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Directors' Report

Directors' report presented by the Board of Directors
at the Combined Annual General Meeting on April 20, 2004 (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 financial year 2003 for your approval, and review the company's situation and growth prospects.

As in previous years, the accounts for financial year 2003 are presented for both TF1 Group (consolidated accounts) and for the parent company, Télévision Française 1.

1 Activity and results 2003

1.1 The Group¹

In 2003, TF1 Group operating revenue increased 4.3% to €2,768.7 M (had TPS been proportionately consolidated at 66% as of January 1, 2002, the increase would have been 2.8%). The year's business on international markets represented 9.3% of total consolidated operating revenue (€257.2 M, including €199.2 M generated in Europe).

2003 closed with advertising revenue for the main channel up 2.4% for the full year. Buoyed by the traditional sectors of Food and Cosmetics and boosted by the Telecommunications and Culture-Leisure sectors, TF1 increased its TV advertising market share² by 0.7 points to 54.7% for the full year 2003.

Operating revenue from diversified activities increased 6.7% (had TPS been proportionately consolidated 66% as of January 1, 2002, the increase would have been 3.3%), thanks to the solid performance of:

- TF1 Vidéo (incl. C.I.C.), which saw its contribution to consolidated operating revenue grow by 12% to €215.2 M, with the success of *Lord of the Rings – The Two Towers*, Jean-Marie Bigard and the *Ushuaïa Nature* packs;
- TPS, which ended the year up 22.1% (in comparison to 2002 published figures) to €353.8 M. The number of subscribers at December 31, 2003 was 1,527,000, including 1,239,000 by satellite;
- Têleshopping, whose contribution to operating revenue increased 5.2% thanks to a good marketing performance and sustained Internet activity;
- TF6, whose operating revenue rose 34.1%. Advertising revenue represented 52% of the channel's turnover (ratio calculated on the basis of company's figures).

Programming costs for the main channel came down by 3.4% to €852.0 M. In 2002, TF1 had broadcast the football World Cup, whose costs were around €68 M, and in 2003, sports rights for Formula 1 and the Champions League were renegotiated downwards.

Diversification activities also improved their profitability thanks to strict budget controls.

Consolidated operating income amounted to €333.9 M, up 13.8%, with an operating margin up one point to 12.1%.

The financial result was negative to the tune of €(14.4) M, an improvement of €15.3 M compared to 2002.

The exceptional result was €(8.1) M.

Net profit attributable to the Group was €191.5 M, an improvement of 23.4%. The group's net margin improved 1.1 points to 6.9%. Diversification activities reached break even for the full year.

At December 31, 2003, the group's shareholders' funds totalled €866.2 M, on a balance sheet total of €3,213.0 M. Consolidated net debt stood at €443.2 M, that is, 51.2% of shareholders' funds. In October 2003, Standard & Poor's confirmed TF1's rating of A/Stable/A-1, underscoring its healthy financial situation.

On November 12, 2003, TF1 issued a €500 M bond, maturing on November 12, 2010, with a 4.375% coupon. This bond issue will enable the Group to diversify and extend its sources of financing. It obtained a long-term "A" credit rating from Standard & Poor's.

TF1 Group wishes to maintain its Standard & Poor's rating and has organized its financial structure and its financing so as to fit with all the criteria that will enable it to maintain or even improve its current rating, in particular, by balancing its shareholders' funds and its borrowed capital.

Broadcasting (source: Médiamétrie)

In 2003, French television consumption broke a new record with a daily average of 3 hours 22 minutes (202 minutes per day and per individual). In the past ten years, that comes to an increase of close to 15% in television consumption.

TF1 is the channel that has contributed most to this consumption, being watched on average 1 hour 3 minutes by French viewers.

¹ TPS was consolidated proportionately at 50% in first half 2002 and at 66% starting in the second half of 2002.

² Source: Secodip.



In 2003, all the major free-to-air channels suffered from the audience increase of the thematic channels and lost market share points. But they still represent close to 89% of total television audiences. However, with a 31.5% audience share of individuals aged four years and over and more than 34.4% of women under 50, TF1 is still well ahead of its competitors, despite a market share fall of respectively 1.2 points and 1.3 points. The hierarchy of the four principal free-to-air channels (TF1, F2, F3 and M6) therefore remains unchanged for these targets compared to previous years.

In 2003, TF1 once again proved the dynamism of its programming by attracting 95 of the top 100 audiences of individuals aged four years and over and equalled its 2002 performance with leadership of more than nine evenings out of ten. 2003 marked the outstanding success of TF1 fiction dramas with 60 (vs. 43 in 2002) of them among the 100 top audiences of the year. TF1 news is particularly present in the year's top performers; four news programmes from TF1 reached the top with one edition of the 8 o'clock news at 12.1 million viewers, one edition of the 1 o'clock news at 9.1 million viewers, the presentation of the President of the Republic (10.6 million viewers) and that of the Prime Minister (11.9 million viewers). Cinema marked time in 2003 with 17 (vs. 22 in 2002) feature films in the top 100. The magazines and entertainment are represented eight times (vs. 9 in 2002) in the year's top 100, with regular channel events such as *La Foire aux Enfoirés* (11.0 million viewers). Finally sport, a key component of the TF1 grid, was among the TF1 leaders six times, with over 9.5 million viewers for the second part of the *Brazil Formula 1 Grand Prix* and five football matches, including four with the French national team, which the French public always delight in.

During 2004, and more than ever, TF1 will give pride of place to its ability to offer new programmes while leveraging the channel's strengths.

Naturally, the major encounters of the year will continue: The *NRJ Music Awards*, *Les Enfoirés*, *Miss France*, the French national football team matches, Champions League matches and the Formula 1 season (for the first time, 18 Grands Prix will be broadcast, with the advent of the China Grand Prix). Then there will be special events – above all the Euro 2004, during which the French team will be defending its title this year.

TF1 now offers a new game show, broadcast every day in access time: *A prendre ou à laisser*, compered by Arthur. A new reality TV show is being prepared for the Spring.

The channel's regular heroes will soon be joined by *Le Proc* with François-Eric Gendron, and a new prestige fiction drama will be screened in 2004: the serial *Zodiaque* with Francis Huster and Claire Keim broadcast this summer.

Finally TF1 will, as usual, offer major original films: *What lies beneath* with Harrison Ford, *The 6th Day* with Arnold Schwarzenegger, *American Beauty* with Kevin Spacey, *Unbreakable* with Bruce Willis and French films such as *Monsieur Batignole* by and with Gérard Jugnot, *3 zéros* with Gérard Lanvin and Lorant Deutsch, *Les Rois mages* by and with les Inconnus...

The prime objective of TF1 continues to be to satisfy all sectors of the public (with special focus on the advertising targets) while keeping control over programming costs.

Advertising

In 2003, the net advertising revenue of the TF1 channel grew 2.4%.

This revenue growth was achieved in an unstable economic context. The Iraq conflict in the first half created an unsettled climate leading to considerable volatility in consumption and GDP. Against this backdrop, advertisers lacked visibility and took a wait-and-see stand with short-term advertising investments. However, in this rocky situation, advertising investment tended to be focused on so-called "reactive" media such as television and on leaders such as TF1.

As a result, the TF1 channel strengthened its position in 2003, with a 54.7% market share, up 0.7 points over 2002.

At end 2003, most sectors had increased their advertising budget with TF1, with the two sectors "traditional" and "growth" showing opposite seasonal skews (source Secodip):

- the "traditional" sectors¹ grew rapidly on TV and on TF1 in the first half (+ 12.2% on TF1), only to return to more moderate growth in the second half (+ 3.8%),
- the "growth" sector² on the other hand, after a timid first half (+ 0.4%), surged in the second part of the year (+ 16.8%).

However, three sectors declined:

- **Automobile:** down 5.6% at end 2003 due to a decline in new registrations (–6.3% in 2003 according to the French Automobile Manufacturers Committee). However, it is to be noted that, at 53.0%, TF1 still had a significant market share;

¹ "Traditional" sectors: food, beverage, house cleaning, cosmetics, automobile.

² "Growth" sectors: services, telecommunications, culture-leisure, travel-tourism.

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- **House Cleaning:** down 4.8%, but still keeping to a high market share at 59.6% and a level of advertiser presence of 100%;
- **Publishing:** a drop of 3.2%. The decline of investment from music publishing (- 15.9%), corresponding to a strong decline in disc sales in 2003 (- 15% according to the National Music Publishing Syndicate), could not be compensated by the hike in advertising budgets for videos and DVDs (+ 25.5%).

TF1 is and remains the power channel. In 2003, it took more than the 300 top ad breaks (the best competing channel placed its best ad break in 323rd position vs. 134th position in 2002). On average, TF1 broadcasts close to seven ad breaks per day reaching over five million viewers while the combined competitive channels hardly manage one per day.

The thematic channels market represents 7.6% of the TV market's gross revenue, reaching €410.4 M in 2003. It is very concentrated, since the 15 top channels (out of 67 classified) represent 3/4 of advertising investments and close to 2/3 audience share (65% of subscribers of four years and over to a complementary offering – marketable channels base).

Furthermore, the attractiveness of the TF1 Publicité offering increased in 2003: 63% of advertisers communicating on thematic channels selected at least one of the TF1 Publicité channels (vs. 56% in 2002).

Despite a lack of visibility, the outlook for 2004 is encouraging:

- While the level of household consumption in France is still weak, the American economic upturn should engender an economic rebound in France;
- According to INSEE, French manufacturers confirm their favourable view of industry trends. This return to confidence could bring with it a return to advertising investment;
- Plus, the growth outlook for the advertising market is also optimistic. Zenith Optimedia¹ forecasts an increase of 2.1% in multi-media advertising investment for 2004.

In addition, the 2004 portfolio of clients is expanding. Sectors that were heretofore banned from advertising on TV are now appearing on TF1 and its thematic channels:

- the Press on all television channels,
- Book publishing on thematic channels,
- Retail on local and thematic channels (as of 2007: access to analogue channels).

Diversification activities

In 2003, operating revenue generated by the TF1 Group diversification activities grew 6.7% to €1,225.0 M. Diversification activities also improved their profitability thanks to strict budget controls. For the first time, diversification activities reached break even for the full year.

N.B.: the activities of the TF1 subsidiaries are analysed below on the basis of their contribution to consolidated revenue.

Pro forma accounts: the 2001 accounts have been restated to take into account to increase to 66% of TF1's shareholding in TPS (see note 2.2 of the consolidated accounts).

Eurosport

CONTRIBUTION TO THE CONSOLIDATED PROFIT AND LOSSES ACCOUNT

EUROSPORT (€ millions)	2003	2002	2001	
			PRO FORMA	PUBLISHED
Operating revenue	284.4	294.3	293.7	299.5
Operating profit	30.2	25.9	23.0	23.0
Net profit	8.0	3.5	3.5	3.5

At December 31, 2003, Eurosport was received in 54 countries by 97.9 million households, of which 48 million were paying households in Europe (+ 4.9% compared to 2002). In 2003, Eurosport saw its average audience increase by over 12%. The sports news channel, Eurosportnews, received by 18.3 M households, confirmed its success with a new broadcasting licence in China and an editorial partnership in Russia.

The Eurosport contribution to group operating revenue amounted to €284.4 M, a fall of 3.4%. The decrease in advertising revenue excluding exchange rate fluctuations is explained by the lack of major sports events such as the Olympic Games or the football World Cup and a tough situation in Germany. The revenue from cable and satellite fees increased primarily thanks to the increase in paying households, which broadly offset a fall in the average price per subscriber. The Eurosport contribution to operating income came to €30.2 M, an increase of 16.6% and a 10.6% operating profitability constituting a rise of 1.8 points. The contribution to consolidated net profit more than doubled compared to 2002, coming in at €8.0 M.

¹ Forecasts from Zenith Optimedia – December 2003.

The Thematic Channels

CONTRIBUTION TO THE CONSOLIDATED PROFIT AND LOSS ACCOUNT

THEMATIC CHANNELS (€ million)	2003	2002	2001 PRO FORMA	2001 PUBLISHED
Operating revenue	50.7	47.4	53.0	64.2
LCI	33.9	36.3	40.3	43.8
ODYSSEE	3.1	3.5	5.2	8.4
TF6	5.9	4.4	4.0	5.9
TV BREIZH	4.2	-	-	-
TF1 DIGITAL	-	-	-	-
TFOU	0.4	-	-	-
SERIE CLUB	3.2	3.2	3.5	6.1
Operating profit	(17.1)	(10.9)	(6.6)	(6.6)
LCI	(9.5)	(6.9)	(3.6)	(3.6)
ODYSSEE	(0.4)	(0.3)	0.9	0.9
TF6	(0.1)	(2.8)	(5.2)	(5.2)
TV BREIZH	(6.1)	-	-	-
TF1 DIGITAL	(0.8)	(1.4)	(0.2)	(0.2)
TFOU	(0.6)	-	-	-
SERIE CLUB	0.4	0.5	1.5	1.5
Net profit	(10.6)	(9.3)	(6.4)	(6.4)
LCI	(9.5)	(6.7)	(3.3)	(3.3)
ODYSSEE	(0.4)	(0.5)	0.8	0.8
TF6	(0.2)	(3.0)	(5.4)	(5.4)
TV BREIZH	(2.7)	(1.2)	(1.6)	(1.6)
TF1 DIGITAL	2.6	1.8	2.4	2.4
TFOU	(0.6)	-	-	-
SERIE CLUB	0.2	0.3	0.7	0.7

At December 31, 2003, TF1 controlled directly or through TPS 20 thematic channels. The thematic channels business includes under the TF1 Digital holding the following subsidiaries: LCI, Odyssee, TF6, Série Club, TV Breizh, TFou. During third quarter 2003, TV Breizh operated a capital increase through which TF1 became the major shareholder with 40.49% of the channel's capital stock. TV Breizh is now fully consolidated in the TF1 Group accounts retroactive to January 1, 2003.

The contribution of the thematic business to TF1 Group operating revenue amounted to €50.7 M, up 7.0%. Operating income of the business remained negative at €(17.1) M. Net earnings made a €(10.6) M negative contribution to TF1 Group net earnings.

