

## UK ROAD SHOW



### Disclaimer

All forward-looking statements are TF1 management's present expectations of future events and are subject to a number of factors and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements.



# Introduction

TF1 Group channels

Advertising

Other activities

Strategic issues

- UK Road Show - September 2004 -



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***"We have all the reasons to be optimistic, but it should not prevent us from being cautious."***

**Patrick Le lay - TF1's CEO**

**Analyst meeting - Sept. 1, 2004**

- UK Road Show - September 2004 -

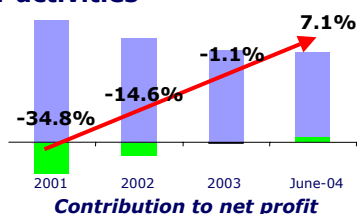
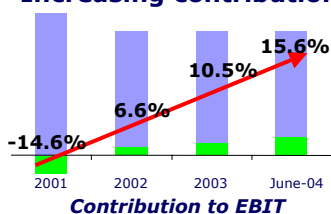


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## A positive economic trend

### ▪ H1 sustainable growth

- ➔ Programming costs under control : + 2.9% (€439.0 M)
- ➔ EBIT : + 26% (€292.9 M)
- ➔ Net profit: + 17% (€161.5 M)
- ➔ Increasing contribution of other activities



- **Healthy financial situation: A / A- Stable**  
Rating confirmed by S&P on July 16, 2004

- **Transition to IFRS standards: low impact**



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## Consolidated P/L: operational breakdown

| MC  | 2004<br>6 months | 2003<br>6 months | Δ / 03<br>%     |
|---|------------------|------------------|-----------------|
| Net advertising revenue                       | 889.5            | 835.2            | + 6.5 %         |
| Programming costs                             | (439.0)          | (426.7)          | + 2.9 %         |
| Gross margin                                  | 296.4            | 261.2            | + 13.5 %        |
| Diversification & other revenue               | 597.0            | 579.8            | + 3.0 %         |
| Other operating expenses                      | (553.0)          | (528.3)          | + 4.7 %         |
| Depreciation and amortisation                 | (47.5)           | (79.9)           | - 40.6 %        |
| <b>EBIT</b>                                   | <b>292.9</b>     | <b>232.8</b>     | <b>+ 25.8 %</b> |
| Financial profit                              | (14.6)           | (11.2)           | + 30.4 %        |
| Goodwill amortisation                         | (15.8)           | (3.8)            | ns              |
| Tax & Minorities                              | (97.3)           | (79.3)           | + 22.7 %        |
| Share of investments                          | (2.9)            | (0.6)            | ns              |
| <b>Net profit (attributable to the group)</b> | <b>161.5</b>     | <b>137.7</b>     | <b>+ 17.3 %</b> |



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## Consolidated cash flow statement

| €M  | 30 June<br>2004 | 31 Dec.<br>2003 | 30 June<br>2003 |
|---|-----------------|-----------------|-----------------|
| Cash at the beginning of the period               | 184.5           | 36.3            | 36.3            |
| Cash flow   | 217.2           | 320.6           | 203.1           |
| Change in working capital need                    | (161.4)         | (7.3)           | (44.7)          |
| <b>Net cash inflow from operating activities</b>  | <b>55.8</b>     | <b>313.3</b>    | <b>158.4</b>    |
| <b>Net cash outflow from investing activities</b> | <b>(81.1)</b>   | <b>(153,1)</b>  | <b>(45,9)</b>   |
| <b>Net cash outflow from financing activities</b> | <b>(133.8)</b>  | <b>(12.0)</b>   | <b>(99.7)</b>   |
| <b>Total change in cash and cash equivalents</b>  | <b>(159.1)</b>  | <b>148.2</b>    | <b>12.8</b>     |
| Cash at the end of the period                     | 25.4            | 184.5           | 49.1            |

Introduction

**TF1 Group channels**

Advertising

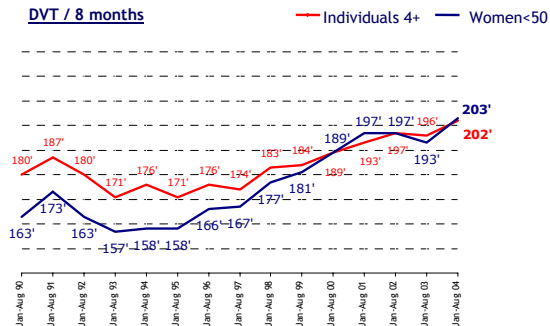
Other activities

Strategic issues

## A fast growing audiovisual market ...

- **TV is the most popular media**

➔ **An increasing daily viewing time**



- **TF1 confirms its leading position**

➔ **Best 8 months audience share since 2000 (+1.5 pt vs 03\*)**

➔ **A promising upcoming line up**

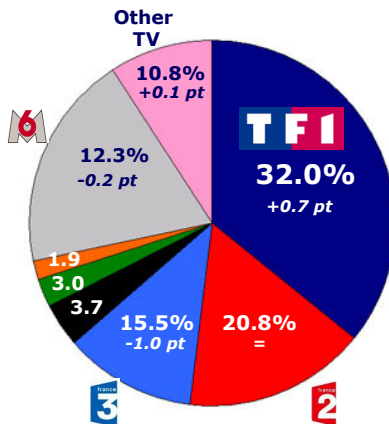
**TF1** \* Mediametrie January-August 2004 vs January-August 2003 / Women below 50

