement on Communication and Audiovisual Production, was as follows:

| | 2004 | 2003 | 2002 |
|---|---|---|---|
| College 1 - Workers and clerical employees | 74 | 80 | 116 |
| College 2 - Technical staff | 775 | 795 | 752 |
| College 3 - Managerial and executive staff | 2,389 | 2,259 | 2,142 |
| College 4 - Journalists | 494 | 510 | 470 |
| **Total** | **3,774** | **3,644** | **3,480** |

The above table presents employees of fully consolidated or proportionately consolidated companies at the end of December 2004.

## 6.5 Executive compensation

Remuneration of the eight Executive Directors (composed of three Group Board Members and five divisional Group Directors) for the year ended December 31, 2004 amounted to €6,532,884.

No significant personal loans or guarantees have been granted to any Director or Board Member apart from share loans to Directors who are also Board Members.

## 6.6 Share purchase options and share subscriptions options

Information relating to options granted to employees is given in paragraph 5.6 of the Report of the Board of Directors.

## 6.7 Risks in emerging countries

TF1's activity and profit were not impacted by crises in emerging countries.

## 6.8 Subsequent events

No significant event has occurred since December 31, 2004.

# Statutory Auditor's report

## Statutory auditors' report on the consolidated financial statements

Financial year ended december 31, 2004

In accordance with our appointment by your Shareholders' Annual General Meeting, we have audited the consolidated financial statements of TF1, presented on pages 69 to 88 of the financial report, for the year ended December 31, 2004.

These consolidated financial statements have been approved by the Board of Directors. Our role is to express an opinion on these consolidated financial statements, based on our audit.

### Opinion on the consolidated financial statements

We conducted our audit in accordance with French generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance that the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements, prepared according to French generally accepted accounting principles, give a true and fair view of the financial position and the results of operations of all the entities consolidated.

Without calling into question the opinion given above, we draw your attention to the change in accounting method regarding programme broadcasting rights and turnover, mentioned in section 2.2.2 of the notes.

### Basis of our conclusions

In conformity with the provisions of Article L.225-235, paragraph 2, of the French Commercial Code, which require that we substantiate our conclusions, we draw to your attention the following:

- As part of our review of the accounting principles used by the company, we checked the appropriateness of the changes in accounting method described in section 2.2.2 of the notes and the presentation made to ensure comparability between accounting periods.
- Section 2.8 of the notes presents the method used to monitor the value of the main intangible assets and goodwill. Based on the information available, we ensured that the approach adopted by the group was relevant, and that the assumptions made and resulting valuations were reasonable.
- Co-production shares and broadcasting rights are accounted for in accordance with the policy and methods described in Section 2.9 of the notes which, in particular, defines how the provisions for depreciation are to be determined. We assessed the provisions for depreciation based on an analysis of the reliability of broadcasting forecasts, through a comparison of previous period broadcasting forecasts with actual performance. When assessing these figures, we ensured that the assumptions made and resulting valuations were reasonable.

These conclusions were formed as part of our audit of the consolidated financial statements taken as a whole and have therefore contributed to the formation of our unqualified opinion, given in the first part of this report.

### Specific verifications

We also verified the information provided in the group's management report. We have no comments to make as to its fair presentation and its conformity with the consolidated financial statements.

Paris la Défense and Paris, March 17, 2005

The Statutory Auditors

| | |
|---|---|
| MAZARS & GUERARD | SALUSTRO REYDEL |
| Michel ROSSE | Jean-Pierre CROUZET |

Board of Directors

Financial statements

Legal informations

# Financial statements

## TFI SA Balance sheet

| **ASSETS** (in euros million) | NOTES | **31.12.04 NET** | 31.12.03 NET | 31.12.02 NET |
|---|---|---|---|---|
| **Intangible fixed assets** | *1.2 and 2.1* | **137.1** | **164.8** | **187.4** |
| Franchises and other similar rights | | 0.1 | 0.1 | 0.2 |
| Brand | | 0.0 | 0.0 | 0.0 |
| Goodwill | | 0.0 | 0.0 | 0.0 |
| Other intangible fixed assets | | 0.0 | 0.0 | 0.0 |
| Co-production ready for broadcasting | | 70.0 | 91.4 | 109.0 |
| Co-production rights available for rebroadcasting | | 56.3 | 45.5 | 53.0 |
| Co-production in progress | | 10.7 | 27.8 | 25.2 |
| | | | | |
| **Tangible fixed assets** | *1.3 and 2.2* | **29.4** | **32.5** | **36.0** |
| Land | | 0.0 | 0.0 | 0.0 |
| Freehold buildings | | 0.0 | 0.0 | 0.0 |
| Technical facilities and equipment | | 8.5 | 10.7 | 14.3 |
| Other tangible fixed assets | | 19.9 | 18.9 | 20.7 |
| Tangible fixed assets under construction | | 1.0 | 2.9 | 1.0 |
| | | | | |
| **Financial assets** | *1.4 and 2.3* | **967.3** | **979.0** | **1,048.4** |
| Investments | | 599.4 | 589.7 | 655.6 |
| Loans to associated undertakings | | 0.0 | 0.0 | 0.0 |
| Other investments held as fixed assets | | 9.3 | 27.6 | 27.3 |
| Loans | | 357.9 | 361.1 | 364.8 |
| Other financial assets | | 0.7 | 0.6 | 0.7 |
| | | | | |
| **FIXED ASSETS** | | **1,133.8** | **1,176.3** | **1,271.8** |
| | | | | |
| **Inventories** | *1.5 and 2.4* | **403.0** | **468.0** | **425.0** |
| Raw materials and consumables | | 0.2 | 0.6 | 0.6 |
| Goods held for resale | | 0.0 | 0.0 | 0.0 |
| Rights ready for broadcasting | | 188.5 | 213.3 | 171.2 |
| Rights for rebroadcasting | | 212.7 | 137.1 | 143.8 |
| Broadcasting rights in progress | | 1.6 | 117.0 | 109.4 |
| | | | | |
| Prepayments and accrued income | *2.5* | 216.3 | 2.6 | 1.7 |
| Trade debtors | *1.6* | 352.5 | 344.8 | 362.3 |
| Other debtors | *2.6* | 383.8 | 449.6 | 436.1 |
| Marketable securities and cash at bank and in hand | *1.7 and 2.7* | 142.1 | 154.5 | 2.3 |
| Prepaid expenses | *2.8* | 4.1 | 117.7 | 102.3 |
| | | | | |
| **CURRENT ASSETS** | | **1,501.8** | **1,537.2** | **1,329.7** |
| | | | | |
| Expenses to be spread over several years | | 1.3 | 1.5 | 0.0 |
| Premium on the redemption of bond issues | | 2.6 | 3.0 | 0.0 |
| Unrealised losses/gains on foreign exchange | | 0.0 | 0.0 | 0.9 |
| | | | | |
| **TOTAL ASSETS** | | **2,639.5** | **2,718.0** | **2,602.4** |

| SHAREHOLDERS' EQUITY AND LIABILITES (in euros million) | NOTES | 31.12.04 NET VALUE | 31.12.03 NET VALUE | 31.12.02 NET VALUE |
|---|---|---|---|---|
| Share capital | | 43.0 | 43.0 | 42.8 |
| Share premium | | 50.0 | 63.7 | 53.4 |
| Revaluation reserve | | 0.0 | 0.0 | 0.0 |
| Legal reserve | | 4.3 | 4.3 | 4.2 |
| Long-term capital gain reserve | | 25.0 | 25.0 | 25.0 |
| Other reserves | | 734.0 | 734.0 | 670.0 |
| Retained earnings | | 29.5 | 66.9 | 74.6 |
| Net profit for the year | | 155.8 | 101.7 | 198.0 |
| Government grants for investment | *1.8* | 0.0 | 0.0 | 0.0 |
| Regulated provisions: programme amortisation | *1.9* | 117.9 | 132.5 | 150.4 |
| | | | | |
| **SHAREHOLDERS' FUNDS** | *2.9* | **1,159.5** | **1,171.1** | **1,218.4** |
| | | | | |
| Provisions for contingencies | | 10.6 | 12.1 | 3.2 |
| Provisions for charges | | 0.0 | 0.0 | 0.9 |
| Other provisions for liabilities | | 24.3 | 29.4 | 31.0 |
| | | | | |
| **PROVISIONS FOR LIABILITIES AND CHARGES** | *1.10. 1.11. 1.12 and 2.10* | **34.9** | **41.5** | **35.1** |
| | | | | |
| Bond loans | | 504.0 | 502.9 | 0.0 |
| Bank borrowings (1) | | 16.4 | 0.0 | 18.5 |
| Other financial creditors (2) | | 158.8 | 233.7 | 495.0 |
| Trade creditors | | 392.3 | 420.9 | 444.8 |
| Tax and social liabilities | | 179.6 | 169.4 | 147.4 |
| Fixed assets creditors | | 23.4 | 2.5 | 79.4 |
| Other creditors | | 163.9 | 166.7 | 146.1 |
| | | | | |
| Prepaid income | | 5.4 | 7.7 | 16.9 |
| | | | | |
| **CREDITORS AND OTHER LIABILITIES** | *2.11* | **1,443.8** | **1,503.8** | **1,348.1** |
| | | | | |
| Unrealised losses/gains on foreign exchange | | 1.3 | 1.6 | 0.8 |
| | | | | |
| **TOTAL SHAREHOLDERS' FUNDS AND LIABILITIES** | | **2,639.5** | **2,718.0** | **2,602.4** |
| (1) Including bank overdrafts | | 16.4 | 0.0 | 18.5 |
| (2) Including current accounts with associated companies | | 158.8 | 233.7 | 495.0 |

# Financial statements

## TF1 SA Profit and loss account

| (in euros million) | NOTES | 2004 | 2003 | 2002 |
|---|---|---|---|---|
| **Turnover** | *1.13 and 3.1* | **1,710.5** | **1,596.2** | **1,552.0** |
| Advertising revenue | *3.1* | 1,559.2 | 1,461.3 | 1,424.2 |
| Technical services | | 1.6 | 1.6 | 1.4 |
| Other operating revenue | | 11.3 | 10.4 | 9.6 |
| Stored production | | 0.9 | (1.3) | 0.2 |
| In-house production | | 0.0 | 1.5 | 0.0 |
| Operating grant | | 0.0 | 0.0 | 0.3 |
| Depreciation, amortisation and provisions releases | | 30.7 | 26.3 | 20.4 |
| Expense transfers | | 98.9 | 93.5 | 92.2 |
| Other revenue | | 7.9 | 2.9 | 3.7 |
| | | | | |
| **Operating expenses** | | **(1,352.7)** | **(1,278.0)** | **(1,271.6)** |
| Purchase of raw materials and consumables | *3.2* | (481.8) | (554.2) | (465.8) |
| Change in inventory | | (52.6) | 63.8 | 44.4 |
| Other purchases and external expenses | | (379.4) | (354.0) | (426.0) |
| Taxes and levies | *3.3* | (99.9) | (93.3) | (91.4) |
| Wages and salaries | *3.4* | (107.8) | (102.3) | (98.9) |
| Social security charges | *3.5* | (48.5) | (46.2) | (43.4) |
| Depreciation, amortisation and provisions (net) | *3.6* | | | |
| • amortisation of broadcast co-production | | (57.0) | (55.3) | (91.8) |
| • depreciation of other fixed assets | | (11.8) | (12.1) | (13.2) |
| • amortisation of operating expenses to be spread | | (0.2) | 0.0 | 0.0 |
| • provision for intangible assets and current assets | | (30.2) | (41.2) | (17.9) |
| • provision for liabilities and charges | | (11.6) | (13.4) | (2.3) |
| Other expenses | *3.7* | (71.9) | (69.8) | (65.3) |
| | | | | |
| **OPERATING PROFIT** | | **357.8** | **318.2** | **280.4** |
| | | | | |
| **Net profit from joint operations** | | **0.0** | **0.0** | **0.0** |
| | | | | |
| Financial revenue | | 81.1 | 63.0 | 83.5 |
| Financial expense | | (141.6) | (144.1) | (53.0) |
| | | | | |
| **FINANCIAL PROFIT/(LOSS)** | *3.8* | **(60.5)** | **(81.1)** | **30.5** |
| | | | | |
| **PROFIT BEFORE TAX AND EXCEPTIONAL ITEMS** | | **297.3** | **237.1** | **310.9** |
| | | | | |
| **Exceptional income** | | **36.8** | **62.5** | **66.7** |
| Exceptional revenue on operations | | 0.1 | 0.6 | 0.3 |
| Exceptional revenue on fixed assets | | 2.6 | 18.2 | 19.9 |
| Provision releases | | 34.1 | 43.7 | 46.5 |
| | | | | |
| **Exceptional expenses** | | **(34.9)** | **(81.3)** | **(84.2)** |
| Exceptional expense on operations | | (0.1) | (0.1) | (2.8) |
| Exceptional expense on fixed assets | | (15.3) | (55.3) | (33.5) |
| Exceptional depreciation, amortisation and provisions | | (19.5) | (25.9) | (47.9) |
| | | | | |
| **Exceptional profit/(loss)** | *3.9* | **1.9** | **(18.8)** | **(17.5)** |
| Employee profit sharing | | (12.9) | (10.4) | (8.7) |
| Corporate income tax | *3.10 and 3.11* | (130.5) | (106.2) | (86.7) |
| | | | | |
| **NET PROFIT** | | **155.8** | **101.7** | **198.0** |

# TF1 SA cash flow statement

| (in euros million) | 31.12.04 | 31.12.03 | 31.12.02 |
|---|---|---|---|
| ***1 - Operating activities*** | | | |
| Net profit | 155.8 | 101.7 | 198.0 |
| Depreciation, amortisation and provisions (1) (2) | 90.7 | 120.4 | 10.2 |
| Investment grants released to revenue | 0.0 | 0.0 | 0.0 |
| Gain/(loss) on disposal of fixed assets | 0.0 | 11.9 | 0.7 |
| | | | |
| **Cash flow** | **246.5** | **234.0** | **208.9** |
| | | | |
| Purchase of co-production (2) | (58.2) | (32.5) | (64.2) |
| Depreciation, amortisation and provisions of co-production (2) | 42.3 | 37.2 | 92.6 |
| Stocks | (51.4) | (43.0) | (40.1) |
| Trade debtors | 55.6 | (13.5) | 115.2 |
| Trade creditors | 26.1 | 10.3 | 1.1 |
| Expenses to amortise over several periods | 0.0 | (1.5) | 0.0 |
| Net advances from third parties | (2.1) | (0.9) | 2.4 |
| | | | |
| **Change in working capital needs** | **12.3** | **(43.9)** | **107.0** |
| | | | |
| **NET CASH INFLOW FROM OPERATING ACTIVITIES** | **258.8** | **190.1** | **315.9** |
| | | | |
| ***2 - Investing activities*** | | | |
| Purchase of fixed assets (1) (2) | (8.9) | (8.7) | (5.0) |
| Disposal of fixed assets (1) (2) | 0.0 | 0.5 | 0.2 |
| Purchase of fixed asset investments | (94.5) | (67.1) | (250.5) |
| Disposal of fixed asset investments | 0.1 | 15.3 | 19.1 |
| Increase/(decrease) in fixed assets creditors | 20.9 | (76.9) | 77.3 |
| Increase/(decrease) in other financial assets | 16.1 | 3.7 | (265.8) |
| | | | |
| **NET CASH OUTFLOW FROM INVESTING ACTIVITIES** | **(66.3)** | **(133.2)** | **(424.7)** |
| | | | |
| ***3 - Financing activities*** | | | |
| Increase in shareholders' funds | (8.5) | 10.6 | 17.5 |
| Net change in loans | (73.8) | 241.6 | 229.5 |
| Dividends paid | (139.0) | (138.3) | (136.9) |
| | | | |
| **NET CASH OUTFLOW FROM FINANCING** | **(221.3)** | **113.9** | **110.1** |
| | | | |
| **TOTAL INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS** | **(28.8)** | **170.8** | **1.3** |
| | | | |
| Cash at beginning of period | 154.6 | (16.2) | (17.5) |
| Net inflow/(outflow) | (28.8) | 170.8 | 1.3 |
| Cash at end of period | 125.8 | 154.6 | (16.2) |

(1) Co-produced programmes not included.