LCI reached 4.9 million subscriber households at December 31, 2003, that is, an increase of 7% (+ 300,000 subscribers). In terms of audience, LCI is ranked third¹ among cable and satellite channels. LCI's contribution to TF1 Group operating revenue amounted to €33.9 M, a fall of 6.6% due to a decline in revenue from cable and satellite. Advertising revenue of the channel advanced 4.6% over the year. Its losses amounted to €(9.5) M.

At end 2003, the **Odyssee** channel had 1.8 million subscriber households, that is, a 6% increase of its subscribers for the year. Odyssee's contribution to TF1 Group operating revenue amounted to €3.1 M. The channel's loss came to €(0.4) M, an improvement of 20% thanks to control of programming costs and operating expenses.

At end December 2003, **TF6** had 2.36 million subscriber households. The TF6 audience share reached 1% in 2003 for individuals aged four years and over, enabling the channel to be ranked fifth on cable and satellite. The TF6 contribution to TF1 Group operating revenue grew strongly (34.1%) to €5.9 M, driven by the increase in advertising revenue. The TF6 net loss was substantially reduced and the channel practically reached break even with a loss of only €(0.2) M.

At December 31, 2003, **Série Club** had notched up 2.10 million subscribers via TPS and the main cable operators. The channel gained 57,200 subscriber households during the year. The Série Club contribution to group operating revenue remained stable compared to end 2002 at €3.2 M. The contribution of Série Club to net profit stood at €0.2 M.

At December 31, 2003, **TV Breizh** was received by 4 million households, that is, an increase of 8% in one year. 2003 was marked by an ambitious acquisition policy in terms of feature films and a change in editorial direction. Operating revenue amounted to €4.2 M. The channel's loss came to €(2.7) M. TV Breizh was consolidated under the equity method in 2002.

On April 23, TF1 launched the channel **TFou**, which combines youth programmes (cartoon series, fiction dramas, mini magazines...) and amusing and participative interactive services. This activity is carried out within a new legal entity, the company TFou (limited partnership).

Télévision Par Satellite - TPS

CONTRIBUTION TO THE CONSOLIDATED PROFIT AND LOSS ACCOUNT

TPS (€ million)	2003	2002	2001 PRO FORMA	2001 PUBLISHED
Operating revenue	353.8	289.8	266.4	0.0
Operating profit	2.8	(13.8)	(49.1)	0.0
Net profit	(6.4)	(21.2)	(48.2)	(15.8)

At end December 2003, the TPS offering of digital programmes and services reached a total of 1,527,000 active subscribers, of which 1,239,000 receiving direct by satellite (an increase of 5.7% compared to 2002) and 288,300 subscribing to the TPS Cinema channels via cable and satellite networks (France and overseas). TPS' market share of new subscribers was estimated at 36% for full year 2003.

The **TPS** contribution to group operating revenue amounted to €353.8 M. The average revenue per subscriber rose slightly to €37.3. The churn rate (excl. card only) was 10.6%, an improvement over 2002.

At end 2003, the group TPS (at 100%) had borrowings and indebtedness amounting to €228.8 M, down €44.5 M compared to the situation in 2002.

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For the first time, TPS achieved full year break even in terms of operating result, that is a contribution of €2.8 M to TF1 Group operating profit. The TPS group also significantly reduced its net loss, i.e., an impact of €(6,4) M on TF1 net profit (vs. €(21.2) M in 2002). The TPS satellite activity should reach break even in net profit in 2004 and the whole of the TPS group (incl. ADSL activity) should reach break even in 2005.

On December 18, 2003, TPS, together with France Télécom, launched television over the telephone line. This new offering enables access to the TPS bundle and to digital quality cinema and television on demand programmes. TPS L is available to 350,000 households in Lyon and will be marketed in the Paris region in the course of the spring of 2004.

Publishing/Distribution

CONTRIBUTION TO THE CONSOLIDATED PROFIT AND LOSS ACCOUNT

PUBLISHING & DISTRIBUTION (€ million)	2003	2002	2001	
			PRO FORMA	PUBLISHED
Operating revenue	349.6	343.3	279.4	279.4
TF1 ENTREPRISES ¹	56.2	54.7	34.3	34.3
TF1 VIDEO (incl. CIC and RCV)	215.2	192.1	154.8	154.8
UNE MUSIQUE	5.1	23.5	9.7	9.7
TELESHOPPING	73.0	69.4	73.6	73.6
EUROSHOPPING	–	3.4	6.9	6.9
STE NOUVELLES EDITIONS	0.1	0.2	0.1	0.1
DIVERS	–	–	–	–
Operating profit	34.3	30.6	14.3	14.3
TF1 ENTREPRISES ¹	11.2	10.2	8.6	8.6
TF1 VIDEO (incl. CIC and RCV)	17.3	14.5	11.1	11.1
UNE MUSIQUE	1.3	4.7	(1.0)	(1.0)
TELESHOPPING	4.4	1.3	3.3	3.3
EUROSHOPPING	–	(0.9)	(2.4)	(2.4)
STE NOUVELLES EDITIONS	0.1	–	(0.2)	(0.2)
DIVERS	–	0.8	(5.1)	(5.1)
Net profit	23.8	21.1	10.7	10.7
TF1 ENTREPRISES ¹	7.3	6.8	5.8	5.8
TF1 VIDEO (incl. CIC and RCV)	12.4	10.3	7.9	7.9
UNE MUSIQUE	0.9	2.9	(0.8)	(0.8)
TELESHOPPING	3.2	1.7	3.8	3.8
EUROSHOPPING	–	(1.0)	(2.4)	(2.4)
STE NOUVELLES EDITIONS	–	–	(0.1)	(0.1)
DIVERS	–	0.4	(3.5)	(3.5)

(1) Since July 1, 2003, operations of TF1 interactive services have been made part of e-TF1.

The Publishing/Distribution contribution to operating revenue increased by 1.8% to €349.6 M. Operating margin improved 0.9 points to 9.8%. Net profit rose 12.8%.

Within the division, the **TF1 Entreprises** entity benefited from the dynamism of TF1 Licences, notably in the areas of press (*Star Ac Mag*), licence promotion (*Star Academy*, *Ushuaïa*, *Franklin...*) and show merchandising (*Star Academy*, *Jenifer...*). But it suffered from a slow-down of TF1 Games and TF1 Musique in a crisis-prone market.

The parlour games market in 2003 found itself in a depressed environment: the market (parlour games, excluding card games) fell 2.5% compared to 2002 (source NPD). However, TF1 Games pursued its initial strategy of expanding the range on buoyant sectors (children's games) and export growth. TF1 Games reached break even thanks to the enhancement of its catalogue.

In a French market growing 10% (source SEV), **TF1 Vidéo** (incl. CIC and RCV) achieved a contribution to operating revenue of €215.2 M (+ 12% vs. 2002), sustained by growth in DVDs, which now represents 76% of the market in volume and 82% in revenue. In 2003, TF1 Vidéo sold 15.1 million cassettes/DVDs (+ 12% vs. 2002). This year's hit parade of the best selling titles included *Lord of the Rings – The Two Towers* and *Jean-Marie Bigard: Des Animaux et des Hommes*. Operating profitability of group TF1 Vidéo gained 0.5 points compared to 2002. The contribution to group net profit improved by 20.4% to €12.4 M.

The distance sales market had a tough 2003, marked by the war in Iraq, the August heat wave and volatile consumer behaviour. In this context, **Téléshopping** consolidated its position to improve its operating income. The contribution to operating revenue, up 5.2% to €73.0 M, was sustained by Internet activity, which grew by 52%. The "programmes" activity declined 3% while the catalogue improved 2% for the year. The improved operating margin was due both to the rise in sales margin and to control of logistics costs and fixed structural and production costs. Téléshopping's contribution to group net profit stood at €3.2 M.

Interactive division (e-TF1 and TF1 Interactif)

CONTRIBUTION TO THE CONSOLIDATED PROFIT AND LOSS ACCOUNT

INTERNET - TF1 INTERACTIF (€ million)	2003	2002	2001	
			PRO FORMA	PUBLISHED
Operating revenue	26.0	11.0	8.0	8.0
Operating profit	(1.2)	(8.9)	(14.8)	(14.8)
Net profit	(1.1)	(9.1)	(16.3)	(16.3)

Since July 1, 2003, the activity of **TF1 Interactif** (formerly a department of the company TF1 Entreprises) has been integrated into the e-TF1 legal structure. The **e-TF1** division contributed €26 M to group operating revenue. Its operating income was negative at €(1.2) M, a substantial improvement over 2002 (€(8.9) M) resulting from the combined effect of revenue increase and cost control.

Growth in Internet activity is primarily based on an increase of e-commerce advertising revenue and database sales and a surge in pay content and services with, for example, sales of live video flows (LCI, Infosport, *Star Academy...*), the game show *Qui veut gagner des millions?* and an increase in mobile revenue thanks mainly to i-mode. With 1.9 million individual visitors per month (December 2003), www.tf1.fr is France's leading media site.

The activity of TF1 Interactif declined due to an unfavourable comparison basis with 2002, which benefited from increased activity thanks to the *Star Academy* final in January and the discontinuation of the *Allô Quiz* programme in October 2003. The year was marked by the solid performance of MMS activity and the decline in Minitel activity, due mainly to the gradual disappearance of this vehicle.

Production and Audiovisuals Rights

CONTRIBUTION TO THE CONSOLIDATED PROFIT AND LOSS ACCOUNT

PRODUCTION AND AUDIOVISUALS RIGHTS (€ million)	2003	2002	2001 PRO FORMA	2001 PUBLISHED
Operating revenue	112.4	126.7	131.1	131.3
PRODUCTION	66.6	78.8	94.2	94.2
AUDIOVISUALS RIGHTS	45.8	47.9	36.9	37.1
Operating profit	(10.3)	(4.0)	(15.9)	(15.9)
PRODUCTION	(11.5)	3.5	2.0	2.0
AUDIOVISUALS RIGHTS	1.2	(7.5)	(17.9)	(17.9)
Net profit	(13.9)	(8.0)	(6.2)	(6.2)
PRODUCTION	(8.9)	1.5	1.1	1.1
AUDIOVISUALS RIGHTS	(5.0)	(9.5)	(7.3)	(7.3)

This division's contribution to TF1's operating revenue declined by 11.3% to €112.4 M. Its contribution to group operating income and net profit were negative at €(10.3) M and €(13.9) M, respectively.

TF1 International is responsible, in France and abroad, for trading rights for broadcasting and representation of cinema and audiovisual works acquired or produced by the TF1 Group companies. Its contribution to group operating revenue, at €28.7 M, was down 12% due to a slow-down in production activity and a reduction in the number of programmes sold.

TF1 Films Production contributed €13.1 M to group operating revenue, down 20.1%. In 2003, TF1 Films Production co-produced 22 feature films, of which seven achieved over one million theatre admissions (*Taxi 3*, *Tais-toi*, *7 ans de mariage*, *18 ans après...*). At end December 2003, the amount committed to 23 feature films was €43.6 M, the compulsory investment sum required by the licence contract.

The negative contribution of €(11.5) M of **Glem Group** to group operating revenue is primarily explained by the poor results from stage shows and musicals.

At the end of 2003, TF1 restructured its production business under the umbrella company **TF1 Production**, which covers the following companies: Glem, TAP, Alma, TF1 Publicité Production, Quai Sud, Studios 107 and Ushuaïa. This structure corresponds to the need to create homogeneous centres of expertise, activity and responsibility by consolidating several group subsidiaries.

Broadcasting

CONTRIBUTION TO THE CONSOLIDATED PROFIT AND LOSS ACCOUNT

Broadcasting (€ million)	2003	2002	2001 PRO FORMA	2001 PUBLISHED
Operating revenue	1,578.1	1,540.5	1,537.7	1,542.7
TF1 SA	1,554.3	1,518.1	1,508.7	1,508.9
TF1 PUBLICITE	9.4	8.1	6.0	10.8
TF1 PUBLICITE PRODUCTION	7.1	7.7	8.0	8.0
STUDIOS 107	7.3	6.6	15.0	15.0
DIVERS	-	-	-	-
Operating profit	295.4	274.4	376.7	375.9
TF1 SA	287.8	261.9	366.1	365.3
TF1 PUBLICITE	6.6	7.5	4.3	4.3
TF1 PUBLICITE PRODUCTION	0.2	0.2	0.3	0.3
STUDIOS 107	(3.8)	0.1	0.9	0.9
DIVERS	4.6	4.7	5.1	5.1
Net profit	191.6	178.2	242.2	240.8
TF1 SA	191.7	178.8	253.6	252.2
TF1 PUBLICITE	3.6	5.2	6.5	6.5
TF1 PUBLICITE PRODUCTION	0.2	0.2	0.2	0.2
STUDIOS 107	(2.3)	0.1	0.3	0.3
DIVERS	(1.6)	(6.1)	(18.4)	(18.4)

TF1 Publicité Production and Studios 107 report to the broadcasting division and contribute to the TF1 accounts as follows:

- TF1 Publicité Production operating revenue amounted to €7.1M, a decline of 7.8% compared to 2002 because of the lower number of short programmes produced and a fall in multimedia activity.
- Studios 107 contributed €7.3 M to group operating revenue. However, this subsidiary recorded an operating loss of €(3.8) M, due notably to the depreciation of a receivable due by KTV (Khalifa Television), which was a customer of the company and is now in liquidation.

Miscellaneous

CONTRIBUTION TO THE CONSOLIDATED PROFIT AND LOSS ACCOUNT

Miscellaneous (€ million)	2003	2002	2001 PRO FORMA	2001 PUBLISHED
Operating revenue	13.7	2.3	0.0	0.0
VISIOWAVE	13.7	2.3	-	-
Operating profit	(0.2)	0.1	0.0	0.0
VISIOWAVE	(0.2)	0.1	-	-
Net profit	0.1	0.0	0.0	0.0
VISIOWAVE	0.1	-	-	-

Visiowave is a Swiss public limited company based in Lausanne. It offers a full range of integrated solutions to respond to the demands for professional quality in digital video applications on public or private networks. TF1 has an 80% shareholding in Visiowave.