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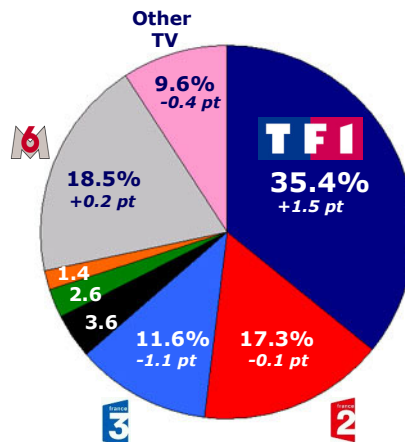
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## 2004: high level of satisfaction

### Individuals aged 4+



### Women < 50



**TF1** Source : Médiamétrie - January - August 2004 vs January - August 2003

■ Canal+ ■ France 5 ■ ARTE10

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## TF1 Group leadership



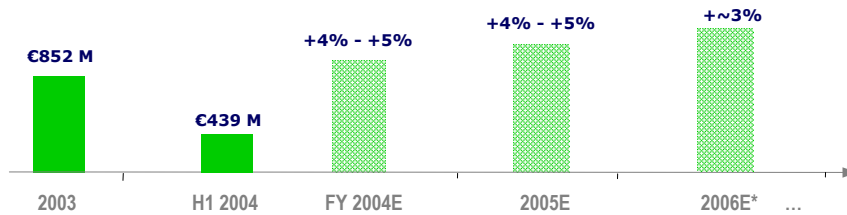
### TF1 Group channels totalled 34,7% of audience share

|                        |              |
|------------------------|--------------|
|                        | Ind. 4+      |
| <b>Total TF1 Group</b> | <b>34.7%</b> |
| <b>TF1</b>             | <b>32.4%</b> |
| <b>Theme channels</b>  | <b>2.3%</b>  |

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Source : Médiamétrie / H1 2004  
Source : MédiaCabSat 7 Audience share / Whole base

## Programming costs\*



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**2004 & 2005 guidance : +4% - +5%**

**2006 guidance : ~ +3% excl. Football world cup**

\* Including expired and retired broadcasting rights



## Introduction

## TF1 Group channels

# Advertising

## Other activities

## Strategic issues

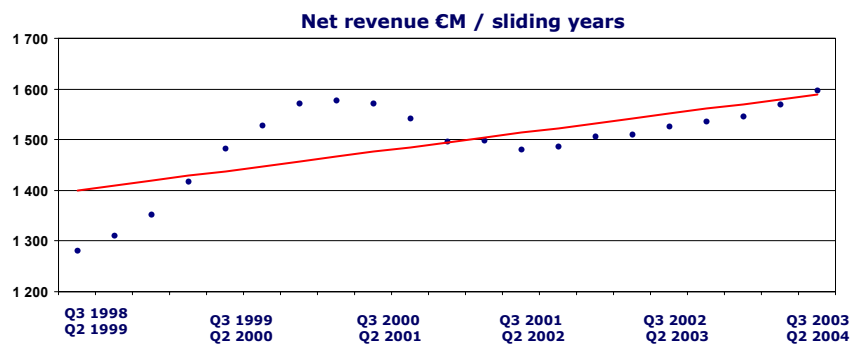
## The ad market is taking up with growth again

### ▪ H1 2004: the advertising market rebound

➡ TF1 market share: **54.2%** (+ 0.3pt)

➡ TF1 channel adv. turnover: + **6.5%** (+ €54.3 M)

➡ Theme channels adv. turnover: **€65.8 M** (+17.9%)



## The ad market is taking up with growth again

- **Encouraging prospects**

- ➔ **Rising forecasts published by agencies**

- ➔ **French adv. market is still under invested**

- ➔ **Access to TV for new sectors**

- ➔ **Potential deregulation**

**Summer net adv. revenue : +6.7%**  
**FY guidance : +4% - +6%\***

 \* If the positive trend lasts through the end of the financial year, TF1 Group will re-estimate at the end of October the guidance for the growth of TF1 Channel's advertising revenue for 2004, between +4% and +6%.