(2) In the company financial statements, the purchase, consumption and sale of programmes and the expired rights are recorded under "Intangible fixed assets". In order to give a proper comparison with the consolidated accounts. all of the above were included in "Change in working capital needs".

# Notes to the company financial statements

*Accounting policies and presentation of the accounts for the twelve-month financial period ended December 31, 2004.*

The accounts for the financial year have been prepared in accordance with the legal and statutory provisions currently in force in France.

## 1 Principal accounting policies

### 1.1 Comparability of financial statements

With effect from January 1, 2004, TF1 Group made changes in accounting presentation concerning programmes and film rights.

Programmes and film rights are accounted for in inventories when technical acceptance of them has occurred and the rights are opened.

All rights not fulfilling the preceding conditions are accounted for in commitments and contingencies (for the part of rights not paid) or in prepayments and accrued income (for the rights already prepaid).

The impact on the consolidated balance sheet as of January 1, 2004 is summarised in the table below (in €M):

| HEADING CONCERNED | PART PAID | PART NOT PAID | TOTAL IMPACT |
|---|---|---|---|
| Intangible fixed assets | (29.0) | – | (29.0) |
| Inventories | (108.6) | (7.9) | (116.5) |
| Prepayments and accrued income | 211.7 | – | 211.7 |
| Other debtors | – | (2.9) | (2.9) |
| Prepaid expenses | (74.1) | (39.1) | (113.2) |
| **Total assets** | **–** | **(49.9)** | **(49.9)** |
| Trade creditors | – | (49.9) | (49.9) |
| **Total shareholders' funds and liabilities** | **–** | **(49.9)** | **(49.9)** |
| **Commitments and contingencies** | **–** | **49.9** | **49.9** |

### 1.2 Intangible fixed assets

#### 1.2.1. General principles

Co-production shares are depreciated when broadcast, according to their type and to the following amortisation methods:

**a) Children excluding Cartoons - Variety - Theatre - Documentaries - News and Sport**

| POSSIBLE TRANSMISSIONS | 1 | 2 OR MORE |
|---|---|---|
| 1st transmission | 100% | 100% |
| 2nd transmission | – | – |

**b) Cartoons**

| POSSIBLE TRANSMISSIONS | 1 | 2 OR MORE |
|---|---|---|
| 1st transmission | 100% | 50% |
| 2nd transmission | – | 50% |

**c) Programmes of duration less than 52 minutes**

| POSSIBLE TRANSMISSIONS | 1 | 2 OR MORE |
|---|---|---|
| 1st transmission | 100% | 100% |
| 2nd transmission | – | – |

**d) Programmes of duration equal to or exceeding 52 minutes**

| POSSIBLE TRANSMISSIONS | 1 | 2 OR MORE |
|---|---|---|
| 1st transmission | 100% | 80% |
| 2nd transmission | – | 20% |

A provision is made if it becomes probable that a given programme involving co-production will not be broadcast.

#### 1.2.2. Co-productions ready for broadcasting

The items reported under this heading are all co-productions that have not yet been transmitted. They are accounted for at their purchase cost.

#### 1.2.3. Co-production rights available for rebroadcasting

Co-productions which have already been transmitted once, and for which one or more rebroadcastings are still possible, are accounted for under "Co-production rights available for rebroadcasting" and valued at 20% or 50% of their purchase cost.

#### 1.2.4. Co-productions in progress

Co-productions that are not ready for production are reported under "co-productions in progress". These co-productions are valued at the amount already paid by the end of the financial year. The contractual amounts of payments to be made are included in "Commitments and contingencies".

### 1.3 Tangible fixed assets

Depreciation methods are set out in the following table:

| | | |
|---|---|---|
| Technical facilities and equipment | Straight-line or reducing balance | 3 to 7 years |
| Other tangible fixed assets | Straight-line | 2 to 10 years |

## 1.4 Financial assets

Financial assets are valued at their purchase cost.

Their value in use is:

- either equal to the proportion of shareholders' equity held in the companies concerned;
- or determined by reference to their business and profitability prospects.

When the value in use is less than purchase cost, amortisation is provided. If necessary, a provision for liabilities and charges is also made.

## 1.5 Inventories

### 1.5.1. General principles

Broadcasting rights and in-house production are amortised when they are transmitted according to their type and the following amortisation methods:

**a) Purchased TV rights** (Children excluding Cartoons - Variety - Theatre - Documentaries - News and Sport).

| POSSIBLE TRANSMISSIONS | 1 | 2 OR MORE |
|---|---|---|
| 1st transmission | 100% | 100% |
| 2nd transmission | – | – |

Some purchases of audiovisual rights relating to children's programmes are amortised according to the valuation of each transmission as contractually defined.

**b) Purchased TV rights** (Full-length feature Film - Dramas - Series - Cartoons)

| POSSIBLE TRANSMISSIONS | 1 | 2 OR MORE |
|---|---|---|
| 1st transmission | 100% | 50% |
| 2nd transmission | – | 50% |

**c) Programmes of duration less than 52 minutes**

| POSSIBLE TRANSMISSIONS | 1 | 2 OR MORE |
|---|---|---|
| 1st transmission | 100% | 100% |
| 2nd transmission | – | – |

**d) Programmes of duration equal to or exceeding 52 minutes**

| POSSIBLE TRANSMISSIONS | 1 | 2 OR MORE |
|---|---|---|
| 1st transmission | 100% | 80% |
| 2nd transmission | – | 20% |

A provision is made if it becomes probable that a given programme will not be broadcast.

### 1.5.2. Rights ready for broadcasting

The items reported under this heading are all rights that have not yet been transmitted for the first time. They are accounted for at their purchase cost or overall production cost (direct costs plus attributable production overheads).

### 1.5.3. Rights available for rebroadcasting

Rights which have already been transmitted once, and for which one or more rebroadcastings are still possible, are accounted for under "Rights available for rebroadcasting" and valued at 50% or 20% of their purchase cost, according to their type.

## 1.6 Trade debtors

All trade debtors currently subject to claims are fully provided.

In addition, bad debts are covered by provisions for liabilities, as follows:

- 100% of their total amount, net of tax, for accounts receivable prior to January 1, 2002;
- 50% of their total amount, net of tax, for accounts receivable falling due between January 1, 2002 and December 31, 2002.

Risks on receivables originating after December 31, 2002 and not yet collected at December 31, 2004, are not significant.

## 1.7 Marketable securities

Marketable securities are valued on the basis of their acquisition cost. When the value is lower than the acquisition cost, a provision is made.

## 1.8 Government grants

To the extent they are confirmed, government grants for investment are credited to a deferral account and credited to the profit and loss account as and when the corresponding assets are depreciated.

## 1.9 Regulated provisions

This item essentially relates to accelerated amortisation for tax purposes of in-house productions or co-productions not yet broadcast. This amortisation is calculated from the first day of the month following the end of shooting in accordance with the rules laid down by the French Tax Authorities on July 3, 1970, which define monthly percentages as follows:

| | |
|---|---|
| 1st month | 20% |
| 2nd month | 15% |
| 3rd to 9th month | 5% |
| 10th to 24th month | 2% |

### 1.10 Provisions for liabilities and charges

The amount of these provisions is calculated according to the assessment of liabilities existing at the end of each accounting period.

### 1.11 Pension costs

Pension cost commitments are limited to those laid down in the Collective Agreements of group companies. They are calculated by applying to the forecast final salary the rights as anticipated at the forecast retirement date; a provision for liabilities and charges is recorded.

### 1.12 Long-service leave

Supplementary days off are granted to employees in accordance with their years of service within the company. The charge related to these acquired long-service leave rights is computed by reference to their years of service with the company, their salary at the date of taking the benefit and the rate of staff turnover. It is discounted and then accounted for in provisions for liabilities and charges.

### 1.13 Advertising

Advertising revenue corresponds to the amount received from the sale by TF1 Publicité of advertising space and sponsorship, net of its fees.

### 1.14 Commitments and contingencies

Purchased broadcasting rights and co-productions to which the station was firmly and contractually committed prior to the end of the accounting period, but for which technical approval has not yet been granted or rights have not yet been opened, are reported as “Commitments and Contingencies”. These commitments are valued on the basis of the amount set out in the contract, after deduction of accrued income

Image transmission contract commitments correspond to the fees payable to the operator in charge of the transmission service falling due up to the end of contract period.

Guarantees and pledges made in connection with commercial leases are reported as “Commitments and Contingencies”

### 1.15 Financial instruments

The Group uses financial instruments to protect itself from exposure to interest rate and exchange rate fluctuations. The Group operates on currency markets to hedge commitments linked to its business activity only and not for speculative purposes.

Gains and losses on financial instruments used for hedging purposes are determined and accounted for on a symmetrical basis with the losses and gains on the hedge items except in the case of option premiums, which are charged when paid.

## 2 Notes to the balance sheet

### 2.1 Intangible fixed assets

Intangible fixed assets essentially refer to programmes and film rights; the following table provides a detailed breakdown of their movements:

**SUMMARY OF MOVEMENTS**

| (in euros million) | **2004** | 2003 |
|---|---|---|
| Co-productions in progress | 30.1 | 27.6 |
| Co-productions ready for broadcasting | 91.4 | 109.0 |
| Co-productions available for rebroadcasting | 45.6 | 53.3 |
| **Value of co-productions as of january 1** | **167.1** | **189.9** |
| | | |
| ***Add:*** Investments January 1 to December 31 | 73.4 | 60.1 |
| | | |
| **Transfer to prepayments** | **(29.1)** | **–** |
| | | |
| ***Subtract:*** Disinvestments January 1 to December 31 | | |
| Cost of 1st transmission | (46.3) | (48.9) |
| Cost of 2nd transmission | (10.7) | (6.4) |
| **Total cost of broadcasting** | **(57.0)** | **(55.3)** |
| | | |
| Rights expired | (8.1) | (13.5) |
| Rights retired | (4.6) | (11.7) |
| Rights sold (residual book value) | (2.5) | (2.4) |
| **Total disinvestments January 1 to December 31** | **(72.2)** | **(82.9)** |
| | | |
| **Value of co-productions as of December 31** | **139.2** | **167.1** |
| | | |
| ***Breakdown*** | | |
| Co-productions in progress | 12.8 | 30.1 |
| Co-productions ready for broadcasting | 70.0 | 91.4 |
| Co-productions available for rebroadcasting | 56.4 | 45.6 |
| **Total** | **139.2** | **167.1** |

As of December 31, 2004, the provision for risk of non-transmission of co-productions amounted to €28.2 M, of which €0.2 M is in provision for depreciation of assets and €28.0 M in existing regulated provisions made as described in note 1.9.

## 2.2 Tangible fixed assets

Movements in tangible fixed assets for the financial year, as well as the corresponding depreciation, are summarised as follows:

**COST**

| (in euros million) | 01.01.04 | INCREASE | DECREASE | 31.12.04 |
|---|---|---|---|---|
| Technical facilities and equipment | 58.8 | 3.7 | 4.1 | 58.4 |
| Other | 52.0 | 6.9 | 1.0 | 57.9 |
| Assets under construction | 2.9 | 0.7 | 2.6 | 1.0 |
| **Total** | **113.7** | **11.3** | **7.7** | **117.3** |

**DEPRECIATION**

| (in euros million) | 01.01.04 | INCREASE | DECREASE | 31.12.04 |
|---|---|---|---|---|
| Technical facilities and equipment | 48.1 | 5.9 | 4.1 | 49.9 |
| Other | 33.1 | 5.9 | 1.0 | 38.0 |
| **Total** | **81.2** | **11.8** | **5.1** | **87.9** |

## 2.3 Financial assets

### Financial investments

In 2004,

TF1 purchased the following:
- TV Breizh €6.9 M for 30.65% of share capital
- Prima TV €13.8 M for 49.00% of share capital

TF1 purchased from Eurosport its stake in:
- Europa TV for €24.3 M

TF1 purchased from TF1 Production its stake in:
- Studios 107 for €4.7 M

TF1 subscribed to the capital increase of the following companies:
- TF1 International for €30.0 M
- GLEM for €13.5 M

TF1 made a €84.7 M provision on shares in subsidiaries as follows:
- TF1 International €45.7 M
- TF1 Digital €15.3 M
- GLEM €9.8 M
- TV Breizh €5.9 M
- Studios 107 €4.7 M
- Europa TV €2.3 M
- Prima TV €1.0 M

At December 31, 2004, the total value of the shares reported in the balance sheet of TF1 SA amounts to €790.7 M less provisions of €191.3 M.

### Loans

This heading essentially relates to:
- an equity loan of €49.0 M (€31.0 M nominal value) granted to GIE Aphélie. This loan, including rolled-up interest, would enable the purchase option on the leased building to be exercised in 2009, under the terms and conditions stated in note 4.1;
- a long-term loan granted to GIE Aphélie, bought back by TF1 from a bank pool on March 31, 2000;
- value on December 31, 2004: €39.9 M);
- a loan granted to Eurosport (residual value on December 31, 2004: €268.8 M).

### Other financial assets

As of December 31, 2004, this heading essentially relates to 1,245,387 TF1 shares, for a total amount of €25.9 M.
993,850 TF1 shares were purchased as part of a share buy-back programme as described in the information note, which received the Visa 99-305 from the *Commission des Opérations de Bourse* (COB) on March 30, 1999.

In October 1999, TF1 carried out a capital increase reserved to the group's employees. The subscribers only contributed to 10% of their total investment. The remaining 90% was financed through an underwritten bank loan. As part of this operation, TF1 sold a call option to a bank at a price of _18.66 covering 709,900 TF1 shares.

This employees saving plan ended on October 29, 2004, triggering the exercise by the bank of its call option. Moreover 283,950 TF1 shares have been cancelled.

Shares still held as of December 31, 2004, i.e. 251,537 shares for a total amount of €7.4 M, have been purchased as part of a share buy-back programme as described in the information note, which received the Visa 01-436 from the COB on April 24, 2001.

In December 2001, TF1 carried out a capital increase reserved to the group's employees. The subscribers only contributed to 10% of their total investment. The remaining 90% was financed through an underwritten bank loan. As part of this operation, TF1 sold a call option to a bank at a price of €29.26 covering 97,550 TF1 shares.

### 2.4 Inventories

This heading essentially relates to non-transmitted broadcasting rights.

| | EXTERNAL PRODUCTION | IN-HOUSE PRODUCTION | TOTAL 2004 | PRODUCTION 2003 |
|---|---|---|---|---|
| Rights ready for 1st broadcasting | 259.8 | 1.1 | 260.9 | 201.7 |
| Rights available for rebroadcasting | 173.4 | – | 173.4 | 177.6 |
| Rights in progress | 117.0 | 0.6 | 117.6 | 110.0 |
| **Value of programmes as of january 1** | **550.2** | **1.7** | **551.9** | **489.3** |
| | | | | |
| ***Add:*** Investment January 1 to December 31 | 591.1 | 295.7 | 886.8 | 836.4 |
| | | | | |
| **Transfer to prepayments or commitments and contingencies** | **(117.0)** | – | **(117.0)** | **–** |
| | | | | |
| ***Subtract:*** Disinvestments January 1 to December 31 | | | | |
| Cost of 1st transmission | 464.0 | 289.6 | 753.6 | 693.8 |
| Cost of 2nd transmission | 34.2 | – | 34.2 | 32.3 |
| **Total cost of broadcasting** | **498.2** | **289.6** | **787.8** | **726.1** |
| | | | | |
| Rights expired | 23.0 | – | 23.0 | 17.9 |
| Rights retired | 7.6 | 5.1 | 12.7 | 27.4 |
| Rights sold (residual book value) | 4.0 | – | 4.0 | 2.4 |
| | | | | |
| **Total disinvestments January 1 to December 31** | **532.8** | **294.7** | **827.5** | **773.8** |
| | | | | |
| **Value of programmes as of December 31** | **491.5** | **2.7** | **494.2** | **551.9** |
| | | | | |
| **Change in stock** | **(58.7)** | **1.0** | **(57.7)** | **62.6** |
| | | | | |
| ***Breakdown*** | | | | |
| Rights ready for 1st broadcasting | 228.4 | 1.1 | 229.5 | 260.9 |
| Rights available for rebroadcasting | 263.1 | – | 263.1 | 173.4 |
| Rights in progress | – | 1.6 | 1.6 | 117.6 |
| **Total** | **491.5** | **2.7** | **494.2** | **551.9** |

As of December 31, 2003, the provision for risk of non-transmission of rights amounted to €91.4 M.