Directors' Report

In 2003, Visiowave contributed €13.7 M to group operating revenue and reached break even with net profit of €0.1 M. Visiowave invests around of its revenue in research and development. Thanks to its technology leadership, Visiowave has become a reference in video surveillance and has developed marketing partnerships with world-leading integrators (Alcatel, Cap Gemini, Thalès, Siemens,...).

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 harmonized procedures. From a financial viewpoint, TF1 ensures that all its subsidiaries are adequately capitalized. 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 2003, the total invoicing amounted to €24,352 K. 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).

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 2003, the total invoicing amounted to €5,050 K. Services delivered on demand are invoiced under market conditions.
- Other services supplied (management of share capital, air transport services with Bouygues and agreements on credit lines with Bouygues Relais) are detailed in the Statutory Auditors' special report.

1.2 The TF1 parent company

In 2003, TF1 SA revenue amounted to €1,473.2 M, up 2.6%, split between advertising operations and miscellaneous revenue (€11.9 M). Operating income was €318.2 M, up 13.5%. Net profit for the year stood at €101.7 M.

1.3 Outlook for 2004

In all the major areas of activity (broadcasting, distribution, content acquisition and production) of the TF1 Group, we constantly apply the strategy defined several years ago.

Broadcasting

Our main objective is to reinforce the TF1 channel's position in terms of both audience and advertising revenue. The TF1 channel is the group's main source of cash flow and helps finance its development. We apply this same strategy to our thematic channels so that they can be considered references in their thematic offerings and in their markets. Once again this year we will continue our efforts in this area. We will expand the international distribution of Eurosport and LCI and create new channels so as to extend our offering.

Distribution

TF1 Group is present in the distribution of audiovisual content through its subsidiaries TF1 International, TF1 Vidéo and TPS. In December 2003, TPS, in association with France Télécom, launched a new audiovisual programme distribution offering for the general public on high-speed telephone lines (ADSL) in Lyon. This new product will subsequently be on offer in 2004 in other major French cities.

Content acquisition and production

TF1 has also remained faithful to its policy of producing, acquiring, distributing and managing content, whether it is intended for the TF1 channel and the thematic channels or other operating methods.

On January 26, 2004, TF1 announced the increase in its shareholding of Glem Group to almost 100% of the capital.

At the end of January, TF1 raised its shareholding in TV Breizh to 58%.

February 6, 2004 saw the launch in Italy of SportItalia, a national free-to-air sports channel.

For 2004, TF1 channel's advertising revenue could increase 3% to 5% thanks to the improved economic outlook and the partial opening to sectors formerly prohibited from TV advertising. However, caution is of the essence, given the poor visibility and considerable volatility of advertising markets. TF1 consolidated



revenue could rise some 4% to 5%. The TF1 channel's programming costs are expected to rise between 4% and 5%. Diversification activities, at constant scope, have as their objective to be profitable in 2004. The TPS satellite activity should reach break even (excluding the impact of developing ADSL distribution). Against this general backdrop, TF1 Group consolidated net profit could well improve once more.

1.4 Transition towards IFRS standards

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

This obligation concerns TF1. In consequence, TF1 Group has taken all the steps necessary to publish consolidated accounts as of financial year 2005 in compliance with International Financial Reporting Standards (IFRS), including comparative data restated in compliance with IFRS for financial year 2004.

At the beginning of 2003, the project was launched with an initial diagnostic of the main divergences between French standards and IFRS and an identification of their impact on the methods of preparing TF1's financial statements. The second project phase included a detailed study of the impact of these divergences on the financial statements and information systems of each subsidiary concerned. This phase was completed in first quarter 2004, leading to functional specifications that will act as the basis for the application of organizational and systems modifications.

An initial simulation of the impact of the transition to IFRS on the opening balance sheet at January 1, 2004 has also been carried out. It has shown that restatements and changes in accounting methods or presentation made necessary by the transition to IFRS standards will not have any significant impact on the TF1 Group consolidated financial accounts.

1.5 Events that have occurred since the financial year-end

In February 2004, TF1, through Eurosport, reached an agreement with the company Holland Coordinator and Services B.V., controlled by Mr. Tarak Ben Ammar, to jointly control the company Europa TV SpA. Europa TV holds a national concession for free-to-air television service covering 81% of the Italian population. In February 2004, Europa TV launched a national free-to-air

sports channel identified under the brand name SportItalia. Eurosport bought 29% of Europa TV's capital and has an option (to be exercised before May 3, 2004) to acquire an additional 20%.

TF1 also reached an agreement with Holland Coordinator and Services B.V., controlled by Mr. Tarak Ben Ammar, to jointly control the company Prima TV. TF1 has a 49% participation in the capital of Prima TV. Prima TV holds a provisional authorization for a national free-to-air analogue broadcast service covering 75.7% of the Italian population. Prima TV has also been authorised to test, at national level, the digital broadcast of programmes covering up to 58% of the Italian population. Digital broadcasting will be carried out with a terrestrial multiplex called D-Free, which will start broadcasting with four television channels.

1.6 R&D costs

Research and Development costs of the TF1 Group are not significant and represent an annual charge of approximately €5 M in 2003. TF1 has redefined more broadly its research and development activity. It can be broken down into three key themes:

1/ 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 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.

2/ 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.

3/ 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.

Directors' Report

2 Human resources and environment update

TF1 aims to offer its different customers (television viewers, advertisers, consumers...) a quality service for all its activities. This aim could not be achieved without the professionalism and the creativity of the staff. They represent the group's most valuable asset and contribute daily to the growth of TF1, which, in the space of 17 years, has become an integrated communication group. In addition to regulatory constraints, be they specific to the broadcasting sector (licence contract, amended law of 1986, CSA control...) or not, TF1 strives to create a social environment that will enable its staff to flourish and TF1 to play a role in environmental protection even though its business has a limited impact on the environment.

2.1 Human resources

(Statistics for the whole of the TF1 Group)

Workforce

The TF1 Group's recruitment, training and remuneration policies are governed by the 3-year strategic plans decided by the general management after consultation with the group's various operating and functional entities. Real-time adjustments are made to them to ensure they keep abreast of changes in the company's environment. The policies aim to provide the high level of professionalism required to secure the leadership position in the company's different markets and to motivate both individuals and teams.

The recruitment department is continually looking to bring on board talented young people in order to prepare them for future activities. It also seeks out experienced professionals to reinforce existing teams or initiate new activities.

One of the priority areas of the TF1 Group's Human Resources (HR) policy is the professional mobility of staff. This is demonstrated by the fact that over 200 employees changed position in 2003. The aim is to encourage individual development through personalized monitoring and deliberate management of professional career development. Under the supervision of HR teams, professional mobility is supported by:

- An annual meeting with the employee's immediate manager,
- Job offers on the Intranet and Internet,
- Bi-monthly employment co-ordination meetings,
- HR committees within each entity,
- Individual professional and skills appraisals.

For the last three years, TF1 has adopted a consistent and proactive policy of integrating temporary staff. From 2001 to 2003, this integration policy led to the hiring of 300 non-perma-

nent employees (temporary technical staff, fixed-fee contract workers, free-lance journalists and producers) and will continue for all group companies in 2004. It is to be noted that TF1 SA dipped below the 10% mark of temporary staff, fixed-fee contract workers and free-lance journalists compared to total workforce.

TF1 has implemented a genuine social benefits policy specific to temporary staff:

- Employee savings: access to the capital increase operations in respect of TF1 Avenir 2 and Bouygues confiance 2, access to employee profit sharing under the terms and conditions stipulated in the profit sharing agreement,
- Healthcare: medical insurance and a welfare benefits scheme from 1992,
- Others: a 35-hour working week agreement specific to temporary staff, raise in annual salary scale, access to the Works Council's social and cultural activities.

TF1 Group's workforce increased by 6% in 2003 (figures at December 31). The break-down is as follows:

Non-Fixed-Term Staff

EMPLOYEES	SUPERVISORY STAFF	MANAGERS	JOURNALISTS	SALES REP.	TOTAL
86	776	2,269	536	15	3,682 ¹

¹ Including 114 people working abroad.

N.B.: These figures differ from those included in the notes to the consolidated accounts, the latter reflecting only the workforce of consolidated companies.

Fixed-Term Staff

Number of staff on fixed-term contracts	133
Number of staff with a qualification contract	33
Number of staff with an apprenticeship contract	43

Special events such as the coverage of the Iraqi conflict and the production of several musicals led to considerable ad-hoc use of temporary staff for the group companies concerned, particularly Glem. As a result, across the group, the equivalent full-time workforce over 12 months for non-permanent staff broke down as follows:

TEMPORARY STAFF	FREE-LANCE JOURNALISTS	FIXED-FEE CONTRACT WORKERS	PRODUCERS
388.66	113.08	146.02	43.55

HIRINGS AND DEPARTURES IN 2003

Number of staff hired on fixed-term contracts	263
Number of staff hired on non fixed-term contracts	451
Number of retirement departures	5
Number of redundancies	30
Number of negotiated departures	116

Overtime (at 125 and 150%) presented below shows a significant decline in 2003 (13% compared to 2002) and is explained in part by the numerous hirings this year (and notably the integration of temporary staff, who benefit from a more advantageous overtime scheme):

NUMBER OF HOURS	AMOUNT
38,095	€955,879

Labour external to the TF1 Group in 2003 (interim staff) equated to 33.95 equivalent full-time staff over 12 months, that is 1% of the group's permanent workforce.

Organization of work time

Agreements on the organization 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 ORGANIZATION AND REDUCTION OF TF1 GROUP COMPANIES' WORK TIME

STATUS	ANNUAL NUMBER OF WORKING HOURS/DAYS FOR ATP STAFF ¹
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

¹ Administrative and Technical Production staff.

STATUS	ANNUAL NUMBER OF WORKING DAYS FOR JOURNALISTS
Journalists with a fixed no. of days annually	from 208 to 215 days
Executives	unaffected

TF1 GROUP: ABSENTEEISM AND REASONS

Rate of absenteeism (as a % of staff)	3.76
Total days of absence	40,239
Number of unpaid absence days	390
Number of absence days due to sickness	19,601
Number of absence days due to work/travel-related accidents	1,484
Number of absence days for maternity or paternity leave	15,618
Number of absence days for exceptional leave	3,146

At December 31, 2003, 157 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 customized 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, 2003, 2,536 employees belonged to the company savings plan, i.e., 88.52% of permanent staff of companies participating in the group savings plan. The employer top up paid by TF1 and its subsidiaries represents €6.8 M.
- In 1999 and 2001, TF1 embarked on a capital increase reserved for employees as part of two new company schemes. 1,673 employees or 75.3% of the workforce joined the first scheme and 1,944 the second, that is 53.7% of group employees.

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 2003, this amounted (for financial year 2002) to €11.6 M, that is an average amount per employee of €2,551.

TF1 GROUP: AVERAGE MONTHLY REMUNERATION FOR NON FIXED-TERM CONTRACTS BY PROFESSIONAL CATEGORY IN 2003 (IN €)

EMPLOYEES	SUPERVISORY STAFF	MANAGERS	JOURNALISTS	SALES REP.	ALL CATEGORIES
2,001	2,861	4,776	5,337	2,857	4,398

In 2003, the annual percentage increase was 5.07% for the TF1 Group. This figure corresponds to the difference in the remuneration of employees present both on December 31, 2002 and December 31, 2003.

Directors' Report

SUMMARY OF THE GROUP'S SOCIAL SECURITY CONTRIBUTIONS IN 2003

EMPLOYEE CONTRIBUTIONS	EMPLOYER CONTRIBUTIONS	TOTAL
€48.8 M	€98.2 M	€147 M

Professional equality between men and women

TF1 continues to enforce its policy of no discrimination between men and women and respect, in accordance with the law, for the principle of equality between the two sexes especially in terms of recruitment and career/salary development. The tables below show a near equality in hiring and promotion of men and women.

In an environment where, traditionally, men have heavily outnumbered women (technical occupations), the TF1 Group has, over the last few years, established a certain balance: women make up 47% of TF1 Group employees and men 53%. The proportion of women promoted (13%) is slightly higher than that of men (11%). Similarly, female staff have benefited from training opportunities, with the conditions for accessing professional training courses identical to those for men.

AVERAGE MONTHLY GROSS STARTING SALARY¹

	SUPERVISORY STAFF	MANAGERS
Women	€1,760	€2,340
Men	€2,247	€2,499

¹ Employees of 18 to 26 years of age and with less than one year seniority.

The difference between men and women in the supervisory category is due principally to the requirement for a technical (audiovisual) diploma where a majority of men are represented. But the market imposes starting salaries higher than those for secretarial diplomas, where men are not represented. On the other hand, for a technical diploma, men and women are recruited at equivalent salaries.

HIRING

Women	224
Men	227
Total	451

PROMOTIONS¹

Women	241
Men	227
Total	468

¹ With or without change in professional category.

NUMBER OF TRAINEE STAFF IN 2003¹

Women	1,003
Men	1,177
Total	2,180

¹ Trainees in professional training.

NUMBER OF TRAINEESHIP HOURS IN 2003

Women	42,343
Men	51,531
Total	93,874

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 2003 (TITULAR MEMBERS)

	WORKS COUNCIL	STAFF REPRESENTATIVES	HSC	BOARD OF DIRECTORS	TOTAL
CFTC	26	31	39	13	109
CGC	1	0	0	0	1
CFTC/FO/CGC	5	9	0	2	16
CGT/SNJ-CGT	1	2	0	0	3
CFDT Radio-Télé	3	3	5	2	13
Independents	0	0	4	0	4
Total	36	45	48	17	146

Number of meetings with staff representatives (WC+SR+HSC+BD)	400
Number of meetings with trade union representatives	41
Number of collective agreements during the year under consideration	8

Health and safety conditions

Generally speaking, safety training concerns all staff. As part of the fire prevention policy, training is organized for all staff and regular evacuation exercises are also arranged within the framework of current regulations.

There is specific training related to occupational risks: for reporting teams this consists of first aid training, what course of action to take in difficult situations, and training in terms of gestures and posture. Other training linked to particular risks is also offered, e.g., for electrical risks.