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Introduction

TF1 Group channels

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**Other activities**

Strategic issues

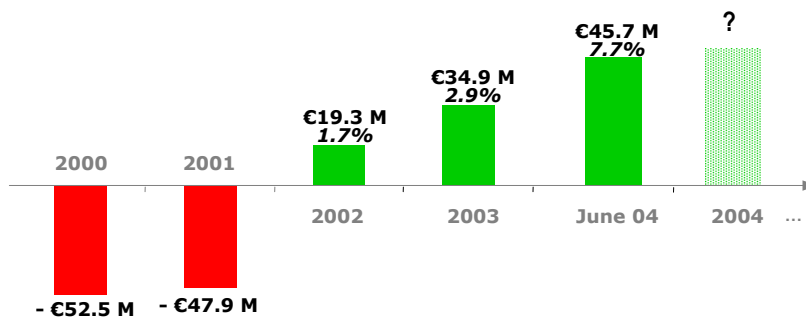


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## Other activities: increasing contributions

### An on-going improvement of operating margin



Operating profit: ~ + €100 M in 4 years  
Medium term profitability: ~ 10%



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## Contributions H1 2004

| €M                      | REVENUE        |                | EBIT         | Operating Margin |
|-------------------------|----------------|----------------|--------------|------------------|
| TF1 CHANNEL             | 898.2          | + 6%           | 247.2        | 27.5%            |
| TPS                     | 186.1          | + 8%           | 10.0         | 5.4%             |
| PUBLISHING/DISTRIBUTION | 143.7          | - 10% / + 22%* | 20.2         | 14.1%            |
| Incl. TF1 Vidéo         | 84.4           | - 3% / + 50%*  | 9.4          | 11.1%            |
| Téléshopping            | 45.3           | + 20% / + 22%* | 7.7          | 17.0%            |
| EUROSPORT               | 143.0          | + 2%           | 25.6         | 17.9%            |
| THEME CHANNELS          | 28.6           | + 19%          | (6.4)        | ns               |
| INTERNET                | 26.9           | + 264%         | 2.7          | 10.0%            |
| PRODUCTION              | 25.7           | - 33%          | (1.9)        | ns               |
| AUDIOVISUAL RIGHTS      | 33.7           | + 24%          | (2.2)        | ns               |
| OTHERS                  | 4.4            | + 42%          | (2.5)        | ns               |
| <b>TOTAL</b>            | <b>1,490.3</b> | <b>+ 5%</b>    | <b>292.9</b> | <b>19.7%</b>     |

Change vs figures in H1 2003

\* Change on a comparable basis, ie before any changes in accounting presentation linked to the transition to IFRS standards

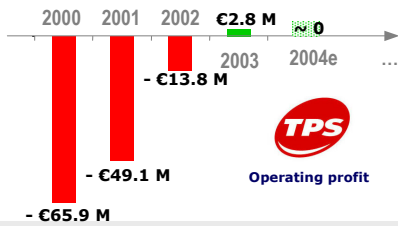


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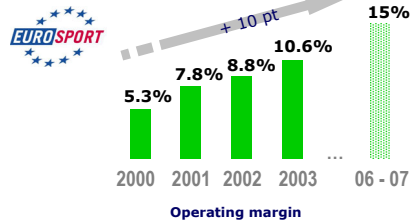
## Other activities: increasing contributions

### 2003: operating breakeven



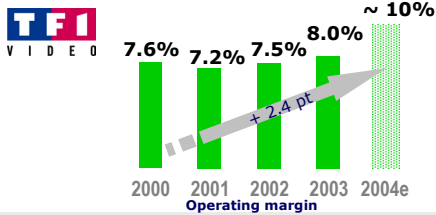
Operating profit: + €70 M in 4 years  
2005 : net breakeven  
MT operating margin: ~10%

### Running to a 15% operating margin



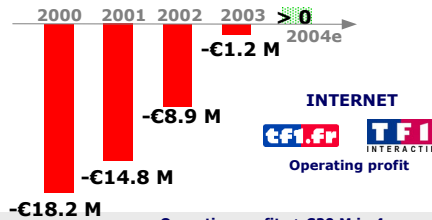
MT operating margin: 15%

### A recurrent level of profitability



MT operating margin: 10%

### Running to operating breakeven



Operating profit: + €20 M in 4 years  
2004: operating breakeven  
MT operating margin: 10%

# TF1

Accounts

TF1 Group channels

Advertising

## Strategic issues

## Your statements ....

- ✓ **TPS is a loss-maker, you should sell it**
- ✓ **International expansion ?**
- ✓ **TF1's position endangered by the fragmentation of the market and PVR ?**



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## TPS



Rev : €186.1 M (+ 7.8%)