### 2.5 Prepayments and accrued income

Prepayments and accrued income mainly concern purchase of broadcasting rights for €120.9 M and purchase of sport rebroadcasting rights for €87.9 M.

### 2.6 Debtors

#### 2.6.1. Trade debtors

TF1 Publicité, as agent of TF1 SA, sells advertising space to advertising agencies. For this, TF1 Publicité receives fees indexed on turnover generated. The balance payable by TF1 Publicité to TF1 SA in respect of such purchases was €164.6 M at December 31, 2004, against €158.2 M at December 31, 2003. This balance is net of sales rebates, which have yet to be granted, and which are included in "Other Creditors".

#### 2.6.2. Other debtors

This heading essentially relates to VAT receivable for €61.8 M, and loans granted to subsidiaries under cash management agreements for €326.7 M.

#### 2.6.3. Due dates for debtors

Debtors linked to fixed assets and current assets, excluding prepayments and accrued income, total €1,252.1 M.
A proportion of the debtors carried under fixed assets €7.3 M and current assets €893.5 M fall due within one year.
A proportion of the debtors carried under fixed assets €351.1 M fall due between one and five years.
A proportion of the debtors carried under fixed assets €0.2 M fall due after five years.

### 2.7 Cash and marketable securities

Marketable securities consist of money market funds for €127.0 M (on which all capital gains have been realised at December 31, 2004).

### 2.8 Prepaid expenses

Prepaid expenses account for €4.1 M as of December 31, 2004. In 2003, prepaid expenses amounted to €117.7 M, including €113.3 M of sports broadcasting rights, which are now accounted for in prepayments and accrued income (for the rights already prepaid) and accounted for in commitments and contingencies (for the part of rights not paid).

## 2.9 Shareholders' funds

The share capital is divided into 214,759,729 fully paid ordinary shares each with a nominal value of €0.2.

The movements for the financial year were as shown in the following table:

| (in euros million) | 01.01.04 | ALLOCATION OF PROFIT (GENERAL MEETING OF APRIL 20, 2004 | INCREASE | DECREASE | 31.12.04 |
|---|---|---|---|---|---|
| Share capital | 43.0 | – | 0.1 (2) | 0.1 (3) | 43.0 |
| Share premium | 63.7 | – | 3.6 (2) | 17.3 (3) | 50.0 |
| Legal reserve | 4.3 | – | – | – | 4.3 |
| Long-term capital gain reserve | 25.0 | – | – | – | 25.0 |
| Retained earnings | 66.9 | (37.4) | – | – | 29.5 |
| Other reserves | 734.0 | – | – | – | 734.0 |
| Net profit for the year | 101.7 | (101.7) | 155.8 | – | 155.8 |
| ***Sub-total*** | ***1, 038.6*** | ***(139.1)*** | ***159.5*** | ***17.4*** | ***1,041.6*** |
| Regulated provisions | 132.5 | – | 19.5 | 34.1 | 117.9 |
| **Total** | **1,171.1** | **(139.1)** | **179.0** (1) | **51.5** | **1,159.5** |

(1) Dividends paid on April 24, 2004.

(2) Exercise of share subscription options.

(3) Cancellation of 813,950 shares as of 30 November 2004.

## 2.10 Provisions for liabilities and charges

Defined as in notes 1.10, 1.11 and 1.12, these provisions break down as shown in the following table:

| (in euros million) | 01.01.04 | INCREASE | DECREASE USED | DECREASE NOT USED | 31.12.04 |
|---|---|---|---|---|---|
| Claims | 12.1 | 4.0 | 0.7 | 4.8 | 10.6 |
| Associated companies | 12.0 | 1.7 | 11.8 | – | 1.9 |
| Bad debts | 2.7 | – | – | – | 2.7 |
| Pension costs | 11.2 | 6.8 | 0.3 | 2.0 | 15.7 |
| Provisions for long-service leave | 3.5 | 0.8 | 0.2 | 0.1 | 4.0 |
| Exchange loss | – | – | – | – | – |
| **Total** | **41.5** | **13.3** | **13.0** | **6.9** | **34.9** |

The provision for bad debts includes TF1's share in the risk of non-collection of an account receivable relating to TF1 Publicité.

The provisions relating to associated companies correspond to TF1's share of the losses of general partnership subsidiaries.

Provisions for liabilities and charges are valued so as to cover claims and other risks linked to group activities that could lead to a definite or likely cash outflow.

No other potential liability (that might generate a potential cash outflow) has been identified at year-end.

## 2.11 Creditors

### 2.11.1. Bond Issue

In November 2003, TF1 issued a 7 year (2010) €500 M bond redeemable in full at par with a 4.375% coupon.

### 2.11.2. Bank borrowings

The company had €595.5 M of undrawn credit facilities with various banks at December 31, 2004.

The company subscribed in July 2002 a syndicated loan amounting to €350 M, for a period of 5 years. A decision to give up this credit early was made in August 2004.

### 2.11.3. Other financial creditors

Cash placed at TF1's disposal by its subsidiaries in accordance with cash management agreements is recorded under this heading amounting to €146.3 M (€190.7 M in 2003).

### 2.11.4. Other creditors

This heading includes credit notes and rebates on tariffs to be granted by TF1 Publicité, amounting to €160.7 M in 2004 (€162.5 M in 2003).

### 2.11.5. Due dates for creditors

Of the total creditors, €1,438.4 M, €937.6 M falls due within one year.

The heading "Bond loans" is due after more than 5 years, for €500 M.

€0.8 M of other debts are due after more than one year.

## Notes to the company financial statements

### 3 Notes to the profit and loss account

#### 3.1 Breakdown of turnover

Advertising revenue amount to €1,559.2 M and correspond to TF1 Publicité's revenue, less the fees enabling TF1 Publicité to cover its operating costs €(141.9) M.

#### 3.2 Purchase of raw materials and consumables

The purchase of broadcasting rights has been accounted for as inventories. Their consumption is determined by reference to their broadcast date or to their retirement.

#### 3.3 Taxes and levies

This heading essentially records TF1's contribution to the French National Cinema Council, for an amount of €81.5 M in 2004 (€76.5 M in 2003).

#### 3.4 Wages and salaries

This heading includes €5.0 M of fees paid to freelance employees (€5.2 M in 2003).

#### 3.5 Social security charges and employment expenses

This heading includes €3.7 M of employee benefits, relating to the employer's contribution to the Company Savings Plan.

#### 3.6 Depreciation, amortisation and provisions

The heading "amortisation of broadcast co-productions" concerns the amortisation of the shares of broadcast co-productions.

#### 3.7 Other expenses

This item covers payments to authors amounting to €63.9 M in 2004 (€58.1 M in 2003).

#### 3.8 Financial profit

Financial loss for 2004 breaks down as follows:

| (in euros million) | **2004** | 2003 |
|---|---|---|
| Dividends | 26.8 | 23.2 |
| Net interest received | 2.2 | 10.2 |
| Provisions for depreciation of financial investments (1) | (84.7) | (105.5) |
| Provisions for depreciation of other debtors | (6.2) | (7.2) |
| Provisions for liabilities | (1.7) | (2.2) |
| Exchange differences | 1.3 | (0.3) |
| Profits on sales of marketable securities | 2.2 | 0.7 |
| Bond reimbursement premium amortisation | (0.4) | – |
| **Net** | **(60.5)** | **(81.1)** |

(1) See notes 2.3.

With respect to associated companies, interest paid amounts to €3.0 M and interest received to €23.8 M in 2004 (respectively €9.7 M and €24.8 M in 2003).

#### 3.9 Exceptional items

The exceptional items for 2004 break down as follows:

| (in euros million) | **2004** | 2003 |
|---|---|---|
| Capital losses on disposal and retirement of programmes | (12.6) | (25.2) |
| Net provisions (including accelerated amortisation for tax purposes) | 14.5 | 17.9 |
| Capital gains/(losses) on disposal of financial assets (1) | – | (12.2) |
| Other | – | 0.7 |
| **Net** | **1.9** | **(18.8)** |

(1) Shares reclassified within TF1 Group, essentially.

#### 3.10 Corporate income tax

The difference between the charge based on the theoretical rate of income tax (35.43%) and the actual rate of income tax (45.6%) mainly results from:

- the reversal of provisions for liabilities and charges €(84.7) M and of other debtors €(13.4) M, and of provisions for pension costs and long-service leave €(4.9) M, the net proft recorded by GIE Aphélie €(2.8) M and employee profit sharing €(2.5) M;
- the deduction of dividends €(25.2) M.

Since January 1, 1989, TF1 has chosen the status of tax consolidation, an option renewed on January 1, 1994 and on January 1, 1999.

The tax savings arising due to the tax losses of group companies are reimbursed to those subsidiaries.

### 3.11 Deferred taxation

| (in euros million) | FUTURE INCREASE IN TAX | FUTURE DECREASE IN TAX |
|---|---|---|
| Regulated provisions | 41.79 | – |
| Employee profit sharing, paid vacation, Organic tax and provisions for pension commitments and long-term leave, etc. | – | 11.31 |

## 4 Others information

### 4.1 Commitments and contingencies

On December 31, 2004, the various types of commitments and their due dates are as follows:

**COMMITMENTS GIVEN**

| (in euros million) | LESS THAN 1 YEAR | BETWEEN 1 AND 5 YEARS | OVER 5 YEARS | TOTAL **2004** | TOTAL 2003 |
|---|---|---|---|---|---|
| Programmes and broadcasting rights (1) | 381.7 | 309.9 | 25.2 | 716.8 | 566.6 |
| Sports broadcasting rights (1) | 100.0 | 111.5 | 17.0 | 228.5 | 189.6 |
| Real-estate leasing | 17.7 | 65.8 | – | 83.5 | 99.8 |
| Operating leases | 8.6 | 18.8 | – | 27.4 | 17.8 |
| Image transmission contracts | 62.2 | 235.1 | 56.1 | 353.4 | 125.7 |
| Guarantees | 51.6 | 93.7 | 32.4 | 177.7 | 268.7 |
| Others | 1.0 | 2.8 | 1.0 | 4.8 | 25.3 |
| **Total** | **622.8** | **837.6** | **131.7** | **1,592.1** | **1,293.5** |

**COMMITMENTS RECEIVED**

| (in euros million) | LESS THAN 1 YEAR | BETWEEN 1 AND 5 YEARS | OVER 5 YEARS | TOTAL **2004** | TOTAL 2003 |
|---|---|---|---|---|---|
| Programmes and broadcasting rights (1) | 381.7 | 309.9 | 25.2 | 716.8 | 566.6 |
| Sports broadcasting rights (1) | 100.0 | 111.5 | 17.0 | 228.5 | 189.6 |
| Real-estate leasing | 17.7 | 65.8 | – | 83.5 | 99.8 |
| Operating leases | 8.6 | 18.8 | – | 27.4 | 17.8 |
| Image transmission contracts | 62.2 | 235.1 | 56.1 | 353.4 | 125.7 |
| Others | 4.8 | 9.7 | – | 14.5 | 21.9 |
| **Total** | **575.0** | **750.8** | **98.3** | **1,424.1** | **1, 021.4** |

(1) Including €16.2 M in USD, €42.8 M in CHF and €85.1 M in GBP.

The increase of commitments given and received for programmes and broadcasting rights is partly explained by the change in accounting method described in note 1.1.

The heading "Programmes and broadcasting rights" includes long-term contracts relating to variety and game shows and entertainment programmes for €214.2 M. The item "Sports broadcasting rights" mainly includes contracts running over several years.

No complex obligation has been entered into by TF1 at December 31, 2004.

The above description omits no off-balance sheet items, which would be significant under the terms of accounting standards in force.

#### Group's commitments regarding real-estate leasing contracts

In June 1994, TF1 leased from GIE Aphélie the office building, 1 quai du Point du Jour in Boulogne, that it had been occupying since 1992. This capital lease contract has a 15 years' term and amounts to €164.6 M (excl. interest charges):

- land: €45.7 M
- building: €57.9 M
- equipment: €61.0 M

Since June 30, 2001, TF1 has had an option to purchase the property at its net book value. This financial lease contract replaces the 12-year commercial lease originally contracted between TF1 and GAN.

| | | |
|---|---|---|
| Original value | | 164.6 |
| Lease payments (1) | | 128.7 |
| - accumulated | 114.8 | |
| - financial year | 13.9 | |
| "Theoretical" depreciation charges (2) | | 86.3 |
| - accumulated | 81.0 | |
| - financial year | 5.3 | |
| Estimated remaining future lease payments (3) | | |
| - less than one year | 17.7 | |
| - between one and five years | 65.8 | |
| - more than five years | | |
| Purchase option on the building in 2009 | | 67.1 |

(1) Including capital repayment of €45.1 M.

(2) Depreciation charges that would have been accounted for if the company owned the building.

(3) Lease payments calculated using a theoretical interest rate of 6.25%.

### 4.2 Use of financial hedging instruments

#### 4.2.1 Hedging of exchange rates

Because of its payments and receipts effected in foreign currency, TF1 SA makes use of forward currency purchase and sale contracts, in addition to purchase option contracts to provide against rate movements. These hedging operations on the foreign exchange market cover the majority of due dates falling in 2005 under contracts signed at December 31, 2004.

At that date, the exchange value of the aggregate of these outstanding amounts was €24.0 M:

- €12.7 M in forward purchases of US dollars;
- €11.3 M in activating forward purchases of US dollars.

### 4.2.2 Hedging of interest rates

In 2003, TF1 subscribed a €300 M interest rate SWAP as part of the hedging of interest rates policy run by the group. The latter is described in the notes to the consolidated accounts.

The impact of the hedging of interest rates on December 31, 2004 is reported within financial profits for €5.4 M.

## 4.3 Employees

The number of employees at the financial year-end, according to the standards in force under the Collective Agreement on Communication and Audiovisual Production, was as stated in the table below:

| | 2004 | 2003 | 2002 |
|---|---|---|---|
| College 1 - Workers and clerical employees | 28 | 34 | 39 |
| College 2 - Technical staff | 470 | 465 | 446 |
| College 3 - Managerial and executive staff | 742 | 701 | 671 |
| College 4 - Journalists | 245 | 236 | 227 |
| **Total** | **1,485** | **1,436** | **1,383** |

## 4.4 Executive compensation

Remuneration of the eight Executive Directors (composed of three Group Board Members and five divisional Group Directors) for the year ended December 31, 2004 amounted to €6,532,884.

No significant personal loans or guarantees have been granted to any Director or Board Member apart from share loans to Directors who are also Board Members.

## 4.5 Share purchase options and share subscription options

Information relating to options granted to employees is given in paragraph 5.6 of the Report of the Board of Directors.

## 4.6 Directors' fees

Directors' fees paid in 2004 amounted for €285,469.