In application of the Evin law on smoking in public places, smoking is prohibited in all closed spaces to which the public has access or which constitute working environments, including closed offices, meeting rooms and the company restaurant. This regulation is properly respected. To help smokers and non-smokers to coexist, areas have been defined. Since the beginning of the year, signage enables employees to know in which type of area they happen to be. Smoking areas are equipped with air purifiers to substantially reduce the level of nicotine in suspension in the air.

In the context of protection of the ozone layer, copier filters are changed regularly.

The central document covering the evaluation of professional risks has been updated. This document contains an inventory of the risks in each of the company's work units and the preventive measures that have been defined for each of the risks involved (training, work place instructions...).

The medical department, comprising a company doctor and three nurses, provide daily cover (in 2003 there were 7,429 nursing interventions and 3,278 employees examined by the doctor) but also carry out specific examinations of certain employees involved in risky occupations. In 2003, 1,026 employees were vaccinated and 142 first aid kits were prepared for employees leaving on reporting missions in zones where the dangers were significant. Furthermore, the medical department this year took over the annual medical check-up for free-lance journalists working in the group.

	2003
Number of work accidents resulting in lost time	36
Number of fatal work/travel-related accidents	0
Number of HSC meetings	56
Staff with safety training	400

Training

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

The reporting environment courses, "safety" and IT technical training for IT people continue to be priority areas again this year.

Management training has long been a priority, with courses for new managers and team leaders.

A new subject linked to training in support of implementation of a new digital division has been included in the priority areas for 2003.

Among the other 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" and "training the trainers".

Then there are the "professional skills" courses enabling staff to develop their specific expertise.

Finally, language courses and theme days to discover the professions exercised within the group were continued in 2003.

In 2003, a budget of around €7.5 M was dedicated to training in the group, that is, 3.36% of total wage costs.

2,076 TF1 Group employees received training in the course of 2003. A total of 3,501 training activities represented 59,570 hours of training within TF1 Group. In addition, 34,304 hours of supplementary training were taken by 104 TF1 trainees in the framework of sandwich courses and individual training leave.

The group's apprenticeship tax amounted to €803,540 for 2003.

TF1 has implemented a dynamic policy to welcome young graduate trainees, who represent an important source of recruitment for TF1. It has also established close partnerships with schools and universities. In this context, TF1 received 605 trainees in 2003.

Special relationships with teaching establishments are as follows:

- Audiovisual Diploma, Lycée Jacques-Prévert, Boulogne
- Audiovisual Diploma, Lycée René-Cassin, Bayonne
- Audiovisual Diploma, Lycée de l'image et du son, Angoulême
- IIS: Institut International de l'Image et du Son, Trappes
- Advanced Technical Diploma in Audiovisual Communications at the Sorbonne, Paris
- Media Masters, 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 sub-contracting agreements with protected workshops.

All the company's buildings conform to the legal standards for establishments accessible to the public.

Number of handicapped workers	31
Sums paid to protected workshops	€154,327.40

Directors' Report

Community work

In 2003, the TF1 Group earmarked around €14 M for humanitarian, civil or cultural operations (i.e., the equivalent of about 1% of its advertising revenue), in the form of:

- **Air time** (advertising spots, advertising banners, free advertising campaigns) to make the general public aware of subjects such as:
 - Health issues: "Pièces Jaunes" operation, fight against cancer and Aids ("48-hours in the fight against AIDS"), the handicapped (Perce neige association),...
 - Humanitarian issues: "Restos du Cœur", "SOS Algérie: Tremblement de terre", Food Bank, "Les Petits Frères des Pauvres",...
 - Environmental protection: Nicolas Hulot foundation, "Pour une mer en bleu", WWF,...
 - Citizenship: employment of the handicapped (*association nationale gestion insertion handicap*), "Cyclamed, le reflexe", road safety (Ministry of Infrastructure), generic medicines (Ministry of Labour),...
 - Human rights: child protection, "Reporters Sans Frontières",...
- **Donations** made during game shows such as *Qui veut gagner des millions?*, *Attention à la Marche*, *Bigdil*, *Le Maillon faible* and paid to various organizations: "Fondation des Hôpitaux de Paris", "Association Laurette Fugain", "Ecole du Monde", High Commission for Refugees,...

Thus, TF1 contributes in its own way towards promoting acts of general interest on themes as varied as the population's health, citizenship and environmental protection. Items used by the group can also be passed on to charity organizations.

TF1 also closely manages its **relationship with television viewers**, with a team of 12 staff earmarked for this purpose. Viewers can contact this team from Monday to Sunday and on bank holidays, by telephone (Indigo No.: 08 25 809 810), post or Internet. TF1 was contacted more than 217,000 times in 2003. These contacts break down as follows:

- requests for information: 52% (19% of requests to take part in a programme)
- opinions: 20%
- subject suggestions: 13%
- requests for telephone numbers: 8%

TF1 promises to answer the various requests rapidly: 90% of immediate responses for telephone calls, 95% of responses within 48 hours for e-mails. The three events that most mobilized Internet-using viewers in 2003 were the coverage of the U.S.-Iraq conflict on the television news, the social crisis in France linked to the reform of the retirement system and the August heat wave, which particularly affected old people and those living alone.

In addition to measuring audience share, the television viewers' reception service is also a means of obtaining information on viewers' feelings regarding the quality of the channel's programmes. Viewers regularly communicate their level of satisfaction with the consistency of the editorial approach, the content and ethics of television programmes.

Example of the 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 gamble: although the region was certainly not deprived of production activities, they were privately run and technical facilities were rare. The arrival on the scene of TV Breizh has seen the development of a truly impressive audiovisual sector, with some ten production companies employing the equivalent of around 120 full-time staff for TV Breizh programmes.

One turning point was achieved in September 2002 with the launch of a daily news programme, *Actu Breizh*. Reports for this news programme are provided by the audiovisual press agency Ouest Info, which was already relaying programmes for TF1 and LCI. To satisfy the requirements of TV Breizh, Ouest Info recruited an additional ten picture reporters.

The arrival of TV Breizh has ensured the development of a constantly growing television industry. The channel now employs, directly or indirectly, around 60 staff, while the Picture division, that has sprung up around it in Lorient's town centre, alone accounts for some 100 jobs. This does not include the jobs generated in production companies in other towns in the region.

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... Within the framework of these different partnerships, the TF1 Group asks each of its service providers (through a contract) to adhere to the regulations (especially social and environmental) in force. Since most of our partners are French, the risk of these regulations not being adhered to is very slim.

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 quantity of waste produced by the TF1 Group has fallen for four years running.



In 2003, TF1 set up waste sorting wherever possible, while bearing in mind the specifics of its sites. At TF1 head office, the need to find a balance between the volume of waste to dispose of and the logistics required led to a decision by the General Services department to install a waste compactor, which has been operational since August 2003. Rather than sort waste by type at TF1, the waste is compacted and then collected by an outside company that handles the legally required sorting off site. A special container is made available before removal. At other group sites, cardboard boxes known as “sheet eaters” are put in each office to give employees the reflex to sort waste, separating paper from other waste.

Battery bins are also available. Used batteries must be handled in a special way because of some of their components such as mercury, zinc, lithium, nickel, etc. They are destroyed or recycled via a process different from that of “regular” waste. In addition, printer and fax toner cartridges are collected by a specialised company and then recycled.

Out-of-date computer workstations are recuperated by a specialized reseller. In the context of protection of the ozone layer, copier filters are changed regularly.

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 2002 and 2003 (moving into new premises) and represents around 37 million kWh (+ 2.6 M kWh).

Eurosport has implemented an automatic management system for switching television and computer screens on and off. It has also introduced an automatic system that turns down the air conditioning during off-peak hours and switches off the lights at night.

Water consumption (used essentially in the air conditioning system, the wash rooms and kitchens) was also higher in 2003 than in 2002 and represented around 71,000 m³ in 2003.

Gas consumption was stable. Gas is used to heat some buildings and consumption is therefore dependent on weather conditions. It amounted to around 45,800 m³ in 2003.

The consumption of steam, also used to heat some buildings, totalled 607 tons in 2003 (down 10%).

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 minimizing 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.

Directors' Report

TDF is the only national operator broadcasting 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.

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 authorization. The company's initial authorization 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 authorization, without a bid for candidatures, effective starting April 16, 1997.

The TF1 channel's authorization 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 authorization can 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 authorization 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 2004 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.

TF1 Vidéo has SFAC insurance to safeguard against the risk of customers defaulting on payments.

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

Interest rate hedging (through swaps and simple options) in 2003 was designed to protect TF1 from changes in interest rates on its debt.

The group also used exchange rate hedging instruments (forward currency purchases and sales and purchase of options) in 2003 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 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: around €251 M, premium of some €900 K, deductible of around €25 K on direct damages). 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

To the best knowledge of the company and the Group, there is no litigation or arbitration taken individually liable to have a significant effect on the activity, results, financial situation or assets of the company or the group.

Any litigation known today by the company and the Group has been fully provisioned in the accounts. Details of provisions for litigation are presented in the notes to the consolidated accounts.

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

SMR6

Incorporated on August 4, 2003, the joint stock company Société d'Exploitation du Multiplexe R6 – SMR6, with a capital of €50,000, divided into 50,000 shares with a nominal value of €1 each, in which TF1 holds a 20% stake.

Its aim is to control free-to-air frequencies assigned by the CSA for digital terrestrial television.

GIE Fréquences

Incorporated on September 4, 2003, the economic interest grouping GIE Fréquences, without capital, in which TF1 holds 14.2% of voting rights.

Its aim is to carry out, or have carried out, for its members operations of re-structuring frequencies for the implementation of digital terrestrial television service.

Directors' Report

4.2 Acquisition

TF1 International

On November 28, 2003, TF1 acquired from its subsidiary Siccis 100% of the capital of the company TF1 International for the sum of €36.4 M.

4.3 Subscriptions and shareholdings

TV Breizh

On September 5, 2003, TF1 participated in the capital increase of TV Breizh by subscribing to 58,146 shares with a nominal value of €100 each for the sum of €8.8 M, including €2.9 M in paid-in capital. As a result, TF1 raised its stake in the TV Breizh capital to 40.49%.

On January 28, 2004, TF1 purchased from the company Artémis and François Jean Pinault, respectively, 40,499 shares and one share in the company TV Breizh for the sums of €4,049,900 and €1. At this time, TF1 raised its stake in the TV Breizh capital to 58.4%.

Publications Métro France

On November 14, 2003, TF1 took a stake in the capital of Publications Métro France on the occasion of a capital increase by subscribing to 343 shares with a nominal value of €100 each, representing 34.3% of the capital, for the sum of €12 M, including €11.9 M in paid-in capital.

4.4 Disposals

Siccis

On November 29, 2003, TF1 sold to the company TF1 International 100% of the capital of the company Siccis for the sum of one €39,999.

Protécra

On November 14, 2003, TF1 subscribed, by compensation for accounts receivable, to the capital increase of its 99.99% subsidiary Protécra, for the sum of €6.75 M. The purpose of this capital increase was to reconstitute Protécra's shareholders' equity. Subsequent to this capital increase, TF1 held 99.9% of the Protécra capital and Protécra had a zero net financial situation.

On November 28, 2003, TF1 sold 100% of the capital of Protécra to TF1 International for the sum of €1.

Alma

On September 9, 2003, TF1 sold 100% of the capital of the company Alma to its 100% subsidiary TF1 Production for the sum of €0.08 M.

TAP

On September 9, 2003, TF1 sold 100% of the capital of the company TAP to its 100% subsidiary TF1 Production for the sum of €0.08 M.

Studios 107

On September 24, 2003, TF1 sold 100% of the capital of the company Studios 107 to its 100% subsidiary TF1 Production for the sum of €4.6 M.

Tapas 3

On September 9, 2003, TF1 sold 100% of the capital of the company Tapas 3 to its 100% subsidiary TF1 Production for the sum of €0.04 M.

Groupe Glem

On September 24, 2003, TF1 sold its 3,645 shares representing 73% of the capital of Groupe Glem to its 100% subsidiary TF1 Production for the sum of €10.4 M.

5 Capital

5.1 The stock

TF1's closing share price on 31 December 2003 was €27.68, up 8.7% over one year compared with a growth of 16.1% for the CAC 40 index and 16.8% for the SBF 120 index.

In 2003, TF1 stock's average daily trading volume was 1,031,070, in line with 2002's figures. TF1 stock recorded its highest volume of transactions on April 22, with more than 4.8 M shares traded.

The TF1 Group's market value at December 31, 2003 was €5.96 billion. This equates to a PER (based on 2003 net profit) of 31.1 compared with a PER of 35.2 at December 31, 2002.

5.2 Market transactions

During the past year, the Board of Directors did not avail itself of the authorization it received at Shareholders' Meetings, in particular the 16th resolution of the AGM that took place on April 23, 2003.

5.3 Amount/share types

	OPERATION	ISSUE PRICE PER SHARE		NUMBER OF SHARES		TOTAL SHARE CAPITAL AFTER INCREASE
		NOMINAL	PREMIUM	ISSUED	TOTAL	
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	ISSUE PRICE PER SHARE		NUMBER OF SHARES		TOTAL SHARE CAPITAL
		NOMINAL	PREMIUM	ISSUED	TOTAL	
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		NUMBER OF SHARES		TOTAL SHARE CAPITAL AFTER INCREASE
		NOMINAL	PREMIUM	ISSUED	TOTAL	
20/12/01	Increase of employee capital	€0.2	€23.21	812,919	211,996,079	€42,399,216

	OPERATION	ISSUE PRICE PER SHARE		NUMBER OF SHARES		TOTAL SHARE CAPITAL AFTER INCREASE
		NOMINAL	PREMIUM	ISSUED	TOTAL	
30/06/02 certified on 04/09/02	Exercise of stock options in plan no. 2 during H1 2002	€0.2	€7.77	1,249,000	213,505,079	€42,701,016
	Exercise of stock options in plan no. 3 during H1 2002	€0.2	€9.82	260,000		

	OPERATION	ISSUE PRICE PER SHARE		NUMBER OF SHARES		TOTAL SHARE CAPITAL AFTER INCREASE
		NOMINAL	PREMIUM	ISSUED	TOTAL	
31/12/02 certified on 24/02/03	Exercise of stock options in plan no. 2 during H2 2002	€0.2	€7.77	275,500	214,050,579	€42,810,116
	Exercise of stock options in plan no. 3 during H2 2002	€0.2	€9.82	270,000		

	OPERATION	ISSUE PRICE PER SHARE		NUMBER OF SHARES		TOTAL SHARE CAPITAL AFTER INCREASE
		NOMINAL	PREMIUM	ISSUED	TOTAL	
31/12/03 certified on 23/02/04	Exercise of stock options in plan no. 2 during 2003	€0.2	€7.77	242,070	215,154,149	€43,030,830
	Exercise of stock options in plan no. 3 during 2003	€0.2	€9.82	861,500		

After the exercise of options for the purchase of shares in plans 2 and 3 during 2003 led to the creation of 1,103,570 new shares certified in February 2004, the fully paid capital of Télévision Française 1 increased to €43,030,829.80, divided into 215,154,149 shares with a nominal value of €0.2 each.