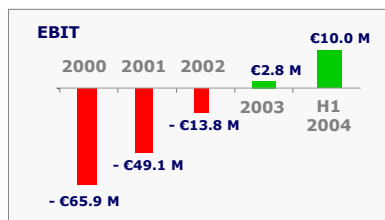
EBIT : €10.0 M (+ 13.6%)

### Key figures :

- 1,560,000 subscribers incl.  
1,270,000 DTH and ADSL subs
- Churn : ~ 10 %
- Market share on new subs : ~ 40 %

### H1 main events :

- English Premier League: the next 3 seasons on exclusivity
- **TPS L :**
  - March: Paris and suburb
  - June: Marseille, Nantes, Nice and Cannes



CEUX QUI VEULENT tout regarder TPS

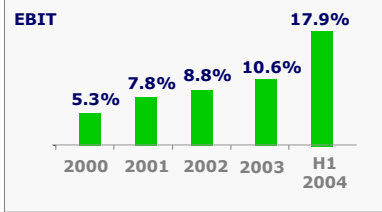
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# Eurosport



Rev : €143.0 M (+ 1.7%)

EBIT : €25.6 M (+ 52.4%)



## Key figures :

- 54 countries, 19 languages
- 98 M households
- + 3.1 M paying households vs June 03

## H1 main events

- An increasing pan-european advertising market
- Audience\*: a strengthened leadership  
→ 22.8M viewers per day (+8.7%)
- A fast growing profitability  
EBIT margin: 17.9% (+6 pts)



\* Millions viewers in average per day

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# TF1: the best resistance

## Audience share

|          | Analogue*<br>(100% penetration) | Cable & satellite**<br>(23% penetration) | Degree of resistance** |
|----------|---------------------------------|--|------------------------|
| TF1      | 32.4 %                          | 26.1 %                                   | 81%                    |
| France 2 | 20.3 %                          | 14.3 %                                   | 70%                    |
| France 3 | 15.2 %                          | 9.5 %                                    | 63%                    |
| France 5 | 3.0 %                           | 1.3 %                                    | 43%                    |
| M6       | 12.5 %                          | 8.9 %                                    | 71%                    |

**TF1 : The best resistance to the market fragmentation**

**The market fragmentation widens the gap between TF1 and its competitors**



\* Source Mediamétrie : 2004

\*\* Source Mediabcasat : 29 December 2003 - 13 June 2004

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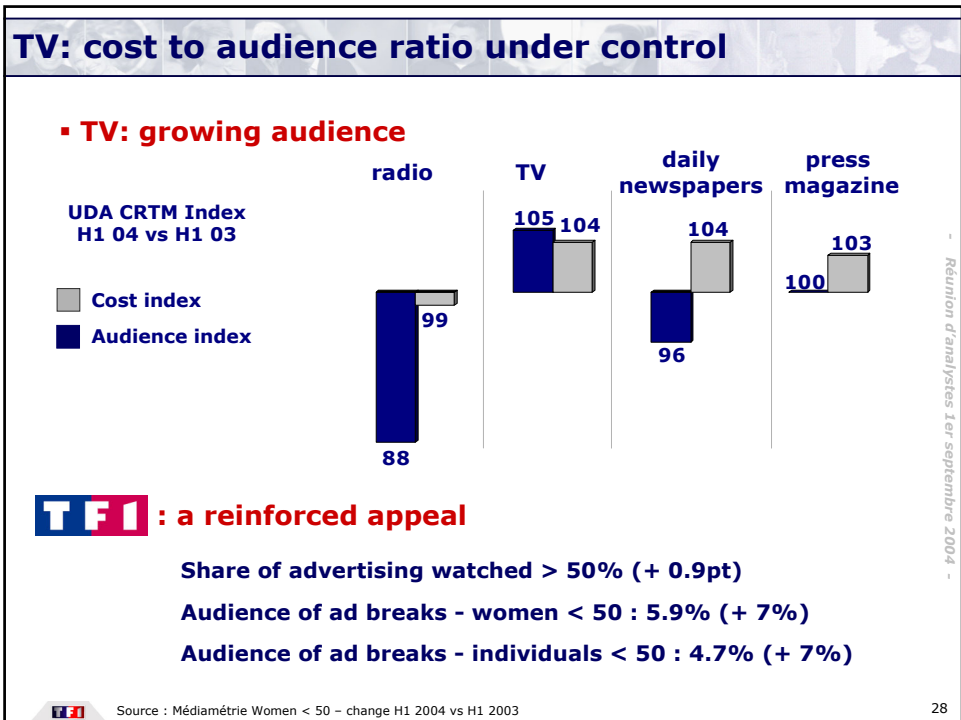
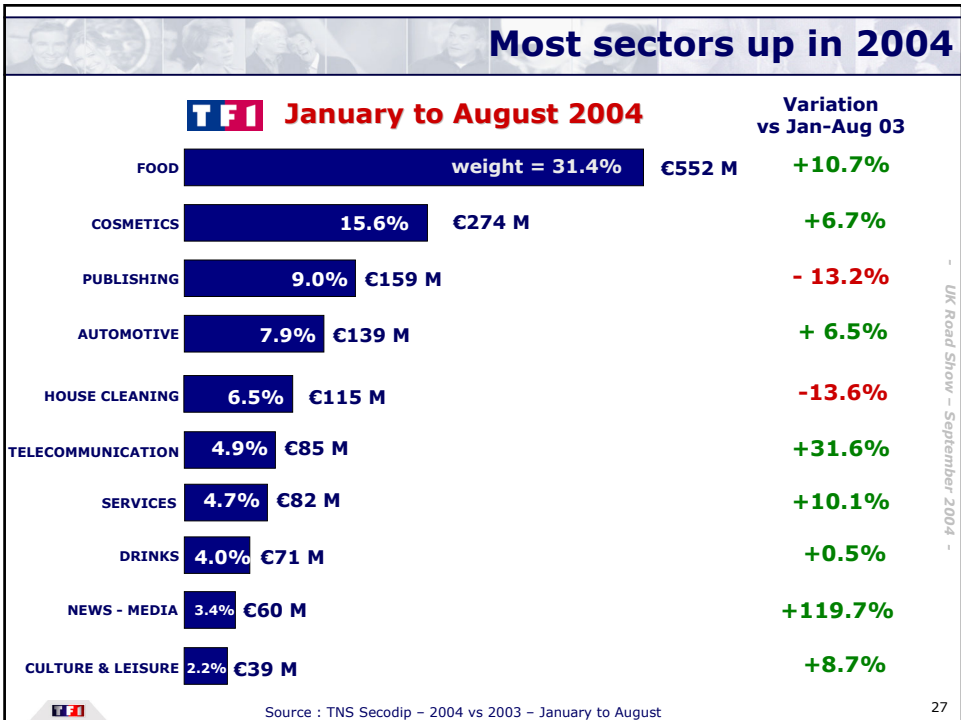
## Appendix