## 4.7 Movements in provisions

| (in euros million) | 01.01.04 | INCREASE | DECREASE | 31.12.04 |
|---|---|---|---|---|
| Regulated provisions | | | | |
| • In respect of intangible fixed assets (programmes) | 132.5 | 19.6 | 34.1 | 118.0 |
| Provisions for liabilities and charges | 41.5 | 13.3 | 20.0 | 34.8 |
| Provisions for depreciation of fixed assets | 3.0 | 0.5 | 0.3 | 3.2 |
| Provisions on financial assets | | | | |
| • Long-term investments | 106.7 | 84.6 | – | 191.3 |
| • Related loans | – | – | – | – |
| Provisions for depreciation of current assets | | | | |
| • Inventories | 84.5 | 29.7 | 22.8 | 91.4 |
| • Other debtors | 8.8 | 14.0 | 7.1 | 15.7 |
| **Total** | **377.0** | **161.7** | **84.3** | **454.4** |

## 4.8 Financial and short-term investments held at December 31, 2004

| FINANCIAL INVESTMENTS | NUMBER OF SHARES | % | SHAREHOLDERS' FUNDS (in euros) |
|---|---|---|---|
| EUROSPORT | 150,000,000 | 100.00 | 287,981,609 |
| SYALIS | 2,307,019 | 100.00 | 35,018,041 |
| TF1 ENTREPRISES | 200,000 | 100.00 | 20,202,803 |
| TF1 FILMS PRODUCTION | 169,994 | 100.00 | 19,889,933 |
| TF1 INTERNATIONAL | 4,499,998 | 100.00 | 17,147,927 |
| TF1 PUBLICITE | 30,000 | 100.00 | 14,354,311 |
| TELESHOPPING | 8,500 | 100.00 | 7,272,201 |
| TCM DA | 5,100 | 34.00 | 3,219,258 |
| PRIMA TV | 3,185,000 | 49.00 | 2,619,064 |
| e-TF1 | 999 | 99.90 | 2,600,380 |
| EUROPA TV | 1,885,000 | 29.00 | 1,524,324 |
| TAP | 5,000 | 100.00 | 761,062 |
| STUDIOS 107 | 120,000 | 100.00 | 388,319 |
| YAGAN PRODUCTIONS | 40,000 | 75.09 | 156,721 |
| ALMA PRODUCTIONS | 5,000 | 100.00 | 114,702 |
| PUBLICATIONS METRO FRANCE | 343 | 34.30 | 69,130 |
| TAPAS 5 | 40,000 | 100.00 | 40,000 |
| TAPAS 6 | 40,000 | 100.00 | 40,000 |
| TAPAS 7 | 40,000 | 100.00 | 40,000 |
| TAPAS 8 | 40,000 | 100.00 | 40,000 |
| TAPAS 9 | 40,000 | 100.00 | 40,000 |
| TAPAS 10 | 40,000 | 100.00 | 40,000 |
| SAGIT | 39,994 | 99.99 | 37,562 |
| @ TF1 | 39,999 | 100.00 | 36,222 |
| SMR6 | 15,000 | 20.00 | 15,000 |
| TCM GESTION | 848 | 33.92 | 12,642 |
| USHUAIA TV | 9,999 | 99.99 | 9,999 |
| TVB NANTES | 440 | 11.00 | 3,962 |
| LES NOUVELLES EDITIONS TF1 | 25 | 1.00 | 1,584 |
| TELEMA | 1 | 0.01 | 584 |
| TF6 | 1,600 | 0.02 | 408 |
| SERIE CLUB | 1 | 0.004 | 53 |
| TRICOM & CIE | 2 | 0.07 | 33 |
| TRICOM | 1 | 0.003 | 23 |
| EUROSHOPPING | 1 | 0.02 | 19 |
| COMIQUE COMPAGNIE | 1 | 0.20 | 17 |
| TF6 GESTION | 1 | 0.001 | 1 |
| **Total financial investment** | | | **413,677,894** |

Shareholders' funds correspond to the proportion of net shareholders' equity owned by TF1 SA.

| MARKETABLE SECURITIES | NUMBER OF SHARES | SHARE PRICE AT **31.12.04** | SHAREHOLDERS' FUNDS (in euros) |
|---|---|---|---|
| AGF EUROCASH | 9,020 | 3,541.39 | 31,943,338 |
| DEXIA MONEY 3 M | 1,430 | 17,913.81 | 25,616,748 |
| FORTIS EURO TRESORERIE | 510 | 48,356.56 | 24,661,846 |
| CARDIF TRESORERIE | 1,446 | 16,330.38 | 23,613,729 |
| NATEXIS SECURITE JOUR | 435 | 48,648.40 | 21,162,054 |
| **Total marketable securities** | | | **126,997,715** |
| | | | |
| **Total investments** | | | **540,675,609** |

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## 4.9 Subsidiaries and financial investments

| COMPANIES OR GROUPS OF COMPANIES | CURRENCY | SHARE CAPITAL | RESERVES | INTEREST HELD | GROSS BOOK VALUE OF SHARES HELD | NET BOOK VALUE OF SHARES HELD | LOANS AND CREDITS GRANTED BUT NOT YET REPAID | GUARANTEES AND PLEDGES GRANTED | TURNOVER IN LAST ACCOUNTING PERIOD | NET RESULT IN LAST ACCOUNTING PERIOD | DIVIDENDS RECEIVED DURING THE PERIOD |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | (€ thousands or foreign currency units if indicated) | | | | | | (€ thousands) | | | |
| **I - SUBSIDIARIES (holding of at least 50% of shares)** | | | | | | | | | | | |
| TF1 PUBLICITE | | 2,400 | 5,983 | 100.00% | 3,038 | 3,038 | – | – | 1,701,757 | 5,972 | 3,870 |
| TF1 FILMS PRODUCTION | | 2,550 | 16,780 | 99.996% | 1,768 | 1,768 | – | – | 16,837 | 561 | 400 |
| TÉLÉ SHOPPING | | 127 | 460 | 100.00% | 130 | 130 | – | – | 82,876 | 6,684 | 2,924 |
| TF1 PUBLICATIONS | | 75 | (1,528) | 99.88% | 519 | – | 1,402 | – | – | 44 | – |
| TF1 ENTREPRISES | | 3,000 | 431 | 100.00% | 3,049 | 3,049 | – | – | 40,068 | 16,772 | 18,020 |
| SYALIS | | 36,912 | 6 | 100.00% | 41,680 | 41,680 | – | – | – | (1,900) | – |
| TF1 US | USD | 28 | – | 100.00% | 24 | 24 | – | – | – | – | – |
| SWONKE | | 18 | 420 | 100.00% | 900 | 441 | – | – | – | – | – |
| e-TF1 | | 1,000 | (46) | 99.90% | 999 | 999 | – | – | 49,881 | 1,649 | – |
| TF1 DIGITAL | | 99,132 | (103,508) | 100.00% | 99,132 | – | 48,724 | – | 538 | (26,715) | – |
| @ TF1 | | 40 | (2) | 100.00% | 40 | 40 | – | – | – | (2) | – |
| SAGIT | | 40 | (1) | 99.99% | 40 | 40 | – | – | – | (1) | – |
| EUROSPORT SA | | 15,000 | 258,949 | 100.00% | 234,243 | 234,243 | 268,823 | – | 364,337 | 14,032 | – |
| TF1 PRODUCTION | | 40 | (156) | 100.00% | 40 | 40 | 13,360 | – | – | (13,106) | – |
| TF1 EXPANSION | | 38 | (60,839) | 100.00% | 94,921 | 94,921 | 53,499 | – | – | (2,112) | – |
| SACAS | | 38 | (24,546) | 99.96% | 154,628 | 154,628 | – | – | – | (1,705) | – |
| TF1 INTERNATIONAL | | 10,800 | 6,965 | 100.00% | 66,431 | 9,731 | 15,707 | – | 43,232 | (617) | – |
| TV BREIZH | | 3,404 | – | 71.14% | 19,013 | 2,413 | 1,760 | – | 6,916 | (5,890) | – |
| YAGAN PRODUCTIONS | | 53 | 116 | 75.09% | 40 | 40 | – | – | 5,470 | 40 | – |
| USHUAIA TV | | 10 | – | 99.99% | 10 | 10 | – | – | – | – | – |
| TAP | | 80 | 246 | 100.00% | 80 | 80 | 373 | – | 5,391 | 435 | – |
| STUDIOS 107 | | 1,800 | (204) | 100.00% | 4,680 | – | 4,149 | – | 9,227 | (1,207) | – |
| ALMA PRODUCTIONS | | 80 | 167 | 100.00% | 80 | 80 | 2,557 | – | 15,827 | (132) | – |
| GLEM | | 13,580 | 577 | 100.00% | 13,822 | 4,022 | 4,096 | – | 47,549 | (14,299) | – |
| TF1 PUBLICITE PRODUCTION | | 37 | 104 | 100.00% | 37 | 37 | – | – | 13,019 | (375) | 3 |
| TAPAS 5 | | 40 | – | 100.00% | 40 | 40 | – | – | – | – | – |
| TAPAS 6 | | 40 | – | 100.00% | 40 | 40 | – | – | – | – | – |
| TAPAS 7 | | 40 | – | 100.00% | 40 | 40 | – | – | – | – | – |
| TAPAS 8 | | 40 | – | 100.00% | 40 | 40 | – | – | – | – | – |
| TAPAS 9 | | 40 | – | 100.00% | 40 | 40 | – | – | – | – | – |
| TAPAS 10 | | 40 | – | 100.00% | 40 | 40 | – | – | – | – | – |
| **II - FINANCIAL INVESTMENTS (holding 10% to 50% of shares)** | | | | | | | | | | | |
| MEDIAMETRIE | | 930 | 6,039 | 10.75% | 15 | 15 | – | – | 37,066 | 935 | 25 |
| MERCURY INTERN. FILM | DEM | 1,000 | – | 50.00% | 255 | 255 | – | – | – | – | – |
| TCM GESTION | | 40 | (2) | 33.92% | 14 | 14 | – | – | 3 | – | – |
| TCM AUDIOVISUAL RIGHTS | | 240 | 8,176 | 34.00% | 82 | 82 | 6,173 | – | 14,571 | 1,053 | 1,544 |
| PUBLICATIONS METRO FRANCE | | 100 | 2,775 | 34.30% | 12,000 | 12,000 | – | – | – | (2,673) | – |
| TVB NANTES | | 40 | (2) | 11.00% | 4 | 4 | – | – | – | (2) | – |
| SMR6 | | 75 | – | 20.00% | 15 | 15 | 5 | – | – | – | – |
| PINK TV | | 133 | (3,151) | 11.44% | 497 | 497 | 816 | – | 766 | (5,262) | – |
| EUROPA TV | | 6,500 | – | 29.00% | 24,296 | 22,031 | 345 | – | 8,067 | (8,492) | – |
| PRIMA TV | | 6,500 | – | 49.00% | 13,790 | 12,740 | 420 | – | 13,181 | (3,214) | – |
| **III - FINANCIAL INVESTMENTS (holding of less than 10%)** | | | | | | | | | | | |
| GIE CHALLENGER FORMATION | | 11 | – | 6.67% | 1 | 1 | – | – | 1,556 | – | – |
| MEDIAMETRIE EXPANSION | | 1,829 | (67) | 5.00% | 91 | – | – | – | – | 110 | – |
| TPS GESTION | | 72 | (35) | 0.021% | – | – | – | – | 507 | (92) | – |
| LES NOUVELLES EDITIONS TF1 | | 40 | (17) | 1.00% | – | – | – | – | 289 | 136 | – |
| EUROSHOPPING | | 75 | – | 0.02% | – | – | – | – | – | 21 | – |
| TRICOM & CIE | | 45 | 7 | 0.07% | – | – | – | – | – | (3) | – |
| TF6 | | 80 | 118 | 0.02% | – | – | – | – | 17,646 | 1,841 | – |
| TF6 GESTION | | 80 | – | 0.001% | – | – | – | – | 9 | 3 | – |
| SERIE CLUB | | 50 | 327 | 0.004% | 2 | 2 | – | – | 9,617 | 954 | – |
| SED ODYSSEE | | 8 | (64) | 0.20% | – | – | 1,761 | – | 4,426 | (186) | – |
| LA CHAINE INFO | | 4,500 | 50 | 0.0003% | – | – | 2,611 | – | 40,216 | (9,663) | – |
| TF1 SATELLITE | | 37 | – | 0.04% | 62 | 62 | – | – | – | (1,013) | – |
| TELEMA | | 1,000 | 4,746 | 0.01% | 3 | 3 | – | – | 36,186 | 90 | – |
| TRICOM | | 450 | 183 | 0.003% | – | – | – | – | – | 118 | – |
| COMIQUE COMPAGNIE | | 8 | 3 | 0.20% | – | – | 1 | – | – | (3) | – |
| **Total** | | | | | **790,711** | **599,415** | | | | | |

## 4.10 Post balance sheet events

No significant event has occurred since the end of the year.

## Statutory auditors' report on the financial statements

Financial year ended december 31, 2004

In accordance with our appointment by your Shareholders' Annual General Meeting, we hereby report to you, for the year ended December 31, 2004, on:

- the audit of the accompanying financial statements of TF1, presented on pages 90 to 104 of the financial report,
- the basis of our conclusions,
- the specific verifications and information required by law.

These financial statements have been approved by the Board of Directors. Our role is to express an opinion on these financial statements, based on our audit.

### Opinion on the financial statements

We conducted our audit in accordance with auditing standards generally accepted in France. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements, prepared in accordance with accounting principles generally accepted in France, give a true and fair view of the company's financial position and its assets and liabilities at December 31, 2004 and of the results of its operations for the year then ended.

Without calling into question the opinion given above, we draw your attention to the change in accounting method regarding programme broadcasting rights, mentioned in section 1-1 of the notes.

### Basis of our conclusions

In conformity with the provisions of Article L.225-235, paragraph 1, of the French Commercial Code, which require that we substantiate our conclusions, we draw your attention to the following:

- As part of our review of the accounting principles used by the company, we checked the appropriateness of the change in accounting method described in section 1-1 of the notes and its presentation made to ensure comparability between accounting periods.
- Section 1.4 of the notes describes the method used to determine the value in use of investments for which a provision for amortisation may be recorded. Based on the information available to us, we ensured that the approach adopted by the company was relevant, and that the assumptions made and resulting valuations were reasonable.
- Co-production shares and broadcasting rights are accounted for in accordance with the policy and methods described in Sections 1.2 and 1.5 of the notes which, in particular, defines how the provisions for depreciation are to be determined. We assessed the provisions for depreciation by analysing the reliability of the broadcasting forecasts, particularly by comparing previous broadcasting forecasts with actual performance. When assessing these figures, we ensured that the assumptions made and associated valuations were reasonable.

These conclusions were formed as part of our audit of the annual financial statements taken as a whole and have therefore contributed to the formation of our unqualified opinion, given in the first part of this report.

### Specific verifications and information

We also carried out the specific verifications required by law, in accordance with French generally accepted auditing standards.

We have no comments to make as to the fair presentation and the conformity with the financial statements of the information given in the Board of Directors' management report, and in the documents sent to the shareholders with respect to the financial position and the annual financial statements.

In accordance with the law, we verified that the Directors' report contains the appropriate disclosure as to the acquisition of shares and controlling interests.

Paris la Défense and Paris, March 17, 2005

The Statutory Auditors

| | |
|---|---|
| MAZARS & GUERARD | SALUSTRO REYDEL |
| Michel ROSSE | Jean-Pierre CROUZET |

## Statutory auditors' report on regulated contracts

Financial year ended december 31, 2004

As the Statutory Auditors of your company, we hereby present to you our report on regulated contracts.

We are not required to investigate the possible existence of agreements, but to inform you, on the basis of the information provided to us, of the basic terms and conditions of the agreements which have been brought to our attention; nor are we required to express an opinion on their appropriateness or merit. It is your responsibility, according to the provisions of Article 92 of the Decree of March 23, 1967, to assess the purpose and benefits of these agreements, with a view to approving them.

We have not been informed of any agreements, as specified by Article L.225-40 of the French Commercial Code, being entered into during the year.

In accordance with the Decree of March 23, 1967, we have been informed of the following agreements, which were approved during previous years, and were applicable during the period.

### Agreements with subsidiaries

The agreements signed on May 24, 2002 provide for the invoicing of specific services rendered, at the request of TF1 subsidiaries, by the administrative departments (management, human resources, legal and finance) and a proportion of the residual shared administrative service costs, which includes the amount invoiced by Bouygues to TF1 under the terms of the common services agreement between them. This proportion is determined by applying the key allocation criteria (number of employees and turnover) specific to each type of cost.