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

5.4 Share management

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

Directors' Report

5.5 Shareholders

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

	SITUATION AT 31 DECEMBER 2003			SITUATION AT 31 DECEMBER 2002			SITUATION AT 31 DECEMBER 2001		
	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	88,458,329	41.1%	41.4%	88,457,409	41.3%	41.5%	88,378,009	41.7%	41.9%
Société Générale	3,100,000	1.4%	1.4%	3,100,000	1.5%	1.5%	3,100,000	1.4%	1.5%
Total core shareholders¹	91,558,329	42.6%	42.8%	91,557,409	42.8%	43.0%	91,478,009	43.1%	43.4%
Others France ^{2,3}	63,574,975	29.5%	29.7%	53,823,520	25.1%	25.3%	59,481,725	28.1%	28.3%
<i>of which employees</i>	<i>7,666,847</i>	<i>3.6%</i>	<i>3.6%</i>	<i>7,481,214</i>	<i>3.5%</i>	<i>3.5%</i>	<i>6,468,011</i>	<i>3.1%</i>	<i>3.1%</i>
Treasury shares	1,275,387	0.6%	0.0%	1,275,387	0.6%	0.0%	1,424,117	0.7%	0.0%
Europe (ex France) ³	43,401,938	20.2%	20.3%	48,137,584	22.5%	22.6%	32,992,440	15.6%	15.7%
Others ³	15,343,520	7.1%	7.2%	19,256,679	9.0%	9.1%	26,619,788	12.5%	12.6%
Total	215,154,149	100.0%	100.0%	214,050,579	100.0%	100.0%	211,996,079	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 12% in 2003, 11% in 2002, 13% in 2001).

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

Putnam Investment Management and The Putnam Advisory Company

On 13 January 2003, these companies stated that they went below the 5% threshold, owning 4.938% of TF1's capital.

By a letter dated November 26, 2003, these companies stated they went below the 5% threshold, owning 4.950% of TF1's capital.

JP Morgan

On May 13, 2003, this company stated that it went below the 10% threshold, owning 21,352,820 TF1 shares, i.e. 9.97% of the capital.

On June 5, 2003, this company stated that it went below the 10% threshold, owning 21,343,733 TF1 shares, i.e. 9.95% of the capital.

On June 12, 2003, this company stated that it went above the 10% threshold, owning 21,565,213 TF1 shares, i.e. 10.06% of the capital.

Concerted action

The shareholders resulting from the group of buyers involved in TF1's privatization (Bouygues and Société Générale at 31/12/03 representing 42.6% of the capital) constitute the group of core

shareholders. This concerted action has existed since 1987 and was declared to Euronext on 23 February 1994 (avis Euronext No 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.

5.6 Stock warrant or stock purchase plans

HISTORICAL INFORMATION ON STOCK WARRANT OR STOCK PURCHASE PLANS

	PLAN No 1	PLAN No 2	PLAN No 3	PLAN No 4	PLAN No 5	PLAN No 6	PLAN No 7
Date of AGM	12/06/1995	12/06/1995	12/06/1995	12/06/1995	18/04/2000	18/04/2000	18/04/2000
Date of Board Meeting	10/10/1995	08/04/1997	18/03/1998	20/09/1999	06/12/2000	11/12/2001	24/02/2003
Date of allocation	10/10/1995	08/04/1997	18/03/1998	20/09/1999	06/12/2000	11/12/2001	12/03/2003
Type of plan	Purchase	Subscription	Subscription	Subscription	Subscription	Subscription	Subscription
Total no. of shares eligible as options or for purchase	1,705,000	2,270,000	2,300,000	2,300,000	840,000	2,071,300	2,300,500
• by directors	510,000	550,000	570,000	400,000	–	550,000	550,000
• by the ten principal staff	450,000	700,000	800,000	620,000	100,000	370,000	390,000
Option exercisable as from	10/10/1996	08/04/2000	18/03/2001	20/09/2002	06/12/2003	11/12/2004	12/03/2006
Maturity date	10/10/2002	08/04/2004	18/03/2005	20/09/2006	06/12/2007	11/12/2008	12/03/2010
Purchase or warrant price	€7.33	€7.97	€10.02	€23.27	€53.04	€27.80	€20.20
Terms of exercise	Vesting period: 1 year, exercisable for the following 4 years by cumulative portions of 1/4						
		Exercise after 3 years. Sale 2 years later	Exercise after 3 years. Sale 2 years later	Exercise after 3 years. Sale 2 years later	Exercise after 3 years. Sale 1 year later	Exercise after 3 years. Sale 1 year later	Exercise after 3 years. Sale 1 year later
No. of stock warrants at 10/02/2004	1,490,000	1,766,570	1,391,500	–	–	–	–
Stock warrants or purchase options that have been cancelled or lapsed	185,000	195,000	80,000	62,000	49,500	105,000	–
Remaining stock warrants or purchase options	30,000	308,430	828,500	2,238,000	790,500	1,966,300	2,300,500

The 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.

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

	No. OF OPTIONS 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				
LE LAY Patrick	300,000	€21.26	12/03/2010	7
MOUGEOTTE Etienne	150,000	€21.26	12/03/2010	7
COHEN Claude	100,000	€21.26	12/03/2010	7
Options raised during the fiscal year by each director				
LE LAY Patrick	50,000	€7.97	07/04/2004	2
LE LAY Patrick	100,000	€10.02	17/03/2005	3
MOUGEOTTE Etienne	150,000	€10.02	17/03/2005	3
COHEN Claude	120,000	€10.02	17/03/2005	3

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	TERMS OF EXERCISE	PLAN No
Options granted during the year to the 10 other executives who received the largest number of options				
	390,000	€20.20	12/03/2010	7
Options exercised during the year by the 10 other executives who received the largest number of options				
	87,070	€7.97	07/04/2004	2
	380,000	€10.02	17/03/2005	3

Directors' Report

5.7 Gross compensation of company officers

NAME FUNCTION	FIXED COMPENSATION	BENEFITS IN KIND	VARIABLE COMPENSATION FOR 2003 PAID IN 2004	TOTAL COMPENSATION (42%) ³
LE LAY Patrick ¹ Chairman & CEO	€1,118,611	€4,140	€1,380,000	€1,051,155
Change 2003/3002	13.60%	0.50%	78.40%	42.30%
MOUGEOTTE Etienne ² Senior Executive Vice President	€935,441	€39,624	€450,000	€598,527
Change 2003/3002	0.00%	0.00%	9.33%	2.77%
COHEN Claude CEO	€590,672	€21,725	€360,000	€408,407
Change 2003/3002	10.38%	0.00%	9.09%	9.65%

¹ 100% of the remuneration paid by BOUYGUES SA to Patrick Le Lay (in line with the AMF recommendation). Formerly, only the amount invoiced to TF1 SA was mentioned. On the same basis of comparison, the 2003/2002 variation of the fixed compensation portion would have been 5.5%. In 2003, the amount invoiced to TF1 SA was €1,555,602.

² Of which TF1 Films Production: €83,239.

³ Pro forma deduction of Income Tax, CSG and CRDS.

There is no joining or leaving bonus payment.

The gross variable compensation of Patrick Le Lay for 2003 has been determined in accordance with the following criteria: (a) the difference between the movement of the Bouygues share price and that of the CAC 40 index of the Paris Stock Exchange; (b) the difference between the movement of the TF1 share price and that of the CAC 40; (c) the change in the TF1 consolidated net profit attributable to the group; and (d) various qualitative targets.

The gross variable compensation of Etienne Mougeotte and Claude Cohen for 2003 has been determined by reference to the achievement of certain activity ratios and to the meeting of various commitments made.

Board of Directors' fees

In 2003, Board of Directors' fees of €274,709.14 were paid to the administrators as follows:

BARBIZET Patricia	€23,990.63
BOUYGUES Martin	€17,896.88
SABAN Haim	€7,625.00
CITERNE Philippe	€2,859.37
COHEN Claude	€15,250.00
DERBESSE Michel	€12,390.63
LE LAY Patrick	€90,850.00
MONTAGNER Philippe	€15,250.00
MOUGEOTTE Etienne	€18,850.00
PERNAUT Jean-Pierre (employee representative)	€13,349.75
PETTON Céline (employee representative)	€14,296.88
POUPART LAFARGE Olivier	€26,850.00
POUYAT Alain	€15,250.00

The fees for the employee representatives were paid to trade unions.

6 Appropriation and distribution of profits by Télévision Française 1 (parent company)

In the resolutions that we are submitting for your approval, we are seeking your approval of the company and consolidated accounts for financial year 2003. In view of the distributable profits of €168,558,038.24, including the net profit of €101,673,965.66 and the profit of €66,884,072.58, brought forward from the previous financial year, we ask that you agree to the following appropriation and distribution proposed by the Board of Directors:

- Appropriation as Revaluation Reserve (consequently amounting to 10% of capital) €22,072.00
- Distribution of a dividend of €139,850,196.85 (i.e. a net dividend of €0.65 per share with a nominal value of €0.2, with a tax credit)
- Appropriation as balance carried forward €28,685,769.39

The dividend to be distributed for the year under review gives the right to a maximum tax credit of 50% of the amount distributed, according to the fiscal situation of the recipient.

The dividend will be payable on April 30, 2004.

We hereby seek your authorization to appropriate the dividends related to TF1-owned shares as balance carried forward, as provided for in article L.225-210 of French Commercial Law (Code du Commerce).

We remind you that, in the last three financial years, dividends paid for the 2000, 2001 and 2002 financial years were €0.65 net per share with a nominal value of €0.2; the corresponding tax credits on the basis of a 50% rate were €0.325.

7 Resolutions

The group's Statutory Auditors will make known their reports on the group's accounts for financial year 2003 and the agreements governed by article L. 225-38 of French Commercial Law (Code du Commerce).

In the resolutions that are being submitted to you, we propose that you:

- approve the company and consolidated accounts for financial year 2003, the appropriation and distribution of profits, and the agreements and operations governed by article L.225-38 of French Commercial Law (Code du Commerce) mentioned in the special report of the Statutory Auditors,
- give full discharge to the Board of Directors,
- take due note of the presentation of operations concerning stock warrants or stock purchase plans granted or exercised in 2002,
- take due note of the presentation of the preparation and organization of the Board of Directors' work and of internal control procedures,

- renew for a further two years the term in office of Alain POUYAT, whose term as Director is due to expire at the end of this Annual General Meeting,
- take due note of the election of the employee representative Directors,
- authorize 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 11th 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 €60 and the minimum selling price per share at €10.

- Authorize the Board of Directors for a period of 26 months to issue debt securities, and particularly one or several bond issues for a total amount of €1.2 Bn.

You will find attached a schedule showing the company's results for the last five financial years.

We invite you to vote in favour of the above-proposed resolutions.

The Board of Directors

FIVE YEAR FINANCIAL RECORD (in euros)

	1999	2000	2001	2002	2003
I - Share capital at the end of the accounting period					
a) Share capital	32,194,665	42,236,632	42,399,216	42,810,116	43,030,830
b) Number of shares issued	21,118,316	211,183,160 ¹	211,996,079	214,050,579	215,154,149
c) Number of bond convertible into shares					
II - Profit and loss account					
a) Turnover (excluding VAT)	1,285,997,333	1,491,806,305	1,431,613,565	1,435,159,747	1,473,209,669
b) Profit before tax, profit sharing, depreciation amortisation and provisions	311,225,175	596,567,739	442,366,777	308,600,140	350,491,202
c) Corporate income tax	103,988,111	150,087,760	126,152,134	86,651,600	106,216,908
d) Employee profit sharing	10,344,406	13,511,247	11,592,039	8,650,777	10,395,547
e) Profit after income tax, profit sharing, depreciation, amortisation and provisions	178,747,652	358,132,161	276,227,636	198,022,521	101,673,966
f) Total dividends	97,144,254	137,269,054	137,797,451	138,303,875	139,850,197 ²
III - Earnings per share					
a) Net profit before depreciation, amortisation and provisions	9.32	2.05	1.44	1.00	1.09
b) Net profit after depreciation, amortisation and provisions	8.46	1.70	1.30	0.93	0.47
c) Dividend per share	4.60	0.65	0.65	0.65	0.65 ²
IV - Employees					
a) Number of employees	1,271	1,299	1,330	1,383	1,436
b) Total payroll costs in €	94,352,055	97,677,913	98,448,241	98,927,602	96,459,545
c) Total of employee benefit costs in €	42,283,355	43,173,430	43,930,772	43,279,320	46,200,725

¹ After stock split 1 for 10 June 21, 2000.

² Submitted for approval at the Annual General Meeting.

Consolidated profit and loss account Operational breakdown

Pro forma accounts details are explained in note 2.2.