### Programming costs\*

| €M                             | 2004<br>6 months | 2003<br>6 months | Δ / 03<br>€M         |
|--------------------------------|------------------|------------------|----------------------|
| <b>Entertainment</b>           | <b>133.7</b>     | <b>129.2</b>     | <b>+ 4.5</b>         |
| <b>TV dramas and series</b>    | <b>94.0</b>      | <b>103.5</b>     | <b>- 9.5</b>         |
| <b>Sports</b>                  | <b>93.1</b>      | <b>81.3</b>      | <b>+ 11.8</b>        |
| <b>News</b>                    | <b>58.2</b>      | <b>58.1</b>      | <b>+ 0.1</b>         |
| <b>Movies</b>                  | <b>49.6</b>      | <b>43.4</b>      | <b>+ 6.2</b>         |
| <b>Children programmes</b>     | <b>10.4</b>      | <b>11.2</b>      | <b>- 0.8</b>         |
| <b>Total programming costs</b> | <b>439.0</b>     | <b>426.7</b>     | <b>+ 12.3 + 2.9%</b> |

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# TF1's great success of audience



**Average audience: 14.4% on TF1 vs 8.1% on F2 / F3**  
**42% of ad market share and 30% of matches broadcast**  
**Euro 2004 vs Euro 2000: + 28% gross revenue per ad break**



**A large and diversified audience**  
**Great ad break audiences in access prime time : 12.4%**  
**Price adjusted throughout the show**



**Peak time : +10% gross revenue vs H1 03**  
**35 movies broadcast: +6% gross revenue per movies vs H1 03**



Source: Secodip - Euro 2004: average ad breaks audience Men 15-49 / La Ferme Célèbrités: Women < 50

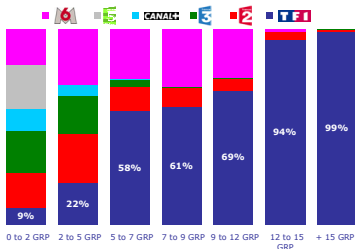
Réunion d'analyses 1er septembre 2004

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# TF1 : an unquestionable efficiency

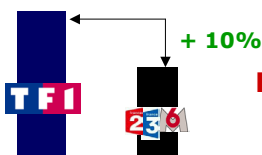
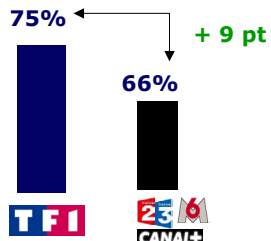
## Powerful ad breaks