During 2004, besides specific services rendered in conformity with market conditions, TF1 invoiced certain subsidiaries a proportion of the residual shared administrative service costs, as defined in these agreements, as follows:

| (€'000s) | AMOUNT (EXCLUDING VAT) |
|---|---|
| TF1 PUBLICITÉ | 16,188 |
| EUROSPORT | 3,373 |
| TF1 ENTREPRISES | 441 |
| TF1 VIDÉO | 1,673 |
| LA CHAÎNE INFO | 668 |
| UNE MUSIQUE | 42 |
| e-TF1 | 675 |
| YAGAN PRODUCTIONS | 63 |
| TELESHOPPING | 867 |
| TF1 FILMS PRODUCTION | 118 |
| STUDIOS 107 | 134 |
| TF1 INTERNATIONAL | 506 |
| ODYSSEE | 65 |
| TF1 PUBLICITE PRODUCTION | 189 |
| TAP | 62 |
| ALMA PRODUCTIONS | 180 |
| **Total** | **25,244** |

### Agreements with Bouygues

– The common services agreement (relating to management, human resources, company law, IT, advice and finance) entered into between TF1 and Bouygues on October 8, 1997, provides for the invoicing of specific services rendered, at TF1's request, by these common services and a proportion of the residual shared service cost. This proportion, determined by applying key allocation criteria (number of employees, long term capital and turnover) specific to each type of cost, cannot exceed 0.45% of TF1's consolidated turnover before tax.

During 2004, the amount invoiced by Bouygues, excluding any specific services rendered as defined in this agreement, was €5.2 million.

– The company's investment management agreement enables TF1 to use Bouygues' central administrative department for investment management purposes.

During 2004, Bouygues invoiced €60,000 for these services.

– The air transport agreement regarding the aircraft owned by Bouygues enables TF1 to use Bouygues' Air Transport Department, which operates the aircraft fleet of the Bouygues group. The fixed fee per flying hour was €5,300 in 2004.

During 2004, Bouygues invoiced €0.9 million for these services.

### Agreement with Eurosport

Under the terms of a long-term loan contract between TF1 and Eurosport, TF1 granted Eurosport a long-term loan of €278.8 million.

This loan came into effect on January 1, 2002, for a seven-year period, and must be fully repaid by January 2, 2009.

TF1 has agreed that Eurosport can defer for five years the repayment of the principal.

Interest is calculated on the basis of the three-month Euribor rate plus 0.375%.

TF1 has entered into an interest rate cap and swap on behalf of Eurosport to hedge against an increase in the three-month Euribor rate.

During 2004, TF1 invoiced €10.9 million, including interest and premiums on hedging instruments, under this agreement.

### Agreement with TPS

Under an agreement entered into on November 30, 2004, TF1 granted TPS a bridging loan on its confirmed credit lines, using a current account. This was subject to the same terms and conditions as the previous one of December 2003, except that the amount of the current account was increased from €270 million to €299 million. The agreement is valid for a one-year period.

TPS may draw funds from both (or one) of its shareholders (TF1 owns a 66% stake and Métropole Télévision – M6 a 34% stake).

This agreement enables TPS to:
- draw funds on a day-to-day basis with interest at the EONIA rate plus 0.25%;
- lock-in cash over a three-month period on the basis of the three-month Euribor rate plus 0.15%.

During 2004, TF1 invoiced €2.3 million under this agreement.

We conducted our work in accordance with the auditing standards generally accepted in France. Those standards require that we plan and perform our work to enable us to verify that the information provided to us conforms with the source documentation from which it is derived.

Paris la Défense and Paris, March 17, 2005

The Statutory Auditors

| | |
|---|---|
| MAZARS & GUERARD | SALUSTRO REYDEL |
| Michel ROSSE | Jean-Pierre CROUZET |

## Board of Directors, Auditors (February 2005)

**Patrick LE LAY** (June 7, 1942)
Chairman and Chief Executive Officer of TF1
since October 11, 1988
Member of TF1 Administrators Selection Committee
Appointed April 17, 1987

- Administrator/Chairman of TV Breizh SA
- Administrator of Bouygues SA
- Administrator of Colas SA
- Administrator of Prima TV SA
- Permanent representative of TF1 International SA for TF1 Films Production SA
- Permanent representative of TF1 Development SA for TPS Gestion SA
- Permanent representative of TF1 for Téléma SAS
- Permanent representative of TV Breizh SA for TVB Nantes SA
- Permanent representative of TPS Sport SNC for TPS Motivation SA

**Patricia BARBIZET** (April 17, 1955)
Chairman of TF1 Audit Committee
Member of TF1 Compensation Committee
Co-opted July 12, 2000

- Chief Executive Officer of Financière Pinault SCA
- Member and Chairman of the Supervisory Board of Pinault-Printemps-Redoute SA
- Member of the Supervisory Board of Yves Saint Laurent SAS
- Member of the Supervisory Board of Yves Saint Laurent Parfums SA
- Member of the Supervisory Board of Chateau Latour (SC)
- Administrator - Chief Executive Officer of Artemis SA
- Administrator - Chairman of the Board of Théâtre Marigny SA
- Administrator/Chairman and Chief Executive Officer of Piasa SA
- Administrator of FNAC SA
- Administrator of Air France SA
- Permanent representative of Artémis for Bouygues SA
- Permanent representative of Artémis for Sebdo le Point SA
- Permanent representative of Artémis for AGEFI SA
- Board Member and Chairman of Christies International PLC (GB)
- Board Member of the Supervisory Board of Gucci (Holland)

**Martin BOUYGUES** (May 3, 1952)
Chairman and Chief Executive Officer of Bouygues
Chairman of TF1 Administrators Selection Committee
Appointed September 1, 1987

- Administrator/Chairman and Chief Executive Officer of Bouygues SA
- Chairman of SCDM SA
- Administrator of Société de Distribution d'Eau de la Côte-d'Ivoire (SODECI) SA
- Administrator of Compagnie Ivoirienne d'Electricité (CIE) SA
- Administrator of Crédit Commercial de France (CCF)

**Claude COHEN** (June 24, 1941)
Chairman of TF1 Publicité since October 15, 2004
Chief Executive Officer of TF1 Publicité
between March 1, 1987 and October 14, 2004
Co-opted October 7, 1997

- Administrator of Eurosport SA

**Michel DERBESSE** (April 25, 1935)
Joint Chief Executive Officer of Bouygues
Appointed January 19, 1994

- Administrator/Joint Chief Executive Officer of Bouygues SA
- Administrator of Bouygues Construction SA
- Administrator of Colas SA
- Administrator of Bouygues Immobilier SA
- Administrator of Bouygues Télécom SA
- Administrator of Fédération Nationale des Travaux Publics SA

**Philippe MONTAGNER** (December 4, 1942)
Chief Executive Officer for Telecommunications
of Bouygues
Appointed January 23, 1995

- Administrator of Bouygues Telecom SA
- Administrator of ETDE SA
- Independent Administrator of Bouygues SA

**Etienne MOUGEOTTE** (March 1, 1940)
Senior Executive Vice President of TF1 since April 30, 1987
Member of TF1 Administrators Selection Committee
Appointed January 12, 1991

- Administrator/Chairman and Chief Executive Officer of TF1 Films Production SA
- Administrator/Chairman and Chief Executive Officer of TF1 Digital SA
- Administrator of Eurosport SA
- Administrator of LV & CO SA
- Permanent representative of TF1 for TF6 Gestion SA
- Permanent representative of TF1 for Les Nouvelles Editions TF1 SAS
- Permanent representative of TF1 for TV Breizh SA
- Permanent representative of TF1 for TVB Nantes SA
- Permanent representative of TF1 for Glem SA
- Permanent representative of TF1 for Télévision Par Satellite Gestion SA
- Permanent representative of TF1 for Extension TV SA
- Permanent representative of TF1 for Médiamétrie SA

**Olivier POUPART-LAFARGE** (October 26, 1942)
Joint Chief Executive Officer of Bouygues
Chief Executive Officer of SCDM SAS
Member and Chairman of TF1 Compensation Committee
Member of TF1 Audit Committee
Appointed April 17, 1987

- Administrator/Joint Chief Executive Officer of Bouygues SA
- Administrator of Bouygues Telecom SA
- Administrator of Colas SA
- Administrator of BIC SA
- Administrator of Novasaur SA
- Permanent representative of Bouygues for Bouygues Construction SA
- Permanent representative of Bouygues for Bouygues Travaux Publics SA
- Permanent representative of Bouygues for Bouygues Batiment International SA
- Permanent representative of Bouygues for Bouygues Immobilier SA

**Alain POUYAT** (February 28, 1944)
Chief Executive Officer of Information Systems and New Technology of Bouygues
Co-opted March 18, 1998

- Administrator of Bouygues SA
- Administrator of Bouygues Télécom SA
- Administrator of ETDE SA
- Administrator of C2S SA
- Administrator of Société Parisienne d'Etudes Informatiques et de Gestion SA

**Haïm SABAN** (October 15, 1944)
Chairman and Chief Executive Officer of Saban Capital Group (USA)
Appointed April 23, 2003

- Director and Chairman of ProsiebenSat. 1 Media AG (Germany)
- Director of Directv Group Inc. (USA)
- Director and Chief Executive Officer of German Media Partners Management Ltd (British Virgin Islands)
- Director and Chief Executive Officer of KSF Corp. (USA)
- Management Committee Member and Chief Executive Officer of German Media Partners, LLP (British Virgin Islands)
- Board of Managers of GT Brands Holdings, LLC (USA)

**Jean-Pierre PERNAUT** (April 8, 1950)
Vice President since February 1993
Elected February 23, 1988 as Employee representative

**Céline PETTON** (February 20, 1971)
Archivist since November, 1994
Elected April 23, 2002 as Employee representative

# Corporate governance

## Statutory Auditors

| Statutory Auditors | DATE OF FIRST APPOINTMENT | EXPIRY DATE OF PRESENT APPOINTMENT |
|---|---|---|
| **Salustro Reydel**<br>8, avenue Delcassé - 75008 Paris | General Meeting of January 14, 1988 | General Meeting approving the 2004 annual accounts |
| **Mazars & Guerard**<br>Immeuble Le Vinci - 4, allée de l'Arche - 92075 Paris La Défense | General Meeting of May 15, 2001 | General Meeting approving the 2006 annual accounts |
| **Alternate auditors** | | |
| **Jean-Louis Mullenbach**<br>8, avenue Delcassé - 75008 Paris | General Meeting of January 14, 1988 | General Meeting approving the 2004 annual accounts |
| **Thierry Colin**<br>Mazars & Guerard<br>Immeuble Le Vinci - 4, allée de l'Arche - 92075 Paris La Défense | General Meeting of May 15, 2001 | General Meeting approving the 2006 annual accounts |

The General Meeting of April 20, 2004 renewed the mandate of Alain POUYAT as administrator for two years. The elections of Jean-Pierre PERNAUT and Céline PETTON as Employee Representatives were noted.

The General Meeting of April 23, 2003 renewed the mandates of Patricia BARBIZET, Martin BOUYGUES, Claude COHEN, Michel DERBESSE, Patrick LE LAY, Philippe MONTAGNER, Etienne MOUGEOTTE and Olivier POUPART LAFARGE as administrators for two years. Haïm SABAN was appointed as administrator for two years replacing Société Générale.

## Corporate governance

Acting in the interests of shareholders and wishing to comply with corporate governance requirements, Board Directors are responsible for ensuring that they have at their disposal the resources and information needed for the decision-making process. For large projects, the Directors may request that some of their number form ad hoc committees to validate projects and assess their impact on the accounts and financial situation of the Group. An ad hoc committee was formed, for example, when TF1 took part in the invitation to bid for the TV rights to French League 1 football.

Furthermore, each year the Directors review corporate governance practices, especially the operating methods of their Board, and assess how appropriate the Board's organisational structure is. In view of the way it functions, the Board did not consider it necessary to impose any specific limitations on the Chairman's powers.

### 1 Board of Directors

The TF1 Board of Directors is controlled by the group of investors who, as majority shareholders, shape the Group's corporate governance policy.

The Board of Directors currently comprises 12 directors, of which, as required statutorily by Article 10 of the Articles of Incorporation, two are representatives of the employees elected by the employee electoral colleges as defined by Article 66 of the 86-1067 Law of September 30, 1986.

Three women sit on the Board, and one independent director, as specified by the "Bouton" report, was appointed at the General Meeting of April 23, 2003.

Directors and the Chairman of the Board of Directors are elected for a two-year term of office. The age limit for the function of the Chairman of the Board is fixed at 68 years.

Each director has one vote. In the case of a tie, the Chairman of the meeting has the casting vote.

Directors are required to inform the Chairman of the Board of Directors of any conflict of interest situation, even a potential one, and do not to take part in a vote or any deliberation which concerns them either directly or indirectly.

Directors were informed of the new obligation that came into effect on November 25, 2004, to declare any dealing in TF1 shares undertaken by them, or by persons having close personal links with them. These dealings should be reported within five days of the trade in accordance with Article 222-14 of the General Rules of the French stock exchange authority ("Autorité des Marchés Financiers" "AMF"). TF1 then communicates the information, which must include the individual's name and personal dealing details, to the AMF and makes it public in a communiqué.

The Directors and any other person invited to attend Board meetings are obliged to treat as strictly confidential any information disclosed to the Board of Directors.

The Board of Directors' function is to:

- Determine the company's and the Group's direction and strategy;
- Approve significantly-sized operations, major investments and internal restructuring operations;
- Monitor their execution;
- Provide information to shareholders and the financial markets;
- Carry out any verifications which it considers appropriate;
- Decide the compensation of company officers.

All documents and pertinent information necessary for deliberations and decision-making, subject to regulatory and social constraints, is made available to Directors during meetings, with potential risks identified. Directors are also provided with the minutes of the meetings of the Audit Committee, the Compensation Committee and the Administrators Selection Committee.

Information is received periodically by Directors concerning the company and the Group, including strategic and business plans, information for monitoring activity, turnover, the financial situation, cashflow and liabilities, events affecting or likely to affect the Group's consolidated profits and significant issues pertaining to human resources and headcount changes.

Directors can, moreover, provide supplementary information on their own initiative; the Chairman is permanently available to the Board to provide explanations and substantive information.

Board meetings are in principle held quarterly, with the possibility of additional meetings being convened for particular presentations or to examine exceptional issues. In 2004, the TF1 Board of Directors met on five occasions.

## Corporate governance

The main decisions in 2004 of the Board were the following:
- Meeting of February 23: to approve the 2003 annual accounts and call the general meeting;
- Meeting of June 8: review of the first quarter 2004 accounts, and the strategic directions and business lines of the Group;
- Meeting of July 7: review and authorisation of the acquisition of an interest in Socpresse;
- Meeting of August 31: review of the accounts for the first half of 2004;
- Meeting of November 30: review of the accounts for the third quarter, analysis of business activity and the estimated annual results for 2004, the three-year plan, authorisation to submit bids for the TV broadcasting rights to French League 1 football and examination of the Board's working;
- Directors' fees for 2004 were allocated as follows:
  – Director: the standard annual amount is €15,250. Fifty per cent of the fee is by reason of the Directors' responsibilities and fifty per cent for attending Board meetings;
- Committee member:
  – Audit committee: €2,000 per member, per quarter,
  – Compensation committee: €1,200 per member, per quarter,
  – Selection committee: €1,200 per member, per quarter;
- For the specific mandate of Chairman: €6,000 per month.

There are three specialised committees within the Board: the Audit Committee, the Compensation Committee, and the Director Selection Committee. The Board determines the make-up and powers of the committees, which carry out their activities under their own responsibility, and designate their members from among the Directors.

These committees are composed of two or three Directors. Any individual occupying the function of Chairman, Chief Executive Officer or Joint Chief Executive Officer of TF1 is not entitled to be a member of the Audit Committee or the Compensation Committee. The three committees meet at the initiative of their respective chairmen or at the request of the Chairman of the Board of Directors and can deliberate provided two of their members are present. Decisions are made by simple majority of the members and they report on their work at the next meeting of the Board of Directors.

### 2 The Audit Committee

Created on February 24, 2003, the Audit Committee is made up of Patricia BARBIZET, Chairman, and Olivier POUPART-LAFARGE.