(€ million)	2003	2002	2001 PRO FORMA	2001
TF1 Channel				
Advertising revenue	1,543.7	1,507.3	1,496.9	1,496.9
Advertising agency fees	(82.4)	(83.1)	(82.6)	(82.6)
NET REVENUE FROM BROADCASTING	1,461.3	1,424.2	1,414.3	1,414.3
Royalties and contributions				
Authors	(58.1)	(58.2)	(58.1)	(58.1)
CNC	(76.5)	(74.7)	(73.9)	(73.9)
Transmission costs				
TDF, satellites, transmissions	(57.2)	(56.0)	(54.5)	(54.5)
Programming costs	(852.0)	(881.6)	(770.1)	(770.1)
GROSS MARGIN	417.5	353.7	457.7	457.7
Diversification and other revenue	1,219.4	1,143.5	1,066.4	822.2
Other operating expenses	(1,141.4)	(1,069.4)	(1,024.4)	(786.0)
Depreciation, amortisation and provisions (net)	(161.6)	(134.3)	(172.1)	(118.0)
OPERATING PROFIT	333.9	293.5	327.6	375.9
FINANCIAL LOSS	(14.4)	(29.7)	(36.7)	(18.0)
PROFIT BEFORE TAX AND EXCEPTIONAL ITEMS	319.5	263.8	290.9	357.9
Exceptional items	(8.1)	(4.4)	3.4	4.6
Goodwill amortisation	(12.0)	(8.9)	(5.3)	(3.5)
Corporate income tax	(114.7)	(94.2)	(107.0)	(122.7)
Share in net earnings of companies consolidated under the equity method	0.0	(1.2)	(1.5)	(24.9)
NET PROFIT OF CONSOLIDATED COMPANIES	184.7	155.1	180.5	211.4
Minority interest	6.8	0.1	(1.2)	(1.1)
NET PROFIT ATTRIBUTABLE TO THE GROUP	191.5	155.2	179.3	210.3

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

(€ million)	NOTES	2003	2002	2001 PRO FORMA	2001
Turnover		2,768.7	2,655.3	2,569.3	2,325.1
Net advertising revenue:	2.14	1,663.2	1,628.5	1,617.7	1,617.7
• TF1		1,543.7	1,507.3	1,496.9	1,496.9
• others		119.5	121.2	120.8	120.8
Diversification revenue		1,056.1	968.8	872.3	632.8
Technical services revenue		23.6	27.3	31.7	31.7
Other revenue		25.8	30.7	47.6	42.9
Operating expenses		(2,434.8)	(2,361.8)	(2,241.7)	(1,949.2)
External production costs		(593.3)	(538.4)	(510.1)	(461.7)
Change in stocks of in-house production staff costs		(363.9)	(337.3)	(331.1)	(303.5)
Other operating expenses	4.1	(1,316.0)	(1,351.8)	(1,228.4)	(1,066.0)
Depreciation, amortisation and provisions (net):					
• depreciation		(117.5)	(111.7)	(153.6)	(100.1)
• provisions		(44.1)	(22.6)	(18.5)	(17.9)
OPERATING PROFIT		333.9	293.5	327.6	375.9
Financial revenue		15.5	11.2	27.0	26.0
Financial expenses		(29.9)	(40.9)	(63.7)	(44.0)
FINANCIAL LOSS	4.2	(14.4)	(29.7)	(36.7)	(18.0)
PROFIT BEFORE TAX AND EXCEPTIONAL ITEMS		319.5	263.8	290.9	357.9
Exceptional items	4.3	(8.1)	(4.4)	3.4	4.6
Goodwill amortisation		(12.0)	(8.9)	(5.3)	(3.5)
Corporate income tax	4.4	(114.7)	(94.2)	(107.0)	(122.7)
Share in net earnings of companies consolidated under the equity method	4.5	0.0	(1.2)	(1.5)	(24.9)
NET PROFIT BEFORE MINORITY INTEREST		184.7	155.1	180.5	211.4
Minority interest		6.8	0.1	(1.2)	(1.1)
NET PROFIT ATTRIBUTABLE TO THE GROUP		191.5	155.2	179.3	210.3
Average number of shares in circulation (in thousands)		213,281	211,970	210,207	210,207
Earnings per share (€)		0.90	0.73	0.85	1.00
Diluted earnings per share (€)		0.89	0.73	0.84	0.99

Consolidated balance sheet

ASSETS	NOTES	12.31.03	12.31.02	12.31.01	12.31.01
(€ million)		NET VALUE	NET VALUE	PRO FORMA NET VALUE	NET VALUE
Intangible fixed assets		894.9	892.1	803.5	435.7
Audiovisual rights	2.3 and 3.1	99.7	97.4	79.1	79.1
Other intangible fixed assets	2.4 and 3.2	795.2	794.7	724.4	356.6
Goodwill	2.5 and 3.3	114.9	111.5	119.6	119.6
Tangible fixed assets	2.6 and 3.4	197.5	217.6	257.3	171.4
Land		45.7	45.7	45.7	45.7
Freehold buildings		34.7	37.1	39.6	39.5
Other tangible assets		117.1	134.8	172.0	86.2
Financial assets	2.7 and 3.5	13.3	9.8	26.1	25.9
Investments consolidated under the equity method		1.0	0.0	1.8	1.8
Investments and loans to associated undertakings		6.4	6.1	4.2	4.2
Other financial assets		5.9	3.7	20.1	19.9
FIXED ASSETS		1,220.6	1,231.0	1,206.5	752.6
Programmes and film rights	2.9 and 3.6	693.4	666.6	641.1	593.3
Raw materials and supplies		10.5	8.7	12.2	12.3
Trade debtors		621.7	671.7	698.7	624.9
Other debtors and adjustment accounts	3.7 and 3.15	481.7	503.5	510.5	476.9
Marketable securities and cash at bank in hand	2.10 and 3.8	185.1	55.0	32.6	31.5
CURRENT ASSETS		1,992.4	1,905.5	1,895.1	1,738.9
TOTAL ASSETS		3,213.0	3,136.5	3,101.6	2,491.5



SHAREHOLDERS' EQUITY AND LIABILITIES (€ million)	NOTES	12.31.03	12.31.02	12.31.01 PRO FORMA	12.31.01
Share capital		43.0	42.8	42.4	42.4
Share premium		63.7	53.4	36.4	36.3
Other reserves		568.0	554.8	433.5	481.4
Profit attributable to the Group		191.5	155.2	179.3	210.3
Shareholders' funds	<i>2.16 and 3.9</i>	866.2	806.2	691.6	770.4
Minority interest	<i>3.10</i>	(0.1)	0.6	0.7	0.3
Provisions for liabilities and charges	<i>2.12 and 3.11</i>	102.9	71.4	69.6	135.6
Deferred taxation	<i>2.13 and 3.12</i>	62.1	68.4	63.0	63.0
Financial creditors and borrowings ^{1 2}	<i>3.13 and 3.15</i>	628.3	547.6	772.1	210.0
Trade creditors	<i>3.15</i>	919.1	952.7	950.6	776.3
Other creditors and adjustment accounts	<i>2.11, 3.14 and 3.15</i>	634.5	689.6	554.0	535.9
Creditors		2,181.9	2,189.9	2,276.7	1,522.2
TOTAL SHAREHOLDERS' FUNDS AND LIABILITIES		3,213.0	3,136.5	3,101.6	2,491.5
1 Including current bank overdrafts		0.6	18.6	20.3	20.2
2 Less than one year		116.3	532.2	761.4	210.0

Consolidated cash flow statement

(€ million)	NOTES	2003	2002	2001 PRO FORMA	2001
1 - Operating activities					
Net profit		184.7	155.1	180.4	211.4
Depreciation, amortisation and provisions		155.9	129.3	218.5	110.5
• Intangible fixed assets		50.5	55.0	79.2	76.6
• Tangible fixed assets	3.4	58.9	65.1	78.9	35.3
• Financial assets		5.9	0.0	(0.7)	(0.7)
• Expense to amortise		2.0	0.1	0.2	0.2
• Goodwill	3.3	12.0	8.9	8.7	6.9
• Provisions for liabilities and charges	3.11	26.6	0.2	52.2	(7.8)
Investment grants release to revenue	3.14	(12.3)	(7.8)	(9.1)	(9.1)
Expense to amortise		(1.5)	(11.0)	(0.1)	(0.1)
Capital gains/(losses) on disposal of fixed assets		(3.4)	2.0	0.8	0.2
Change in deferred taxation	4.4	(2.8)	1.4	5.1	5.1
Share of investments consolidated under the equity method		0.0	1.2	1.5	24.9
Cash flow		320.6	270.2	397.1	342.9
Stocks		(20.4)	(20.7)	(85.5)	(96.4)
Trade debtors		52.9	95.6	(101.9)	(95.7)
Trade creditors		(54.3)	(21.1)	(34.5)	(26.5)
Net advances from third parties		14.5	10.1	4.3	0.4
Change in working capital needs		(7.3)	63.9	(217.6)	(218.2)
NET CASH INFLOW FROM OPERATING ACTIVITIES		313.3	334.1	179.5	124.7
2 - Investing activities					
Purchase of intangible fixed assets	3.1 and 3.2	(58.2)	(51.0)	(74.7)	(73.2)
Purchase of tangible fixed assets	3.4	(42.0)	(31.7)	(41.9)	(23.1)
Disposal of fixed assets	5.2	5.5	61.1	4.9	4.8
Purchase of financial asset investments	5.1	(17.1)	(372.8)	(403.2)	(403.2)
Change in liabilities on purchase of financial asset investments	5.3	(50.2)	50.2	0.0	0.0
Increase/(decrease) in other financial assets		(1.9)	8.6	22.3	(4.9)
Increase/(decrease) in fixed assets creditors		8.9	8.0	(97.5)	(11.6)
		(155.0)	(327.6)	(590.1)	(511.2)
Consolidation adjustments		1.9	9.0	(1.2)	(1.2)
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		(153.1)	(318.6)	(591.3)	(512.4)
3 - Financing activities					
Increase in shareholders' funds		20.1	24.7	17.3	21.6
Increase in capital subscribed by minorities		2.4	0.0	0.0	0.0
Decrease in loans		103.8	122.5	198.3	176.3
Dividends paid	3.9 and 3.10	(138.3)	(138.7)	(143.9)	(143.9)
NET CASH OUTFLOW FROM FINANCING ACTIVITIES		(12.0)	8.5	71.7	54.0
TOTAL INCREASE IN CASH AND CASH EQUIVALENTS		148.2	24.0	(340.1)	(333.7)
Cash at beginning of period		36.3	12.3	352.4	345.0
Net inflow/outflow		148.2	24.0	(340.1)	(333.7)
Cash at end of period		184.5	36.3	12.3	11.3

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'Audio-visuel*), without tender offer, up to twice and on each occasion for a duration of five years, [...] unless the CSA considers that the penalty or penalties 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 authorisation, 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 Television (DTT) channel. On June 10, 2003, the CSA modified TF1's licence and its convention in order to include the 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	40	€	French	Financing company	100.00
TV BREIZH	SA	22,510	€	French	Thematic channel	40.49
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	SARL	8	€	French	Commercials and promos	100.00
TF1 CINEMA	SA	1,950	€	French	Production of programmes	100.00
PROTECREA	SA	102	€	French	Production of programmes	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
LES FILMS DU JOUR	SASU	46	€	French	Co-production of films	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 channel	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
PARMENTIER PRODUCTION	SARL	514	€	French	Audiovisual rights	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
TF1 INTERNATIONAL	SA	37,500	€	French	Audiovisual rights	100.00
GROUPE GLEM	SA	80	€	French	Holding company of the Glem Group	72.80
GLEM	SA	150	€	French	Production of programmes	96.80
BAXTER	SA	38	€	French	Music publishing	95.08
COMIQUE COMPAGNIE	SARL	8	€	French	Press agency	100.00
GLEM FILM	SA	80	€	French	Co-production of films	99.81
TOUT AUDIOVISUEL PRODUCTION	SASU	80	€	French	Production of programmes	100.00
MIKADO	SARL	8	€	French	Public relations and agent services	75.20
TF1 EXPANSION	SA	38	€	French	Development of digital technology	100.00
LES NOUVELLES EDITIONS TF1	SAS	38	€	French	Publishing	51.00
STE D'EXPLOITATION DE DOCUMENTAIRES (ODYSSEE)	SCS	8	€	French	Documentary thematic channel	100.00
COGELDA	SASU	9,638	€	French	Audiovisual rights	100.00
LES FILMS ARIANE	SASU	80	€	French	Audiovisual rights	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
BIG CASH	SA	2,885	€	French	Production and co-production of films	100.00
SICCIS	SA	40	€	French	Holding company of the cinema division	100.00
TF1 PRODUCTION ³	SAS	40	€	French	Holding company of the production division	100.00
TF1 CATALOGUE	SAS	40	€	French	Production of programmes	100.00
TF1 INTERNATIONAL PICTURES	SAS	40	€	French	Audiovisual rights	100.00
QUAI SUD TV	SAS	40	€	French	Production of programmes	60.00
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	80.00
CABALE ³	SNC	50	€	French	Audiovisual rights	100.00
CIBY 2000 ³	SA	13,798	€	French	Audiovisual rights	100.00
TFOU ³	SCS	40	€	French	Thematic channel children	100.00
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
TPS SUB-GROUP 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 company	50.00
TELEMA	SA	766	€	French	Audiovisual rights production	49.00
COMPANIES CONSOLIDATED UNDER THE EQUITY METHOD						
PUBLICATIONS METRO FRANCE ³	SAS	100	€	French	Publishing	34.30

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 2003, without any significant impact on TF1 Group's financial figures.

⁴ TPS Sub-Group: under the 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 2003 consolidated financial statements are comparable to those for the 2002 and 2001 consolidated financial statements.

The consolidated financial statements incorporate a certain number of restatements and adjustments compared 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;
- deferred taxation, calculated as described in the note 2.13.

2.2 Comparability of consolidated financial statements

2.2.1 Pro forma information relating to TPS

The 2001 financial statements issued for comparison have been restated on a pro forma basis following the increase of TF1 Group's stake in TPS during the year 2002; the detail of the assumptions underlying the pro forma presentation is provided in note 2.2 to the 2002 consolidated accounts.

TPS Group has been consolidated under the proportionate method:

- at 66% in 2003;
- in 2002: at 50% in the first half year and at 66% in the second half year;
- in 2001 (pro forma): at 50% in the first half year and at 66% in the second half year.

The inclusion of the additional 16% interest in TPS for the full year in 2003 has no significant impact on the TF1 Group profit and loss account.

The summarised financial statements of TPS at 100% are provided for information in note 6.1.3.

2.2.2 Change in scope of consolidation

The 2003 changes in scope, described below, have had no significant impact on TF1 Group's consolidated financial statements.