% of adbreaks splitted by audiences



Source : Médiamétrie - H1 2004 - Women < 50

## Viewers loyalty



**Higher memorisation with TF1**

Memorisation index of ad breaks broadcast on TF1 and on other channels



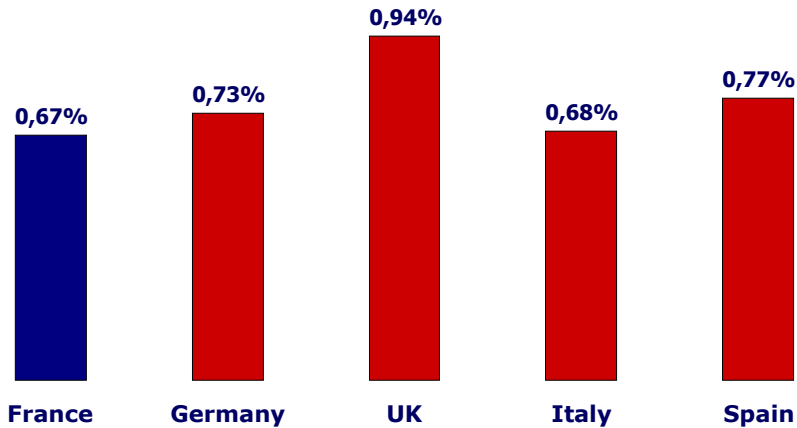
Source: 2004 TF1-Sofres study / 2,757 phone interviews after 42 broadcast ad breaks / other channels : F2+F3+M6

Réunion d'analyses 1er septembre 2004

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## A real potential of growth

### Media ad spends to GDP



Source: BIPE - Ad barometer - 2003

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Réunion d'analyses 1er septembre 2004

## Demystify the « PVR »

|  | Before PVR use | After PVR use | Change |
|--|----------------|---------------|--------|
| Weekly consumption of TV (hours)   | 19.2           | 23.9          | + 24%  |
| Share of viewers who forward the advertising   | 49%            | 2%            | - 96%  |
| Loss of audience due to the "forward" function   | 7%             |               |        |
| Share of PVR users who have already rewind or stopped an advert to better understand the product   | 54%            |               |        |
| Share of PVR users who wish to get more information on a product promoted by an interesting advert | 37%            |               |        |

Source : InsightExpress / Mediapost - May 2004

**Sky :**  
 "300,000 early adopters are watching 16% more TV"  
 "Despite fewer ad viewed, no fall in ad recall"

Source: BIPE

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## TF1 ready for DTT !

### 5 channels for TF1 group



- ✓ Estimated cost per channel for a starting coverage of 35% : **€1 M**

### DTT schedule : launch in March 2005

|                 |                |                |                |             |
|-----------------|----------------|----------------|----------------|-------------|
| <b>Coverage</b> | 35%            | 50%            | 65%            | 80-85%      |
| <b>Offer</b>    | Free to air    | Pay TV         |                |             |
|                 | <b>Mars 05</b> | <b>Sept 05</b> | <b>Juin 06</b> | <b>2007</b> |

### A poor start

- ✓ Limited nb of channels, tight schedule, no distributor, ...
- ✓ TF1 reconfirms its position in favor of **HDTV on DTT**



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## TRANSITION TO IFRS STANDARDS

### PROJECT OF OPENING BALANCE SHEET AS OF 01/01/2004 UNDER IFRS STANDARDS

**The following document is a draft version  
some figures might change**



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- Réunion d'analystes 1er septembre 2004 -

## ADOPTION OF IFRS STANDARDS BY TF1

### PROGRESS OF THE PROJECT

**A draft version of the IFRS consolidated opening balance sheet as of 01/01/2004 has been prepared; it is currently under review by the statutory auditors**

**IFRS consolidated financial statements as of 03/31/2004 and 06/30/2004 are being prepared**

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## DRAFT IFRS OPENING BALANCE SHEET

### €M – Main assets

| ASSETS                         | 12/31/2003<br>French<br>GAAP | 01/01/2004<br>IFRS<br>Standards | Change        | Main<br>impacts |
|--------------------------------|------------------------------|---------------------------------|---------------|-----------------|
| Intangible fixed assets        | 894.9                        | 131.1                           | (763.8)       | A               |
| Goodwill                       | 114.9                        | 876.5                           | 761.6         | A               |
| Tangible fixed assets          | 197.5                        | 229.5                           | 32.0          |                 |
| Financial assets               | 13.3                         | 24.3                            | 11.0          |                 |
| Other non current assets       |                              | 48.2                            | 48.2          |                 |
| Programmes and film rights     | 693.4                        | 501.0                           | (192.4)       | B *             |
| Trade debtors                  | 621.6                        | 847.8                           | 226.2         | B *             |
| Other current assets           | 492.3                        | 316.8                           | (175.5)       | B* and C        |
| Marketable securities and cash | 185.1                        | 185.1                           | 0.0           |                 |
| <b>Total assets</b>            | <b>3,213.0</b>               | <b>3,160.3</b>                  | <b>(52.7)</b> |                 |