The role of the Audit Committee is to:
- examine the company and consolidated accounts before their presentation to the Board;
- ensure the appropriateness and long-term validity of the accounting procedures adopted for the preparation of these accounts;
- verify the internal collection and control procedures involved in drawing up the relevant information;
- report and make recommendations on the above, both regularly each time accounts are presented and/or on any other occasion justifying it;
- give their view on the reappointment or nomination of the statutory auditors;
- examine conclusions of the Internal audit function and to validate its annual plan.

Four meetings are planned per year during which the quarterly, half-yearly and annual accounts are examined before their presentation to the Board.

The Committee held four meetings in 2004 and one in the first quarter of 2005. The minutes of each meeting are presented to Directors.

### 3 The Compensation Committee

Created in 1989, the Compensation Committee is made up of Olivier POUPART-LAFARGE, Chairman, and Patricia BARBIZET.

The role of the Compensation Committee is to:
- propose to the Board of Directors the compensation and benefits in kind to be granted to company officers;
- examine the stock subscription or purchase plan(s) for directors and employees;
- propose compensation and incentive plans for group executives;
- submit to the Board each year the draft report required by French Commercial Law (Code de commerce) concerning:
  – the compensation and benefits granted to company officers by the company and companies it controls;
  – the stock subscription or purchase options granted to and exercised by company officers and the 10 company employees who are the principal beneficiaries;
  – the options granted to and exercised by employees of companies under the majority control of TF1.

The Committee met twice in 2004 and once in the first quarter of 2005. The minutes of each meeting are presented to administrators.

### 4 The Administrators Selection Committee

Created on February 24, 2003, the Administrators Selection Committee is made up of Martin BOUYGUES, Chairman, Patrick LE LAY and Etienne MOUGEOTTE.

The role of the Administrators Selection Committee is to:
- periodically examine questions concerning the composition, organisation and functioning of the Board of Directors with a view to making proposals to the Board;
- examine specifically:
  - possible applications to a position as Administrator, while ensuring that the Board of Directors includes independent persons,
  - proposals for the creation of Board working committees, their ambit and membership,
  - all measures to be taken in order to ensure succession in the case of vacancy of a company officer.

The Committee met once in 2004 and once in the first quarter of 2005 and minutes have been sent to the Directors.

As from the 2004 General Meeting, the Chairman communicates each year the report required by the Financial Security Law (Loi sur la Sécurité Financière) of August 1, 2003 relating to the preparation and organisation of the Board of Directors' work and to procedures of internal control implemented by the company.

**ATTENDANCE OF ADMINISTRATORS AT BOARD MEETINGS IN 2004**

| | |
|---|---|
| Patrick Le Lay | 100% |
| Martin Bouygues | 100% |
| Claude Cohen | 100% |
| Michel Derbesse | 100% |
| Patricia Barbizet | 80% |
| Philippe Montagner | 100% |
| Etienne Mougeotte | 100% |
| Olivier Poupart-Lafarge | 80% |
| Alain Pouyat | 100% |
| Haïm Saban | 20% |
| Céline Petton | 100% |
| Jean-Pierre Pernaut | 100% |

## Internal control report

*Note: The full Chairman's report on internal control procedures is available free of charge in hard copy format at TF1's headquarters and can be obtained by any individual on request. The report is also available in electronic format on the Internet through the AMF and on the following website: http://www.tf1finance.fr.*

*Below you will find an overview of the Chairman's report on the internal control procedures.*

This part of the report aims to provide, in accordance with the Financial Security Law, the internal control procedures set up by the company. It focuses, firstly, on TF1 SA's efforts to define, upstream, the main strategic directions of the Group. Furthermore, TF1 SA provides coordination between the various group entities which involves the search for synergies and the harmonisation of procedures.

This report is the product of information gathering and analysis undertaken by the various internal control staff in the TF1 Group. The result is a factual description of the control environment and the procedures in place. A dynamic procedure is adopted enabling TF1 to ultimately evaluate the appropriateness and efficacy of its internal controls.

### 1 Internal control objectives

To analyse its internal control system, TF1 Group has adopted the "COSO" (Committee of Sponsoring Organizations of the Treadway Commission) methodology, which constitutes the benchmark for good practice currently adopted by the market's major players.

According to this benchmark, internal controls are defined as a process implemented by the Board of Directors, the Executive Management and all the personnel of an organisation, and designed to ensure a reasonable chance of the achievement of the following objectives:
- reliable financial information;
- conformity with current legal and regulatory practices;
- optimal execution of operations.

To achieve these objectives, the Group relies on formal procedures to ensure that management activity, operations and staff behaviour take place within a framework determined by applicable laws and regulations, representative social bodies and the company's internal values, standards and rules.

As with any control system, there is no absolute guarantee that the risk of error or fraud is completely under control or eliminated.

## 2 Environment and control

### 2.1 General control environment

The principles of Group's corporate governance, its organisational structure and the transmission of its values and rules constitute the general internal control environment.

- The organisation and the composition of the Board of Directors and specialised committees which assist it (Audit Committee, Compensation Committee and Administrators Selection Committee), as described in the section of the report on the preparation and organisation of the work of the Board of Directors and the Committees, are corporate governance compliant and internal control friendly.
- The targets adopted by the managers in charge of the various group entities are embodied in the three-year plan. As such, this plan is also a key element of the internal control environment. It defines the objectives in terms of sales levels and costs, as well as the resources, entities and teams to be mobilised.

Powers are delegated on the basis of guidelines set by the Group to ensure that the Group fulfils its obligations towards outside parties. Delegation pursues the twin objective of making operational staff take on responsibility and adequately fulfilling commitments.

### 2.2 Risk evaluation

TF1 has set up a working group which, in collaboration with external consultants, has identified risks and defined a decision-making system for crisis management. This initiative is in the context of a more wide-ranging risk management project led by the Major Risk Management Committee of the Bouygues group, in which TF1 participates.

### 2.3 Control activities

#### 2.3.1 Administration and Finance Department

**CENTRAL ACCOUNTS AND TAX DEPARTMENT**

The Central Accounts and Tax Department is responsible for defining the applicable accounting principles and guaranteeing the reliability of the systems for collating and processing financial information and the continuity of accounting methods. It ensures that parent company and consolidated financial statements are a true and fair reflection of the activity of the group companies according to existing standards and regulations. It also ensures that this information is supplied in the correct format and in a sufficiently timely manner for its effective use.

The Department also provides tax know-how and consultancy services and coordinates external auditor work and tax inspections for the entire Group.

**MANAGEMENT CONTROL DEPARTMENT**

The Management Control Department presents segmented financial data according to economic criteria in order to analyse performance, plan activity and results as well as, in a more general manner, conduct company operations.

It carries out detailed analysis of the Group, and in this process combines similar economic units into relevant categories: subsidiaries, sales departments, technical or functional entities, planning units or sectors.

The effectiveness of the system in each entity depends on the complementarity between an individual operations manager, who draws up and executes a plan validated by the General Management, and a management controller who is officially assigned to the operations manager and who assists him at every stage in the process.

**TREASURY AND FINANCING DEPARTMENT**

The Treasury and Financing Department is responsible for managing operations connected with financing, investment, hedging of foreign exchange and interest rate risks, and secure payment methods for the whole group, with the exception of some subsidiaries (TPS, TCM, etc.). These have their own treasury department providing independent financing.

#### 2.3.2 Human Resources Department

The Human Resources Department plays a key role in the selection, allocation and development of human resources for the efficient functioning of the various TF1 group entities.

The Human Resources Department monitors compliance with the French Labour Code and changes in labour policy in conjunction with the various employee representative bodies.

#### 2.3.3 General Secretariat and Legal Affairs Department

The Group General Secretariat coordinates and drives three main functions, organised as follows:

- The Legal Affairs Department, which is responsible for defining and supervising the group's policy on contracts, as well as monitoring the various aspects of company law within the Group;
- The Institutional Relations Service, which coordinates relations with the French and European authorities, ensures that TF1's regulatory obligations are met and closely follows all legal matters;
- The Insurance and Litigation Service, which centrally coordinates matters involving legal actions, property and insurance.

The General Secretariat also assumes a role in coordinating and driving the entire legal process forward. Lawyers can be assigned to the central entity or to different entities within the Group.

#### 2.3.4 Technology and Internal Resources Department

TF1's Technology and Internal Resources Department is responsible for producing broadcast programmes, the design, implementation and maintenance of IT and technical systems, as well as the management of the property portfolio, logistics operations and general services.

It guarantees broadcasting continuity by ensuring that the necessary human and technical resources are available and utilised.

Furthermore, this department operates TF1's Major Risks Committee, whose objective is ongoing analysis and operational management of risks.

### 2.4 Information and Communications

TF1's Technology and Internal Resources Department defines the IT systems needed to generate information and manage operations securely and efficiently, this in liaison with the operational and functional managements concerned. Extensive financial information systems, notably accounting, management and consolidation tools, are deployed throughout the group. Specific business applications are used where necessary in certain entities of the Group.

### 2.5 Internal control operations

Internal control systems must themselves be monitored continuously by management by means of frequent assessments, carried out by management staff having no direct authority over, or responsibility for, the operation in question.

#### 2.5.1 Internal Audit

TF1 Group now has its own internal audit service, which has taken over the assignments previously handled by the central audit function of the Bouygues group.

Internal audit therefore constitutes a tool for the analysis and control of information enabling risk to be identified and brought under control on an improving basis. The existence of an internal audit function operated by a department reporting to the Audit Committee is an important corporate governance milestone.

#### 2.5.2 Audit Committee

Created in 2003, the Audit Committee is composed of at least two Directors (TF1 Executive Directors and employees are excluded).

## 3 Description of internal control procedures

### 3.1 Procedures for the generation, control and communication of financial information

### 3.2 Securing of assets and optimisation of financial flows

### 3.3 Procedures put in place by TF1 Publicité

This chapter is available in the full version of the report.

## 4 Conclusion: a continual improvement plan

TF1 has already initiated several projects at its main entity and its subsidiaries to supplement and strengthen existing internal control systems.

Generally, ongoing improvements to processes, standards and information systems continue to be one of the Group's priority objectives in pursuit of the triple goal of efficiency, risk control and operational control.

This process leads to a dynamic vision of internal controls within TF1 Group, supported by the competences and involvement of all staff participants.

# Statutory Auditor's report

## Statutory auditors' report

**on the report by the chairman of the board of directors on internal control procedures**

Financial year ended december 31, 2004

As Statutory Auditors of TF1 and in accordance with the provisions of the final paragraph of Article L.225-235 of the French Commercial Code, we hereby present our report on the report prepared by the Chairman of your company in conformity with the provisions of Article L.225-37 of the French Commercial Code, for the year ended December 31, 2004.

The Chairman is required to report to you in particular on the manner in which the work of the Board is prepared and organised and on the internal control procedures implemented within the company.

Our role is to inform you of any observations we have on the disclosures and statements contained in the Chairman's report with regard to the internal control procedures applied for the preparation and treatment of accounting and financial information.

We conducted our review in accordance with the professional standards applicable in France Those standards require us to plan and perform our work so as to assess the fairness of presentation of the information provided in the Chairman's report on the internal control procedures used for the preparation and treatment of accounting and financial information. Those standards notably require that we:

- inform ourselves of the objectives and the general organisation of the internal control procedures used for the preparation and treatment of accounting and financial information presented in the Chairman's report.
- inform ourselves of the work underlying the information thereby provided in the report.

Based on our work, we have no comments to make on the disclosures and statements concerning the company's internal control procedures used for the preparation and treatment of the accounting and financial information contained in the report by the Chairman of the Board of Directors, prepared in conformity with the provisions of Article L.225-37 of the French Commercial Code.

Paris la Défense and Paris, March 17, 2005

The Statutory Auditors

| | |
|---|---|
| MAZARS & GUERARD | SALUSTRO REYDEL |
| Michel ROSSE | Jean-Pierre CROUZET |

# Resolutions

## Ordinary part

**First resolution**
**(Approval of the company accounts)**

The General Meeting, acting in compliance with the quorum and majority rules required for ordinary general meetings, having heard the Board of Directors' report and the Statutory Auditors' report on the activity and situation of the company for the financial year ending December 31, 2004 and on the said year's accounts, approves these reports and the annual accounts for the 2004 financial year comprising the Balance Sheet, the Profit and Loss account and the notes to the financial statements as submitted, as well as the operations reflected in these accounts and summarised in these reports.

The General Meeting approves the Directors' management of the Company for the 2004 financial year.

**Second resolution**
**(Approval of the consolidated accounts)**

The General Meeting, acting in compliance with the quorum and majority rules required for ordinary general meetings, having noted that the Board's report on the Group is included in the Directors' report and aware of the information contained in the Board's report and in the Statutory Auditors' report on the activity and situation of the Group for the financial year ending December 31, 2004 and on the consolidated accounts for the said financial year, approves these reports together with the consolidated accounts for 2004 comprising the Balance Sheet, the Profit and Loss account and the notes to the financial statements as submitted to them, as well as the operations reflected in these accounts and summarised in these reports.

**Third resolution**
**(Approval of agreements covered by Article L. 225-38 of the French Commercial Code)**

The General Meeting, acting in compliance with the quorum and majority rules required for ordinary general meetings, having noted the Statutory Auditors' special report on the agreements covered by Articles L. 225-38 of the French Commercial Code, approves the said agreements and the operations contained therein.

**Fourth resolution**
**(Appropriation and distribution of profits)**

The General Meeting, acting in compliance with the quorum and majority rules required for ordinary general meetings, after noting that the distributable profit amounts to €185,308,945.65, given a net profit for the year of €155,794,174.71 and €29,514,770.94 in retained earnings from the previous year, approves the following appropriation and distribution of profits proposed by the Board of Directors:

- Distribution of a dividend of (i.e. a net dividend of €0.65 per €0.2 nominal share) €139,138,823.85
- Leaving a balance to be carried forward of €46,170,121.80

Dividends will become payable on May 2, 2005.

In compliance with the dividend tax reform under Article 93 of the 2004 Rectifying Finance Act relating to income distributed with effect from January 1, 2005, and with the provisions of Article 243b of the French General Tax Code, the General Meeting notes that the entire dividend distributed is available for the 50% allowance provided for in paragraph 2, section 3 of Article 158 of the General Tax Code. Only natural persons domiciled for tax purposes in France qualify for this tax relief.

In compliance with the provisions of Article 225-210 of the French Commercial Code, the General Meeting authorises the inclusion, in Retained Earnings, of the amount of dividends relative to the TF1 shares that TF1 is authorised to hold as treasury shares.

The General Meeting notes that the net dividends distributed for financial years 2001, 2002 and 2003 were respectively €0.65, €0.65 and €0.65 net for each share of a nominal value of €0.2; the corresponding tax credits were €0.325, €0.325 and €0.325 on the basis on a 50% tax credit.

**Fifth resolution**
**(Transfer of amounts from the special long-term capital gains reserve to a reserve account)**

In order to comply with the reform of the long-term capital gains tax regime included in Article 39 of the 2004 Rectifying Finance Act, the General Meeting, acting in compliance with the quorum and majority rules required for ordinary general meetings, decides to transfer the €25,000,894.42 in the special long-term capital gains reserve to an account called Other Reserves, by December 31, 2005, at the latest.

## Resolutions

**Sixth resolution**
**(Presentation of share subscription or share purchase options granted or exercised in 2004)**

The General Meeting, acting in compliance with the quorum and majority rules required for ordinary general meetings, having heard the special report of the Board of Directors on share subscription or share purchase options granted or exercised in 2004, notes the information contained in this report.

**Seventh resolution**
**(Presentation of the way the work of the Board of Directors is organised and concerning internal control procedures)**

The General Meeting, acting in compliance with the quorum and majority rules required for ordinary general meetings, after hearing the Chairman of the Board of Directors' report on the way the work of the Board of Directors is organised and concerning the internal control procedures put in place by the company and the Statutory Auditors' special report on the section of the Chairman's report devoted to internal control procedures for collating and processing accounting and financial information, takes note of the information contained in these reports.