- **Entries:** Cabale and Ciby 2000 (both acquired companies) have been fully consolidated for the first time in 2003 in addition to TF1 Production and TFOU (both companies formed by the Group). Publications Métro France, which was acquired at the end of 2003, is consolidated for the first time under the equity method with an effective date December 31, 2003. (Further information is provided in notes 3.3 and 4.5).
- **Exits:** SETS, Eurosport AG, Sebado and TF1 Music, previously fully consolidated, have left the scope of consolidation because of internal restructuring operations with effect from January 1, 2003. Film par Film, previously consolidated under the proportionate method, which was in the process of being sold at year-end 2003, has been excluded from the consolidation scope with an effective date of December 31, 2003.
- **Changes in stake:** TV Breizh, previously consolidated under the equity method, is fully consolidated with effect from January 1, 2003, following the increase of TF1's stake.

2.2.3 Changes of method

Certain Group companies, which grant long-service leave to their employees, have set up for the first time in 2003 a provision for charges, in application of the national accounting authority (CNC) recommendation 2003-R.01 dated April 1, 2003 relating to the accounting and valuation rules in respect of retirement commitments and similar benefits. The valuation method relating to this provision is described in note 2.12.

At January 1, 2003, the provision for long-service leave has been made by an offset against reserves for its net of tax amount, in accordance with the notification 97-02 from the CNC. The impact of this change on Group shareholders' funds, described in note 3.9, is not material, thus justifying the absence of pro forma restatement of previous year accounts.

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.

Notes to the consolidated financial statements

The date of posting as intangible assets and the amortisation rates applied are defined as follows:

DATE OF POSTING	AMORTISATION RATE			
	CO-PRODUCTION SHARE	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 that 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 the acquisition of trademarks and software, which are amortized over a period of between one and two years, except for the Eurosport trademark 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 (before 1992)	Reducing balance	3 to 5 years
Technical facilities (after 1992)	Straight-line or reducing balance	4 to 5 years
Other tangible fixed assets	Straight-line or reducing balance	2 to 10 years

In cases where fixed assets acquired under leasing contracts by companies of the Group are material, they are restated in the consolidated accounts in order to include 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, less any necessary deduction for impairment loss calculated by reference to their value in use.

Participations consolidated under the equity method are accounted for in the balance sheet at a value representing the proportion of shareholders' funds held by the Group, including share of the year's financial result.

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 national accounting authority (CNC); however the method described below which is applied to make this comparison does not present any material difference with the one recommended by this Regulation.



Recoverable value is the higher of net selling price and value in use. In order to determine the value in use, 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 given entity;
- the adopted discount rate corresponds to TF1 Group's Weighted Average Cost of Capital (WACC);
- the terminal value is calculated by making a 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 markets, which the company operates on, as well as its competitive position on those markets.

The recoverable value of the CGU is then compared to the value of those fixed assets (including goodwill) contributed 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).

Programmes in progress not meeting the above conditions are accounted for under programmes and film rights in progress. 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 not 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.

Notes to the consolidated financial statements

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 it becomes certain or probable that an obligation to a third party will cause a cash outflow without at least an equivalent benefit, and when this expenditure is not already covered by a liability. The provision is maintained as long as the date and amount are not precisely determined.

The main types of provision for liabilities and charges are the followings:

- Provisions for litigations relate to the potential expenditure that will be caused by current trials or disputes the underlying cause for which existed at the year-end, even if the litigation arose subsequently.
- Provisions for pension costs cover TF1's commitments 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 the Agreements by reference to the years of service of employees;
 - employee turnover calculated according to the average of resignations and retirements experienced;
 - salaries and benefits, including a portion of current employer's payroll taxes;
 - an annual revaluation rate for salaries;
 - the life expectancy of employees determined from statistical tables;
 - a discount rate applied to the retirement commitment, revised each year.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 have been set up for the first time in 2003 (see note 2.2.3). They cover the cost of additional leave attributed by companies of the Group to their employees according to the years of service. The accruing cost of such leave is calculated having regard to 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 business (video and music) are statistically set up taking into account the sales of the last months of the year, the rate of product sales and the average rate of return of goods.
- Negative goodwill is accounted for in provisions for liabilities and charges, after having been set up according to the principles in note 2.5.

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 returns.

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

Programmes and film rights are valued at the contractual amounts of financing at year-end. Contractual amounts of financing remaining to be made are accounted for in the valuation of commitments and contingencies. In practice, a programme or film right bought can lead to several invoices according to its progress (first day or end of shooting, etc), and the part remaining to be invoiced at closure is included in "Commitments and Contingencies".

3 Notes to the consolidated balance sheet

3.1 Audiovisual rights

Movements during the year are as follows:

(€ million)	01.01.03	CHANGE IN THE SCOPE OF CONSOLI- DATION AND RESTATEMENTS	INCREASE	DECREASE	12.31.03
Gross value	707.3	(28.9)	51.3	(7.7)	722.0
Amortisation	(586.7)	27.6	(51.4)	6.3	(604.2)
Provisions	(23.2)	(0.6)	(4.6)	10.3	(18.1)
Net book value	97.4	(1.9)	(4.7)	8.9	99.7

3.3 Goodwill

(€ million)	GROSS VALUE AT 01.01.03	CHANGE IN SCOPE OF CONSOLI- DATION AND RESTATEMENTS	GROSS VALUE AT 12.31.03	AMORTI- SATION AT 01.01.03	INCREASE	CHANGE IN SCOPE OF CONSOLI- DATION AND RESTATEMENTS	AMORTI- SATION AT 12.31.03	NET VALUE AT 12.31.03
Parmentier Production	0.5	-	0.5	(0.5)	-	-	(0.5)	-
CIC	0.5	-	0.5	(0.5)	-	-	(0.5)	-
Protécra	0.6	-	0.6	(0.6)	-	-	(0.6)	-
Syalis	0.2	-	0.2	(0.2)	-	-	(0.2)	-
Glem Group	8.3	-	8.3	(8.3)	-	-	(8.3)	-
Film par Film	3.5	(3.5)	-	(3.5)	-	3.5	-	-
Téléshopping	2.8	-	2.8	(2.8)	-	-	(2.8)	-
Eurosport (ESO)	80.7	-	80.7	(9.2)	(4.0)	-	(13.2)	67.5
Téléma	5.0	-	5.0	(3.0)	(1.0)	-	(4.0)	1.0
Eurosport France	25.9	-	25.9	(2.7)	(1.3)	-	(4.0)	21.9
SETS	14.8	-	14.8	(1.5)	(0.8)	-	(2.3)	12.5
Quai Sud	2.4	-	2.4	(0.9)	(0.6)	-	(1.5)	0.9
Multivision	3.0	(3.0)	-	(3.0)	-	3.0	-	-
TV Breizh	-	4.3	4.3	-	(4.3)	-	(4.3)	-
Méto France	-	11.1	11.1	-	-	-	-	11.1
Total	148.2	8.9	157.1	(36.7)	(12.0)	6.5	(42.2)	114.9

The monitoring of this goodwill, in accordance with the methodology described in note 2.8, discloses no impairment of value at December 31, 2003.

3.2 Other intangible fixed assets

(€ million)	01.01.03	CHANGE IN THE SCOPE OF CONSOLI- DATION AND RESTATEMENTS	INCREASE	DECREASE	12.31.03
Cost					
Business goodwill ¹	772.6	0.1	-	-	772.7
Brands and software	66.3	(4.3)	6.8	(1.5)	67.3
Gross value	838.9	(4.2)	6.8	(1.5)	840.0
Business goodwill	-	-	-	-	-
Brands and software	(44.2)	3.2	(6.1)	2.3	(44.8)
Amortisation	(44.2)	3.2	(6.1)	2.3	(44.8)
Net book value	794.7	(1.0)	0.7	0.8	795.2

¹ Business goodwill is composed of identified intangible assets arising on the allocation of goodwill, broken down as follows:

(€ million)	01.01.03	ALLOCATION FOR THE YEAR	12.31.03
Eurosport SA	241.3	-	241.3
Eurosport France	75.0	-	75.0
Série Club	21.9	-	21.9
TPS Group	420.3	-	420.3
Visiowave	14.1	0.1	14.2
Total	772.6	0.1	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, 2003.

Notes to the consolidated financial statements

3.4 Tangible fixed assets

Movements of tangible fixed assets and of the corresponding depreciation during the year are summarised as follows:

(€ million)	01.01.03	CHANGE IN THE SCOPE OF CONSOLI- DATION AND RESTATEMENTS	INCREASE	DECREASE	12.31.03
Land	45.7	–	–	–	45.7
Buildings	58.0	–	–	–	58.0
Technical facilities and equipment ¹	148.3	4.4	4.2	(5.4)	151.5
Other tangible assets ²	304.9	3.1	25.7	(40.4)	293.3
Assets under construction	4.7	(7.2)	12.1	–	9.6
Gross value	561.6	0.3	42.0	(45.8)	558.1
Buildings	(20.9)	–	(2.4)	–	(23.3)
Technical facilities and equipment	(115.0)	(1.5)	(17.0)	5.1	(128.4)
Other tangible assets	(208.1)	(0.1)	(39.6)	38.9	(208.9)
Depreciation	(344.0)	(1.6)	(59.0)	44.0	(360.6)
Net book value	217.6	(1.3)	(17.0)	(1.8)	197.5

1 Including leasing : €11.2 M.

2 Including leasing : €45.8 M.

3.5 Financial assets

(€ million)	01.01.03	CHANGE IN THE SCOPE OF CONSOLI- DATION AND RESTATEMENTS	INCREASE	DECREASE	12.31.03
Investments consolidated under the equity method	–	1.0	–	–	1.0
Investments and loans to associated undertakings	11.2	6.5	1.2	(1.7)	17.2
Other financial assets	3.7	0.2	2.8	(0.7)	6.0
Total gross value	14.9	7.7	4.0	(2.4)	24.2
Provisions	(5.1)	–	(7.4)	1.6	(10.9)
Total net book value	9.8	7.7	(3.4)	(0.8)	13.3

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 note 2.9.

(€ million)	01.01.03	CHANGE IN THE SCOPE OF CONSOLIDATION AND RESTATEMENTS	NET CHANGE	12.31.03
TF1 Channel	692.6	–	44.8	737.4
TPS Group	57.4	0.5	(6.3)	51.6
Eurosport Group	17.6	–	(4.4)	13.2
TF6	2.5	0.3	0.4	3.2
Série Club	3.0	0.2	(0.7)	2.5
Odyssee	1.0	0.1	–	1.1
TV Breizh	–	3.1	1.0	4.1
Total gross value	774.1	4.2	34.8	813.1
Provisions	(107.5)	–	(12.2)	(119.7)
Total net book value	666.6	4.2	22.6	693.4

3.7 Other debtors and adjustment accounts

(€ million)	GROSS VALUE	12.31.03 PROVISIONS	NET VALUE	12.31.02 NET VALUE
Other operating debtors (Government, local authorities, staff, social organisations and others)	216.5	–	216.5	236.2
Sundry debtors (tax, assets sale proceeds, current accounts and others)	88.6	(27.3)	61.3	75.5
Adjustment accounts ¹	157.9	–	157.9	143.6
Deferred taxation ²	46.0	–	46.0	48.2
Total	509.0	(27.3)	481.7	503.5

1 Adjustment accounts mainly comprise prepayments related to the broadcasting of sports events for €118.4 M.

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 €58.7 M and are composed of carry forward tax losses for €46.1 M and deferred amortisation for €12.6 M.

3.8 Marketable securities and cash at banks and in hand

The breakdown is as follows:

- cash at bank and in hand amounted to €34.1 M;
- marketable securities, for a net amount of €151.0 M, consist of:
 - €150.4 M in money market funds (on which all capital gains have been realised at December 31, 2003);
 - other securities having a net value of €0.4 M;
 - €0.2 M worth of TF1 shares, bought in order to fulfil the stock option plan set up for certain employees and directors of TF1.

3.9 Shareholders' funds

Movements of shareholders' funds in the last three accounting periods are indicated in the following table:

(€ million)	SHARE CAPITAL	RETAINED EARNINGS	SHAREHOLDERS' FUNDS
Shareholders' funds at 12.31.00	42.2	642.7	684.9
Capital increase ¹	0.2	18.9	19.1
Adjustments for treasury shares	–	(7.4)	(7.4)
Dividends	–	(136.5)	(136.5)
2001 net profit	–	210.3	210.3
Shareholders' funds at 12.31.01	42.4	728.0	770.4
Capital increase ²	0.4	17.1	17.5
Dividends	–	(136.9)	(136.9)
2002 net profit	–	155.2	155.2
Shareholders' funds at 12.31.02	42.8	763.4	806.2
Capital increase ²	0.2	10.3	10.5
Dividends	–	(138.3)	(138.3)
Exchange differences	–	(0.6)	(0.6)
Change in the method of consolidation ³	–	(3.1)	(3.1)
2003 net profit	–	191.5	191.5
Shareholders' funds at 12.31.03 ⁴	43.0	823.2	866.2

¹ Capital increase reserved to employees.

² Stock options exercised.

³ Set up of opening provisions net of tax for long-service leave (see note 2.2.3).

⁴ Share capital is divided into 215,154,149 ordinary shares with a nominal value of €0.20 per share. Share capital is fully subscribed.