A : Transfer of intangible assets (market shares) in goodwill (IAS 38)

B : Transfer of programmes whose technical acceptance as not occurred (IAS 38)

C : Balance sheet presentation according to the current / non current model (IAS 1)



\* This change has also been made in 2004 French GAAP financial statements

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## DRAFT IFRS OPENING BALANCE SHEET

### €M - Main shareholders' equity and liabilities

| SHAREHOLDERS' EQUITY AND LIABILITIES             | 12/31/2003<br>French<br>GAAP | 01/01/2004<br>IFRS<br>Standards | Change        | Main<br>impacts |
|--|------------------------------|---------------------------------|---------------|-----------------|
| Shareholders' funds attributable to the group    | 866.2                        | 884.1                           | 17.9          |                 |
| Minority interest                                | (0.1)                        | 1.4                             | 1.5           |                 |
| <b>Total shareholders' funds</b>                 | <b>866.1</b>                 | <b>885.5</b>                    | <b>19.4</b>   |                 |
| Non current provisions                           | 102.9                        | 22.7                            | (80.2)        | C               |
| Financial creditors                              | 628.3                        | 627.1                           | (1.2)         |                 |
| Deferred tax                                     | 62.1                         | 72.7                            | 10.6          |                 |
| Trade creditors                                  | 919.1                        | 843.6                           | (75.5)        | B *             |
| Current provisions                               |                              | 69.2                            | 69.2          |                 |
| Other current liabilities                        | 634.5                        | 639.5                           | 5.0           |                 |
| <b>Total shareholders' funds and liabilities</b> | <b>3,213.0</b>               | <b>3,160.3</b>                  | <b>(52.7)</b> |                 |

B : Transfer of programmes whose technical acceptance as not occurred (IAS 38)

C : Balance sheet presentation according to the current / non current model (IAS 1)



\* This change has also been made in 2004 French GAAP financial statements

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## DRAFT IFRS OPENING BALANCE SHEET

### MAIN IMPACTS ON SHAREHOLDERS' FUNDS

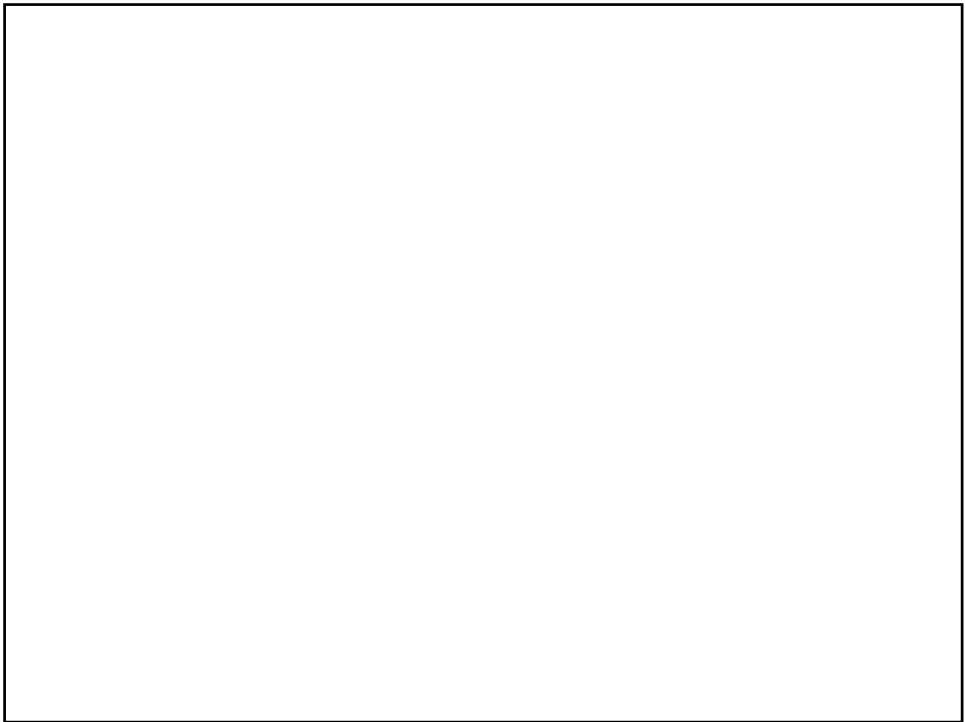
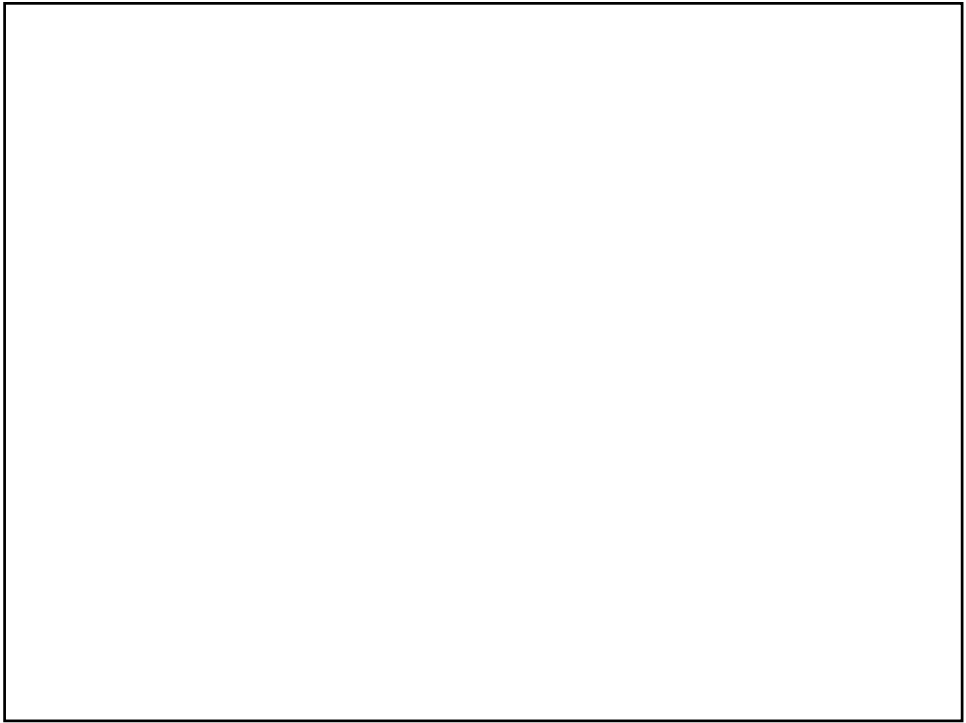
**The €19.4 M increase in consolidated shareholders' funds is mainly due to the following :**