**Eighth resolution**
**(Presentation of share buy-back operations in 2004)**

The General Meeting, acting in compliance with the quorum and majority rules required for ordinary general meetings, after hearing informations relative to acquisitions, transfers or cancellations of shares realised in 2004 and mentioned in the directors' report of the Board of Directors, takes note of the information contained in this report.

**Ninth resolution**
**(Renewal of a Director's term of office)**

The General Meeting, acting in compliance with the quorum and majority rules required for ordinary general meetings, renews the term of office of Patricia BARBIZET, which expires at the end of this Meeting, for a further two years.

Her new term of office shall end at the close of the General Meeting convened to rule on the accounts for the 2006 financial year.

**Tenth resolution**
**(Renewal of a Director's term of office)**

The General Meeting, acting in compliance with the quorum and majority rules required for ordinary general meetings, renews the term of office of Martin BOUYGUES, which expires at the end of this Meeting, for a further two years.

His new term of office shall end at the close of the General Meeting convened to rule on the accounts for the 2006 financial year.

**Eleventh resolution**
**(Renewal of a Director's term of office)**

The General Meeting, acting in compliance with the quorum and majority rules required for ordinary general meetings, renews the term of office of Claude COHEN, which expires at the end of this Meeting, for a further two years.

Her new term of office shall end at the close of the General Meeting convened to rule on the accounts for the 2006 financial year.

**Twelfth resolution**
**(Renewal of a Director's term of office)**

The General Meeting, acting in compliance with the quorum and majority rules required for ordinary general meetings, renews the term of office of Patrick LE LAY, which expires at the end of this Meeting, for a further two years.

His new term of office shall end at the close of the General Meeting convened to rule on the accounts for the 2006 financial year.

**Thirteenth resolution**
**(Renewal of a Director's term of office)**

The General Meeting, acting in compliance with the quorum and majority rules required for ordinary general meetings, renews the term of office of Philippe MONTAGNER, which expires at the end of this Meeting, for a further two years.

His new term of office shall end at the close of the General Meeting convened to rule on the accounts for the 2006 financial year.

**Fourteenth resolution**
**(Renewal of a Director's term of office)**

The General Meeting, acting in compliance with the quorum and majority rules required for ordinary general meetings, renews the term of office of Etienne MOUGEOTTE, which expires at the end of this Meeting, for a further two years.

His new term of office shall end at the close of the General Meeting convened to rule on the accounts for the 2006 financial year.

**Fifteenth resolution**
**(Renewal of a Director's term of office)**

The General Meeting, acting in compliance with the quorum and majority rules required for ordinary general meetings, renews the term of office of Olivier POUPART-LAFARGE, which expires at the end of this Meeting, for a further two years.

His new term of office shall end at the close of the General Meeting convened to rule on the accounts for the 2006 financial year.

**Sixteenth resolution**
**(Renewal of a Director's term of office)**

The General Meeting, acting in compliance with the quorum and majority rules required for ordinary general meetings, renews the term of office of Haïm SABAN, which expires at the end of this Meeting, for a further two years.

His new term of office shall end at the close of the General Meeting convened to rule on the accounts for the 2006 financial year.

**Seventeenth resolution**
**(Appointment of a Director)**

The General Meeting, acting in compliance with the quorum and majority rules required for ordinary general meetings, appoints as a Director for two years Olivier BOUYGUES, born on September 14, 1950 at Suresnes and residing at 15, villa Madrid – 92200 Neuilly, in place of Michel DERBESSE, who has not requested the renewal of his term of office as Director. This is due to expire at the end of this Annual General Meeting.

His term of office shall end at the close of the Annual General Meeting convened to rule on the accounts for the 2006 financial year.

Olivier BOUYGUES declares that he accepts the position entrusted to him and that there is no bar on him carrying out the duties of Director of the company.

**Eighteenth resolution**
**(Renewal of a Statutory Auditor's term of office)**

The General Meeting, acting in compliance with the quorum and majority rules required for ordinary general meetings, notes that the term of office of the statutory auditor, SALUSTRO REYDEL, is about to expire and has decided to renew the appointment for a further six financial years. Their new term of office will end at the close of the General Meeting convened to approve the accounts for the 2010 financial year.

**Nineteenth resolution**
**((Appointment of an Alternate Auditor's term of office)**

The General Meeting, acting in compliance with the quorum and majority rules required for ordinary general meetings, notes that the term of office of the Alternate Auditor, Jean-Louis MULLENBACH, is about to expire and decided to appoint Michel SAVIOZ, born on October 29, 1948 at Paris, residing 8, avenue Delcassé - 75008 Paris, Alternate Auditor for six financial years It will end at the close of the General Meeting convened to approve the accounts for the 2010 financial year.

**Twentieth resolution**
**(Share buy-backs by the company)**

The General Meeting, acting in compliance with the quorum and majority rules required for ordinary general meetings, after hearing the report from the Board of Directors and seeing the information note certified by the *Autorité des Marchés Financiers* (French stock exchange authority), authorises the Board of Directors, with power to delegate, in compliance with the legal and regulatory conditions applicable and in particular the conditions and obligations mentioned in Article L. 225-209 of the French Commercial Code, to purchase, whenever it deems appropriate and on one or more occasions, its own shares up to a limit of 10% of the share capital, i.e, on February 15, 2005, a maximum of 21,154,435 shares, taking in account 251,357 shares owned by the company.

The company is authorised to:

- cancel shares under the terms fixed by the Extraordinary Shareholders Meeting;
- release shares when the rights attached to tradable securities entitling the holder to receive shares of the company, share buy programs, allocations of free shares to employees, company officers and group's subsidiaries officers, allocations or transfers of shares to employees under company profit sharing schemes, company savings schemes;

## Resolutions

- provide liquidity and make a market in its shares through an independent investment services provider operating within the terms of a liquidity agreement conforming to a Code of Ethics approved by the *Autorité des Marchés Financiers;*
- retain shares for subsequent payment or exchange in the context of takeovers;
- to organize every market operations that would be authorized by the *Autorité des Marchés Financiers,* and more generally to realise any operation laid down by the Law.

The company is authorised to acquire its own shares in the open market or off-market within the following limits (subject to adjustments following any corporate transactions affecting the company's):

- the acquisition price must not be higher than €55 per share (excluding acquisition expenses);
- the selling price must not be less than €15 per share (excluding selling costs);
- total funds allocated to a share buy-back programme must not exceed (21,154,435 shares x €55=) €1,163,493,925.

The General Meeting decides that shares can be sold by any method, including the use of derivatives (however, the writing of put options is excluded) in the open market or off-market, and at any moment. Share exchanges in conformity with current rules and regulations are ruled out. There is no limitation on the proportion of share buy-backs that can be transacted as block trades. These can account for the entire programme.

If the allocation of shares is no longer in line with the company's strategy, shares concerned could be sold under the agreement of the Board of Directors and alongside with a communication to the market.

The Board of Directors is vested with full powers for implementing this authorisation, particularly for deciding if initiating a buy-back programme is warranted and determining the terms and conditions. The Board can delegate these powers for the purposes of placing any stock market orders, concluding agreements to maintain share purchase or sale registers, filing returns to the *Autorité des Marchés Financiers* (French stock exchange authority) or any other body, carrying out any formalities, and generally, doing all that is required.

As laid down by the law, the Board of Directors' report to the Annual General Meeting will advise shareholders of any purchases, transfers, disposals or cancellations of shares made in this connection.

The present authorisation is valid until the next General Meeting of the company convened to approve the accounts for financial year 2005.

### Extraordinary part

- Reading of Board of Directors' reports and of Statutory Auditors' reports.
- Authorises the Board of Directors to reduce the company's capital through the cancellation of treasury shares.
- Delegates full powers to the Board of Directors to increase the company's capital, with preferential subscription rights maintained, via the issuance of shares or securities giving access to the company's capital.
- Delegates full powers to the Board of Directors to increase the company's capital by incorporating premiums, reserves or profits.
- Delegates full powers to the Board of Directors to increase the capital, with the elimination of preferential subscription rights, via the issuance of shares or securities giving access to the company's capital.
- Authorises the Board of Directors to set the issue price for public offerings, without preferential subscription rights, via the issuance of shares or securities giving access to the capital within the limits of 10% of the said capital.
- Delegates full powers to the Board of Directors to proceed with capital increases to remunerate contributions in the form of shares or securities giving access to the capital.
- Delegates full powers to the Board of Directors to proceed with a capital increase, without preferential subscription rights, to remunerate shares tendered in share exchange offers.
- Delegates full powers to the Board of Directors to increase the number of shares to be issued in the event of a capital increase with or without preferential subscription rights.
- Delegates full powers to the Board of Directors to issue any securities entitling the holder to debt securities.
- Delegates full powers to the Board of Directors to proceed with capital increases in favour of employees of the company or other group companies who are members of a company savings scheme.
- Authorises the Board of Directors to issue free shares from the existing stock of shares or shares to be created to the employees of the company or group, or certain categories of staff.
- Delegates full powers to the Board of Directors to grant options to subscribe or purchase shares.
- Powers for registration and formalities.

# Information concerning TF1 SA

## General information

| | |
|---|---|
| Name: | TELEVISION FRANÇAISE 1 - TF1 |
| Registered office: | 1, quai du Point-du-Jour, 92656 Boulogne-Billancourt Cedex, France |
| Trade register: | 326 300 159 RCS Nanterre |
| Siret N°: | 326 300 159 00067 |
| APE code: | 922D |
| Form: | Public limited company ("Société Anonyme") |
| Date of incorporation: | September 17, 1982 |
| Date of expiry: | January 31, 2082 |
| Financial year: | January 1 to December 31 |

## Company objets

The objects of TF1 are as follows:

- Operation of an audiovisual communications service, such as authorised by laws and regulations in force, comprising notably the conception, production, programming and distribution of television broadcasts including all advertising.
- All industrial, commercial, financial, investment and real estate transactions directly or indirectly connected to the above. Also any related or complementary objects likely to further the development of the company's objectives or assets, in particular:
  – to study, to produce, to acquire, to sell, to rent and to use any recorded images and/or sound tracks, reports and films intended for television, cinema or radio broadcasting,
  – to sell and produce advertising,
  – to provide services of all types for sound and television broadcasting,
  all of these directly or indirectly, on its own account or for a third party, alone or with others, by way of creation of new companies, contribution, limited partnership, subscription, purchase of company stock or rights, merger, alliance, association in hidden partnerships or management or in-kind exchange of all assets, entitlements or otherwise.

Its activity is to comply with its contract conditions and the legal provisions in force.

## Statutory appropriation of income

5% of the income of a financial year, as reduced by any previous losses, shall be deducted to constitute legal reserve funds. This deduction ceases to be obligatory when the reserve funds reach one tenth of the company's registered capital. This process shall resume when, for whatever reason, the legal reserve falls below this one tenth.

Distributable income is comprised of:

- the income of the financial year, less previous losses and amounts credited to reserves, in application of the law and the Articles of Association;
- the income carried forward from the previous financial year.

This profit is distributed between all shareholders proportionally to the number of shares held by each one of them.

## General meetings

All shareholders may participate in the General Meetings, irrespective of the number of shares they own.

All shareholders may vote by correspondence. A shareholder may only be represented at the General Meeting by his/her spouse or another shareholder.

In order to have the right to attend, to vote by correspondence or to be represented at the General Meeting:

- Holders of registered shares must be included in the shareholders' register of the company at least five days before the date set for the General Meeting and they are then admitted with simple proof of identity;
- Holders of bearer shares must arrange for the authorised intermediary, with whom their shares are recorded in an account, to send to the company, at least five days before the date set for the General Meeting, a certificate declaring that the shares will remain unavailable for trading up until the date set for the meeting. The certificate must be sent to the Legal Department (General Meetings section), TF1, 1, quai du Point-du-Jour, 92656 Boulogne Cedex, France.

Shareholders may, at least six days before the date of the meeting, request from TF1 at the above address a single form by which they can vote by correspondence or appoint a representative for the meeting.

The single form to appoint a proxy or to vote by correspondence, duly completed, must reach TF1 at the above address at least three days before the date of the meeting.

Any person, acting alone or with others, who attains a holding of at least 0.5%, 1%, 2%, 3% and 4% of capital or of voting rights, shall, within five days of registration of the shares enabling him/her to reach or to exceed this threshold, declare to the Company by return-receipted registered mail, at its registered office, the total number of shares and voting rights he/she possesses.

This declaration must be made, complying with the above conditions, each time the threshold of 0.5%, 1%, 2%, 3% and 4% is crossed upward or downward.

If not declared under the above conditions, the shares exceeding the fraction which ought to have been declared are deprived of the right to vote under the conditions laid down by law, if requested at a shareholders' meeting by one or more shareholders possessing 5% at least of the registered capital.

## Information concerning TF1 SA

### Company responsible for share administration and financial information

TF1 as issuing company.

### Capital (Article 6 of the Articles of Association)

**Changes**

**Employee saving plan - 1999**

In the scope of its employee saving plan, TF1 issued in 1999 118,316 new shares with a nominal value of FF10. This resulted in a capital increase of FF1,183,160 and a share premium of FF114,673,050.36

**Capital increase through an increase of the share nominal value, following the conversion of the capital into Euros - 2000.**

The capital was increased by an amount of FF65,870,984.17 from FF211,183,160 to FF277,054,144.17 by the transformation of FF30,704,644.76 coming from “revaluation reserve” and FF35,166,339.41 from “other reserves”.

The nominal value of each share was increased from FF10 to FF13.11914 (€2). The capital, converted into euros as of January 1, 2000 amounted to €42,236,632, divided into 21,118,316 shares of €2 each.

**Nominal value split – 2000**

Nominal value was split ten for one by decision of the General Meeting dated April 18, 2000 and taking effect on June 21, 2000. The number of shares went from 21,118,316 to 211,183,160.

**Employee saving plan – 2001**

In the scope of its employees saving plan, TF1 issued in 2001 812,919 new shares with a nominal value of €0.2. This resulted in a capital increase of €162,583.80 and a share premium of €18,867,849.99.

**Stock warrants exercised – 2002**

In 2002, on the exercise of stock warrants under Plans no. 2 and no. 3, 2,054,500 new shares with a nominal value of €0.2 were subscribed. This resulted in a capital increase of €410,900 and a share premium of €17,049,965.

**Stock warrants exercised – 2003**

In 2003, on the exercise of stock warrants under Plans no. 2 and no. 3, 1,103,570 new shares with a nominal value of €0.2 were subscribed. This resulted in a capital increase of €220,714 and a share premium of €10,340,813.90.

**Stock warrants exercised – 2004**

In 2004, on the exercise of stock warrants under Plans no. 2 and no. 3, 419,530 new shares with a nominal value of €0.2 were subscribed. This resulted in a capital increase of €83,906 and a share premium of €3,579,753.

**Amount**

On February 15, 2005, the capital of TF1 amounted to €42,811,946, divided into 214,059,729 shares each of €0.2 nominal value.

The issued shares represent 100% of the share capital and existing voting rights.

There are no founder’s shares, dividend-right certificates, convertible or exchangeable bonds or other securities giving access to the capital, nor voting rights certificates, nor double voting rights.

There is no statutory clause limiting the free negotiability of shares.

The company is authorised to make use of the legal provisions allowed to identify shareholders possessing voting rights in its own shareholders’ meetings. In order to keep informed as to the breakdown of its capital, TF1 draws up from time to time lists of holders or bearers of registered shares via Euroclear.

### Authorised issues

Following the combined Shareholders’ General Meeting of April 12, 2005, assuming it gives approval, the company will be authorised to issue, during a period of 26 months, one or more bond debentures up to a maximum nominal amount of €1,200,000,000.

The table below details the different issues that can be made by the company.

The maximum nominal amount of the authorised increases (whether immediate or at a later date) in share capital is €120,000,000.

The maximum nominal amount of the authorised bond issues is €1,200,000,000.