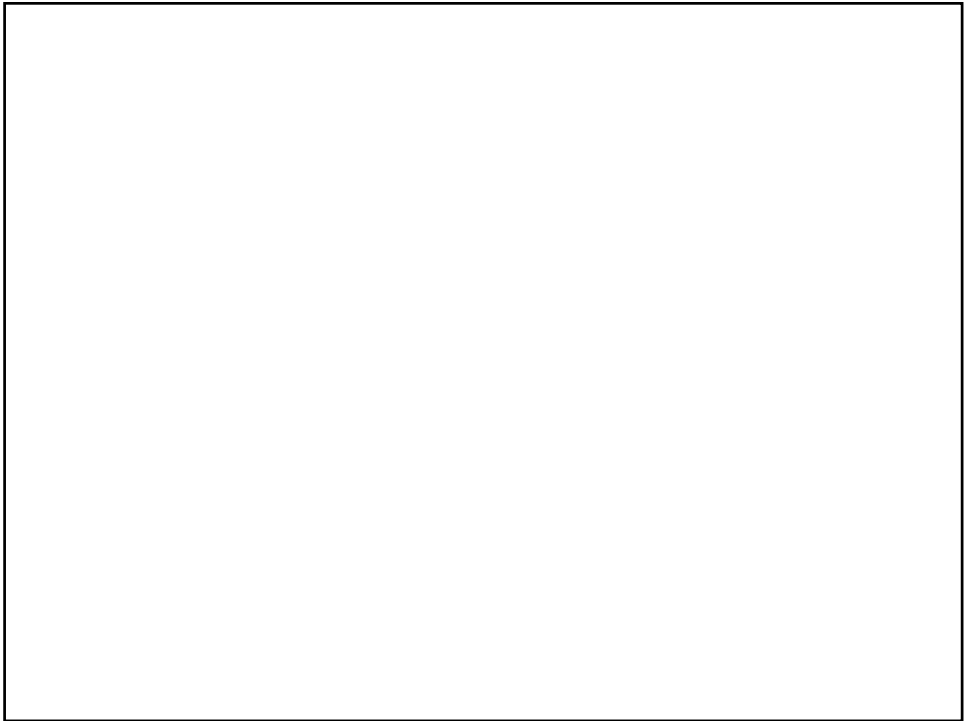
|  |                 |
|--|-----------------|
| Cost recognition of the head office property in accordance with IAS 16 (net from deferred tax) | + 20.7<br>(1.1) |
| Financial instruments (IAS 39)   | (0.2)           |
| Miscellaneous  |                 |



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**TF1**

SEPTEMBER 2004

 **UBS Warburg**

**UK ROAD SHOW**