## Authorised operations concerning the capital of TF1

| | MAXIMUM NOMINAL AMOUNT OF CAPITAL INCREASES (1) | MAXIMUM NOMINAL AMOUNT OF BOND ISSUES (1) | DURATION | REMAINING DURATION (2) | GENERAL MEETING | RESOLUTION # |
|---|---|---|---|---|---|---|
| Securities entitling the holder to debt securities (competence delegation) | – | €1,200 M | 26 months | 26 months | Combined General Meeting April 12, 2005 | 29 |
| Issues of shares and securities, with PSR (3) (competence delegation) | €120 M | €1,200 M | 26 months | 26 months | Combined General Meeting April 12, 2005 | 22 |
| Issues of shares and securities without PSR (3) (competence delegation) | €120 M | €1,200 M | 26 months | 26 months | Combined General Meeting April 12, 2005 | 24 |
| Shares to be issued for allocation of free shares following the integration of all amounts for which capitalization will be possible (competence delegation) | €1,000 M | – | 26 months | 26 months | Combined General Meeting April 12, 2005 | 23 |
| Shares and equities paying for contributions in shares (power delegation) | (4) | – | 26 months | 26 months | Combined General Meeting April 12, 2005 | 26 |
| Shares and equities, paying for shares contributed in a public exchange offer (competence delegation) | €120 M | – | 26 months | 26 months | Combined General Meeting April 12, 2005 | 27 |
| Shares reserved for employees subscribing to a Company Savings Plan (PEE), without PSR (3) (competence delegation) | (4) | – | 26 months | 26 months | Combined General Meeting April 12, 2005 | 30 |
| Shares to be issued for allocation of free shares, without PSR (3) (power delegation) | (4) | – | 38 months | 38 months | Combined General Meeting April 12, 2005 | 31 |
| Issues of shares for stock options plans without PSR (3) (power delegation) | (4) | – | 26 months | 26 months | Combined General Meeting April 12, 2005 | 32 |
| Purchase of shares for employees subscribing to the Company Savings Plan | – | – | – | unlimited | Ordinary General Meeting June 12, 1992 | 11 |
| Programme to purchase own shares | (4) | – | 1 year | 1 year | Combined General Meeting April 12, 2005 | 20 |
| Capital reduction through share cancellation | (4) | – | 18 months | 18 months | Combined General Meeting April 12, 2005 | 21 |

(1) It is specified that:
• the total nominal amount of the various authorised increases in capital must not exceed €120 M;
• the total nominal amount of bond issues (resolutions 22 and 24) must not exceed €1,200 M.
(2) With effect from the Combined General Meeting of April 12, 2005.
(3) PSR: Preferential Subscription Right.
(4) Within a maximum limit of 10% of share capital.

The company did not make use of previous authorisations to issue bond debentures and securities to the public.

In compliance with the authorisation granted by the shareholders during the Combined General Meeting of April 23, 2002 (ninth resolution of the ordinary part of the meeting) and by decision of the Board meeting of September 8, 2003, TF1 issued on November 12, 2003, on the international market, bonds amounting to €500 M in the denomination of €1,000 each, with the following conditions:

- Amount: €500 M
- Settlement date: November 12, 2003
- Date from which interest runs: November 12, 2003
- Maturity: November 12, 2010
- Issue price: 99.381% of the total nominal amount
- Coupon: 4.375% per annum, payable in arrear on November 12 of each year with the first payment on November 12, 2004
- Normal redemption: at par, in full at maturity
- Early redemption: except in case of change of tax regime applicable to bonds, TF1 refrains during the whole term from making early reimbursement of bonds. TF1 reserves the right to proceed to buy-back bonds on or off the market. Bonds bought in this way will be cancelled.
- Nature and form of bonds: in bearer and book entry form. The bonds – issued under French legislation – will be accepted through Euroclear France, Clearstream Luxembourg and Euroclear.
- Rank of debt: the bonds constitute direct, unconditional, unsubordinated and unsecured obligations of TF1 and rank and will rank equally and rateably both among themselves and (subject to such exceptions as are from time to time mandatory under French law) with all other present and future unsecured and unsubordinated obligations of TF1.

# Legal informations

## Information concerning TF1 SA

### Legal framework

#### Shareholding

Under the terms of Article 39 of Law no. 86-1067 of September 30, 1986 as amended, an individual or entity, acting alone or with others, shall not hold, directly or indirectly, more than 49% of the capital or voting rights of a company licensed to operate a national television service by terrestrial analogue route.

This provision was modified by Law no. 2001-624 of July 18, 2000. This limits the scope of the 49% rule to those hertzian channels with an average annual audience (analogue, cable and satellite combined) in excess of 2.5% of the total television audience. A decree of the Conseil d'Etat (Council of State) must define in detail how channel audiences are to be calculated.

Under the terms of Article 39 of Law no. 86-1067 of September 30, 1986 as amended, when an individual or entity holds, directly or indirectly, more than 15% of the capital or voting rights of a company licensed to operate a national television service by terrestrial analogue route, shall not hold, directly or indirectly, more than 15% of the capital of another company holding a similar authorisation.

Under the terms of Article 40 of Law no. 86-1067 of September 30, 1986 as amended, no individual or entity of foreign nationality shall purchase an interest leading to foreign nationals holding, directly or indirectly, more than 20% of the capital of a company licensed to operate a national television service by terrestrial analogue route.

Under the terms of Article 41 of the Law of September 30, 1986, as amended by the Law of July 9, 2004, one and the same person can hold, directly or indirectly, a maximum number of seven authorisations for a national television service by digital terrestrial route.

#### Licensing conditions

TF1 is an audiovisual communications service subject to licence. The initial period of licence for use of frequencies, for duration of 10 years from April 4, 1987 (Law of September 30, 1986), expired in 1997.

By reason of decision no. 96-614 of September 17, 1996, TF1 received a first renewal of its licence, without other candidates being considered, for five years.

In compliance with Article 28-1 of the Law of September 30, 1986, as modified by Law of August 1, 2000, TF1 benefited from a second "automatic" renewal of its licence for the years 2002 to 2007, by decision of the CSA on November 20, 2001.

Under the terms of Article 82 of Law of September 30, 1986, as amended, this authorisation can be automatically extended for five years (to 2012), by reason of the simultaneous broadcasting ("simulcast") of the channel's programmes by digital terrestrial transmission. By a decision of June 10, 2003, the CSA has modified TF1's licence in order to incorporate the provisions relating to the broadcasting of programmes on digital terrestrial television.

#### Main legal provisions and obligations

Texts:

- Contract conditions set forth by Decree no. 87-43 of January 30, 1987 and the Decision regarding licensing use of frequencies of November 20, 2001, given to TELEVISION FRANÇAISE 1, until January 1, 2007;
- Law no. 86-1067 of September 30, 1986 as amended by Law no. 94-88 of February 1, 1994, by Law no. 2000-719 of August 1, 2000 and by Law no. 2004-669 of July 9, 2004;
- E.C. Directive on Transnational Television of October 3, 1989, as modified;
- Decree no. 2001-609 of July 9, 2001, amended by decree no. 2001-1326 of December 28, 2001 (production obligations of free-to-air analogue channels);
- Decree no. 90-66 of January 17, 1990, as amended by decree no. 92-279 of March 27, 1992 and by Decree no. 2001-1330 of December 28, 2001 (broadcasting obligations);
- Decree no. 92-280 of March 27, 1992, as amended by decree no. 2001-1331 of December 28, 2001 (obligations relating to advertising and sponsorship).

**Decree no. 2003-960 of October 8, 2003 has amended Article 8 of Decree no. 92-280 of March 27, 1992 related to sectors banned from television advertising.** The legal provisions of this Decree, partly applicable from January 1, 2004, will see the opening of the following markets:

- Book publishing: but only for cable and satellite channels;
- Cinema: maintenance of the prohibition;
- Press: full opening for all broadcasters;
- Retail: opening (except advertising for "commercial promotions"):
  – From January 1, 2004 for local channels, cable and satellite channels and DTT channels,
  – From January 1, 2007 for all national analogue channels "Commercial promotions" are defined as "any offer of products or services made to consumers or the organisation of any events that are exceptional or seasonal, resulting particularly from the length of the offer, the price and terms of sale, the volume of stock put on sale, the nature, source or particular qualities of products or services or associated products or services".

The European Commission examined this decree. It took the view that maintaining the ban on television advertising in relation to the cinema was open to criticism and issued France with a detailed ruling.

**In terms of general broadcasting obligations and of investment in production, the principal legal provisions in force are the following:**

- a maximum of 192 cinema films per year may be broadcast, of which a maximum of 104 shall begin between 8.30 p.m and 10.30 p.m. No cinema film shall be broadcast on Wednesday and Friday evenings, Saturday all day, or Sunday before 8.30 p.m;
- broadcasting quotas apply for the whole broadcasting time and for peak viewing hours, to cinema and audiovisual works. 60% of broadcast material shall be of European origin and 40% of French origin;
- a minimum of two thirds of the annual broadcasting airtime shall be devoted to French-speaking programmes;
- obligation to broadcast annually a minimum of 1,000 hours of children's programmes including 50 hours of magazines and documentaries;
- obligation to broadcast annually 800 hours of television news bulletins and television news magazines;
- obligation to invest 16% of the previous year's net annual turnover for the commissioning of French-speaking audiovisual works, of which 10.66% from independent producers, and to broadcast 120 hours of French-speaking or European unreleased audiovisual works, starting between 8 p.m. and 9 p.m;
- obligation to invest 0.6% of net turnover for the commissioning of French-speaking and European cartoons (obligation as to French-speaking content included in the previous 16%). The rights relating to two thirds of the broadcasting rights acquired cannot exceed four years;
- prohibition on use of own means of production for fiction programmes; use of own means of production authorised for news and for up to 50% of annual volume of other programmes;
- obligation to invest 3.2% of the previous year's net annual turnover (with at least 2.5% dedicated to French-speaking cinema works and at least 75% commissioned from independent producers) in the co-production of European cinema works. This investment is to be achieved through a subsidiary of the broadcaster (TF1 Films Production) operating as a minority participator. The co-production element of its investment must be less than the pre-purchase part of the broadcasting right.

Compliance with legal obligations is controlled and financially sanctioned by the CSA, pursuant to the provisions of Articles 42 to 42-11 of the above Law of September 30, 1986.

As regards the commitment to protect childhood and youth, the Channel has undertaken to adopt a 5-category sign code to indicate the acceptability of programmes broadcast for this sector.

**Digital terrestrial television services**

On July 24, 2001, the CSA (French media authority) invited tenders for national digital terrestrial television services.

On October 24, 2002, the CSA released the list of candidates chosen. Under this tender, the CSA selected five TF1 Group channels (TF1, Eurosport, LCI, TF6 and TPS Star).

On June 10, 2003, the CSA issued authorisations to the selected channels, which included the five TF1 Group channels.

On October 21, 2003, the CSA issued authorisations to the four multiplex operators responsible for the necessary technical operations to enable transmission and broadcasting of DTT programmes to the public. An authorisation was issued to SMR6 which combines (on the R6 network) the following channels: TF1, LCI, Eurosport France, TPS Star and NRJ TV.

Following an application by TF1, the Council of State, in its decision of October 20, 2004, cancelled six of the twenty three authorisations which the CSA had issued on June 10, 2003 to the digital terrestrial channels iMCM, Canal J, Sport +, i>Télé, Ciné-Cinéma and Planète.

Following this cancellation, the CSA stated that it would proceed with an invitation to bid for the six channels which had become vacant. Beforehand, the CSA initiated a public consultation on October 22, 2004.

On December 14, 2004, the CSA launched an invitation to bid for the six channels. After the withdrawal of three candidates (two of which shared the same channel) authorised in June 2003 for digital terrestrial broadcasting, the number of channels in the invitation to bid was raised to eight.

# Legal informations

## People responsible for financial information

### TF1

To our knowledge, the information in this document gives a true and fair view of the Group. It includes all the statements necessary for investors to make their judgement on the assets, activity, financial situation, results and outlook of TF1. There are no omissions likely to alter the significance of those statements.

Paris, March 21, 2005

Patrick LE LAY
Chairman and Chief Executive Officer

### Statutory auditors

### Statutory auditors statement on the registration document

Financial year ended december 31, 2004

As Statutory Auditors of TF1 and in application of Article 211-5-2 of the General Regulation of the *Autorité des Marchés Financiers* (AMF), the French financial markets regulator, we have examined the financial information reported in this registration document concerning the financial position and past financial statements of the company, in accordance with the professional standards applicable in France.

The Chairman of the Board of Directors of TF1 is responsible for this registration document. Our role is to express an opinion on the fairness of the information regarding the financial position and the accounts contained in the registration document.

Our work, which we conducted in accordance with professional standards generally accepted in France, consisted of assessing the fairness of the information regarding the financial position and the accounts and verifying that this information complies with the audited financial statements. Our work also consisted in reading the other information contained in the registration document in order to identify any material inconsistencies with the information regarding the financial position and the accounts, and to report any information that was clearly misstated which came to our attention, based on our broad knowledge of the company acquired during our audit.

Concerning forecasts of specific items estimated using a structured method, this review took into account the assumptions, with associated figures, made by management.

We audited the parent company financial statements and the consolidated financial statements for the year ended December 31, 2002, as approved by the Board of Directors, in accordance with auditing standards generally accepted in France. No observations or qualifications were made in our report on these financial statements.

We also audited the parent company financial statements and the consolidated financial statements for the years ended December 31, 2003 and 2004, as approved by the Board of Directors, in accordance with auditing standards generally accepted in France. No qualifications were made in our reports on these financial statements. We have drawn your attention to the changes in accounting method described in the notes to the parent company financial statements and consolidated financial statements concerning:

- in respect of the year ended December 31, 2003, the recognition of long-service leave;
- in respect of the year ended December 31, 2004, the accounting for programme broadcasting rights and turnover.

Based on our work described above, we have no comments to make as to the fairness of the information regarding the financial position and the accounts presented in this registration document.

Paris la Défense and Paris, March 17, 2005

The Statutory Auditors

| | |
|---|---|
| MAZARS & GUERARD | SALUSTRO REYDEL |
| Michel ROSSE | Jean-Pierre CROUZET |

The registration document also includes:

- The Statutory Auditors' general report and their report on the consolidated financial statements for the year ended December 31, 2004 (shown respectively on pages 105 and 89 of the document), including the reasons for their conclusions in accordance with Article L.225-235 of the French Commercial Code;
- The Statutory Auditors' report, prepared in application of the last paragraph of Article L.225-235 of the French Commercial Code (shown on page 116 of the document), on the report prepared by the Chairman of the Board of Directors on the internal control procedures applied for the preparation and treatment of accounting and financial information.

## Fees of group statutory auditors

(Fully consolidated companies)

| 2004 (in K€) | SALUSTRO-REYDEL (1) AMOUNT | % | Mazars & Guérard (2) AMOUNT | % | SUB-total (1) + (2) | Ernst & YOUNG | OTHERS | TOTAL |
|---|---|---|---|---|---|---|---|---|
| Audit: statutory audit, certification and consolidated accounts examination | 671 | 91.3% | 168 | 84.4% | 839 | 51 | 102 | 992 |
| Audit: other assignments | 29 | 3.9% | 31 | 15.6% | 60 | 0 | 0 | 60 |
| Other | 35 | 4.8% | 0 | 0.0% | 35 | 0 | 0 | 35 |
| **Total** | **735** | **100.0%** | **199** | **100.0%** | **934** | **51** | **102** | **1,087** |

## Information and investor relations

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Legal documents can be consulted at:
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Legal Affairs Department
1, quai du Point-du-Jour
92656 Boulogne Cedex - France

You can also receive information on the TF1 Group and obtain on demand historical data about the company:

By mail:
TF1
Investor Relations Department
1, quai du Point-du-Jour
92656 Boulogne Cedex - France

By Internet:
http://www.tf1finance.com
E-Mail: comfi@tf1.fr

The Frence version of the Annual report was filed by the “Autorité des Marchés Financiers” (AMF - French stock exchange commission) on March 22, 2005, in accordance with the articles 211-1 and 211-42 of the General Regulation of the AMF.
This document may not be used to support a financial operation unless it is accompanied by an operation note certified by the AMF.


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