3.10 Minority interest

Movements of minority interest in the last three accounting periods are indicated in the following table:

(€ million)	2003	2002	2001
Opening minority interest	0.6	0.3	(0.9)
Change in the scope of consolidation	6.2	2.2	0.8
Exchange differences	(0.1)	–	–
Dividends	–	(1.8)	(0.7)
Net profit	(6.8)	(0.1)	1.1
Closing minority interest	(0.1)	0.6	0.3

3.11 Provisions for liabilities and charges

Provisions, as indicated in note 2.12, are as follows:

(€ million)	01.01.03	CHANGE IN THE SCOPE OF CONSOLIDATION AND RESTATEMENTS	INCREASE DECREASE		12.31.03	
			USED	NON USED		
Claims ¹	26.6	(0.2)	28.7	(3.5)	(5.2)	46.4
Associated companies	0.2	–	–	–	–	0.2
Other provisions ²	27.8	5.4	18.6	(11.2)	(2.2)	38.4
Pension costs	16.6	(0.2)	3.5	(1.9)	(0.1)	17.9
Equity method	0.2	(0.2)	–	–	–	–
Negative goodwill	–	–	–	–	–	–
Total	71.4	4.8	50.8	(16.6)	(7.5)	102.9

¹ Claims include:

• disputes with TF1 core channel customers	5.1
• disputes with other customers	3.3
• dispute involving TPS and counterfeiting	3.5
• legal disputes with private companies	28.3
• legal disputes with public bodies	3.0
• disputes with employees	3.2
Total	46.4

² Other provisions cover the following risks:

• returned goods from publishing and distribution business	9.8
• TPS set top boxes lost or stolen	4.3
• renewal of TPS cards due to piracy	5.9
• long-service leave	5.2
• taxation	8.3
• miscellaneous	4.9
Total	38.4

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 the year-end.

3.12 Deferred taxation liabilities

Deferred tax liabilities principally relate to the cancellation of accelerated amortisation. They may be analysed as follows:

(€ million)	2003	2002	2001
TF1 SA	51.0	54.4	53.5
Subsidiaries	11.1	14.0	9.5
Total	62.1	68.4	63.0

Notes to the consolidated financial statements

3.13 Financial debt

At December 31, 2003, the breakdown of the consolidated financial debt is broadly as follows:

(€ million)	MATURITY LESS THAN ONE YEAR	MATURITY BETWEEN ONE AND FIVE YEARS	MATURITY OVER FIVE YEARS	TOTAL
Bond issue	–	–	500.0	500.0
Committed revolving credit lines ¹	88.6	–	–	88.6
Leasing ²	5.7	11.9	–	17.6
Sub-total credit lines	94.3	11.9	500.0	605.7
Current bank overdrafts	0.6	–	–	0.6
Current accounts and others	21.5	–	–	21.5
Total gross financial debt	116.4	11.9	500.0	628.3
Cash at the bank and in hand	(34.1)	–	–	(34.1)
Marketable securities	(151.0)	–	–	(151.0)
Total net financial debt	(68.7)	11.9	500.0	443.2

¹ Including TPS: 74.6.

² Including TPS: 14.7.

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 accounts hedging operations, is as follows:

	12.31.03
Fixed rate debt	73%
Variable rate debt	27%

See detail in note 6.3.2.

The sensitivity of TF1's consolidated accounts to interest 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:

(€ million)	2003	2002	2001
Taxes and social security	323.0	322.4	278.1
Fixed assets creditors	23.9	94.5	8.7
Other creditors	225.9	205.2	206.9
Government grants for investment	4.7	6.3	6.2
Adjustment and related accounts	57.0	61.2	36.0
Total	634.5	689.6	535.9

Taxes and social security mainly include VAT collected and corporate income tax.

The reduction in fixed assets creditors principally includes the unpaid portion, amounting to €77.3 M, of the amount due on the acquisition of TPS in 2002.

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 is mainly grants from the French Cinema Council (CNC) for TF1 Films Production. In 2003, the amount credited in the Profit and Loss Account is €12.3 M vs. €7.8 M in 2002.

Adjustment accounts mainly comprise prepayments (including €30.8 M from TPS subscribers).

3.15 Due dates for debtors and creditors

All trade debtors are due within less than one year. Other debtors and creditors are due as follows:

(€ million)	MATURITY LESS THAN ONE YEAR	MATURITY BETWEEN ONE AND FIVE YEARS	MATURITY OVER FIVE YEARS	TOTAL
Other debtors	401.2	76.7	3.8	481.7
Financial creditors and loans	116.4	11.9	500.0	628.3
Trade creditors	861.6	29.9	27.6	919.1
Other creditors	628.3	4.5	1.7	634.5

4 Notes to the consolidated profit and loss account

4.1 Other operating expenses

Other operating expenses include the following items:

(€ million)	2003	2002	2001
Transmission costs (TDF)	65.0	65.4	65.3
Subcontracting and production costs	256.9	339.5	306.8
Sundry contributions	170.2	168.5	161.4
Taxes and levies	36.6	35.4	30.8
Other operating expenses	787.3	743.0	501.7
Total	1,316.0	1,351.8	1,066.0

4.2 Financial loss

The financial loss for 2003 comprises the following:

(€ million)	2003	2002	2001
Net profits/(losses) on the sale of marketable securities	1.1	0.5	(31.1)
Net provisions/(releases) for contingencies and financial investments	1.2	–	0.7
Provisions/(releases) for marketable securities	–	(7.8)	8.9
Interest	(17.0)	(17.6)	(5.2)
Foreign exchange gains/(losses)	(0.2)	(7.4)	4.4
Other	0.5	2.6	4.3
Total	(14.4)	(29.7)	(18.0)

4.3 Exceptional items

Exceptional items in 2003 comprise the following:

(€ million)	2003	2002	2001
Capital gains/(losses) on disposal of fixed assets	0.1	(2.0)	(0.1)
Net provisions	(1.6)	(0.6)	–
Donations	–	(2.3)	(2.0)
Reimbursement of the radio tax	–	–	4.8
Capital loss on the sale of Film par Film	(3.9)	–	–
Others	(2.7)	0.5	1.9
Total	(8.1)	(4.4)	4.6

4.4 Corporate income tax

(€ million)	2003	2002	2001
Current taxation	117.5	92.8	117.5
Deferred taxation	(2.8)	1.4	5.2
Total	114.7	94.2	122.7

Deferred taxation is calculated on the liability basis at the rate of 35.43% (common rate) and 20.20% (reduced rate) at December 31, 2003.

The effective tax rate of 38.3% corresponds to the total tax charge (€114.7 M) as a percentage of pre-tax profit. The 2.9% difference compared with the common rate arises principally because goodwill amortisation charged is not deductible and because the tax loss of the year (considered unlikely to be used) is not recognised as a deferred tax asset.

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 Companies consolidated under the equity method

SIGNIFICANT FIGURES 100% (€ million)	PUBLICATIONS METRO FRANCE
Net fixed assets	0.7
Financial debt	0.0
Total net assets	11.2
Consolidated turnover	12.1
Consolidated operating loss	(7.8)
Consolidated net loss	(5.6)

Publications Métro France entered the scope of consolidation on December 31, 2003 (see note 2.2.2). It made no contribution to TF1 Group's consolidated result.

5 Notes to the cash flow statement

The cash flow statement has been drawn up in accordance with the method advocated by the Accounting Regulation Committee (99/02).

5.1 Purchases of financial assets

The purchases of financial assets in 2003 are as follows:

COMPANIES PURCHASED (€ million)	12.31.03
Publications Métro France	12.0
Cabale (ex-Fidélité Production)	3.7
Others	1.4
Total	17.1

The financial investments made by the TF1 Group in 2003 mainly comprise its 34.3% stake in Publications Métro France.

5.2 Disposal of fixed assets

(€ million)	12.31.03
Disposal of tangible and intangible fixed assets	5.3
Disposal of financial assets	0.2
Total	5.5

5.3 Movement of net indebtedness in respect of financial fixed assets

Payment for the TPS stake acquired from Suez, and the receipt of the proceeds for the sale of the TPS stake to M6, both take place in accordance with the agreements between the different parties. Those agreements provide for 50% of each transaction to be carried out by December 31, 2002, with the balances appearing in the balance sheet as amounts due for acquisition of shares and debtors for shares sold respectively.

The movement in such indebtedness (€50.2 M) thus mainly consists of half of the acquisition cost of the Suez stake in TPS (€77.3 M), reduced by half of the sale proceeds for the TPS stake to M6 (€27.2 M).

Notes to the consolidated financial statements

6 Other information

6.1 Sector information

6.1.1 Contributions by sector to the profit and loss account

(€ million)	TURNOVER		OPERATING PROFIT	
	2003	2002	2003	2002
TF1 core channel	1,575.4	1,538.7	295.4	274.4
Publishing – Distribution	344.3	338.0	34.3	30.6
TPS	353.1	289.6	2.8	(13.8)
Eurosport	283.4	293.9	30.2	25.9
Thematic channels	50.9	47.2	(17.1)	(10.9)
Internet	26.0	11.0	(1.2)	(8.9)
Production	51.3	56.8	(11.5)	3.6
Audiovisual rights	45.1	46.8	1.2	(7.5)
Miscellaneous	13.4	2.7	(0.2)	0.1
Total	2,742.9	2,624.7	333.9	293.5

6.1.2 Contributions by sector to the balance sheet

(€ million)	NET FIXED ASSETS	
	2003	2002
TF1 core channel	158.1	161.7
Publishing – Distribution	5.1	4.6
TPS	486.1	491.7
Eurosport	425.7	430.6
Thematic channels	24.2	22.8
Internet	0.3	0.8
Production	39.5	44.0
Audiovisual rights	63.7	58.9
Miscellaneous	17.9	15.9
Total	1,220.6	1,231.0

6.1.3 TPS Sub-Group: summarised consolidated financial statements

CONSOLIDATED BALANCE SHEET OF THE TPS SUB-GROUP (100%) AT DECEMBER 31, 2003:

ASSETS	2003	2002	EQUITY AND LIABILITIES	2003	2002
(€ million)			(€ million)		
Intangible fixed assets ¹	6.4	6.8	Share capital	1.8	1.8
Tangible fixed assets	93.1	101.0	Consolidated reserves	(328.4)	(291.6)
Financial assets	0.2	0.4	Loss for the year	(9.2)	(36.8)
Fixed assets	99.7	108.2	Shareholders' funds	(335.8)	(326.6)
Programmes and film rights	78.3	87.0	Provisions for liabilities and charges	54.9	39.3
Trade debtors	97.7	109.4	Borrowings and financial liabilities	228.8	273.3
Other debtors and adjustment accounts	64.8	64.5	Trade creditors	318.4	315.5
Marketable securities and cash at bank and in hand	4.6	22.5	Other creditors and adjustment accounts	78.8	90.1
Total	345.1	391.6	Total	345.1	391.6

¹ The above balance sheet does not include the proportion of business goodwill arising on the goodwill allocation described in note 3.2.

CONSOLIDATED PROFIT AND LOSS ACCOUNT OF THE TPS SUB-GROUP FOR THE YEAR ENDED DECEMBER 31, 2003:

(€ million)	2003		2002	
	(100%)	TF1 SHARE (66%) ¹	(100%)	TF1 SHARE (50/66%) ¹
Turnover	536.8	354.3	500.4	290.3
Other operating revenue	0.9	0.6	0.4	0.2
Total operating revenue	537.7	354.9	500.8	290.5
External production costs	(102.8)	(67.9)	(74.6)	(54.5)
Staff costs	(43.8)	(28.9)	(43.8)	(24.9)
Other operating expenses	(326.8)	(215.7)	(344.4)	(190.8)
• Depreciation and amortisation	(45.8)	(30.2)	(62.5)	(35.8)
• Provisions	(14.2)	(9.4)	1.3	1.7
Operating profit / (loss)	4.3	2.8	(23.2)	(13.8)
Financial revenue	1.4	0.9	1.0	0.6
Financial expenses	(11.0)	(7.2)	(13.5)	(7.7)
Financial loss	(9.6)	(6.3)	(12.5)	(7.1)
Exceptional loss	(3.9)	(2.6)	(1.1)	(0.9)
Net loss attributable to the Group	(9.2)	(6.1)	(36.8)	(21.8)

¹ Before elimination of inter-company transactions at the TF1 level.

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, 2003:

COMMITMENTS GIVEN

(€ million)	LESS THAN ONE YEAR	BETWEEN ONE AND FIVE YEARS	OVER FIVE YEARS	TOTAL 2003	TOTAL 2002
Programmes and broadcasting rights ¹	395.4	451.2	1.8	848.4	785.3
Sports transmission rights ¹	167.4	260.0	–	427.4	518.2
Image transmission	84.2	134.6	12.6	231.4	389.0
Leasing	–	–	–	–	0.2
Operating leases	12.5	26.5	1.8	40.8	64.3
Guarantees	1.4	0.1	0.2	1.7	6.0
Other commitments	72.2	33.5	18.6	124.3	136.0
Total	733.1	905.9	35.0	1,674.0	1,899.0

¹ Including €39.1 M in CHF and €114.4 M in USD.

COMMITMENTS RECEIVED

(€ million)	LESS THAN ONE YEAR	BETWEEN ONE AND FIVE YEARS	OVER FIVE YEARS	TOTAL 2003	TOTAL 2002
Programmes and broadcasting rights ¹	395.4	451.2	1.8	848.4	785.3
Sports transmission rights ¹	167.4	260.0	–	427.4	518.2
Image transmission	84.2	134.6	12.6	231.4	389.0
Leasing	12.5	26.5	1.8	40.8	64.3
Operating leases	5.7	–	–	5.7	6.2
Guarantees	68.1	16.2	–	84.3	97.1
Total	733.3	888.5	16.2	1,638.0	1,860.1

¹ Including €39.1 M in CHF and €114.4 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 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 “Programmes and broadcasting rights” on the balance sheet.

These commitments concern mainly TF1 SA (€526.0 M) and TPS (€270.1 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 invoiced.

These commitments concern mainly TF1 SA (€189.7 M), Eurosport (€183.0 M) and TPS (€54.7 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 – in both commitments given and received – are 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;

Notes to the consolidated financial statements

- contractual obligations under financial instruments to hedge interest rate risks, accounted for at their market value at the year-end (SWAP and CAP on Eurosport's loan, SWAP on TPS' loan, SWAP on TF1's bond issue). These financial instruments are detailed in note 6.3.2;
- fees contractually due to the Eurosport Consortium (commitment given);
- 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 in connection with TPSL activity;
- sale of TF1 share purchase options (see note 2.3 to the financial statements of TF1 SA);
- a call on Glem Group and Quai Sud shares (accounted for under financial assets).

TF1's fixed assets (intangible, tangible and financial) are not providing security for mortgages.

No complex obligation has been entered into by the TF1 Group at December 31, 2003.

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, 2003 remains strong: TF1 has confirmed credit lines amounting to €1,402.7 M, with maturity dates mainly falling between one and five years ahead. Lines drawn amount to €606.2 M, 43% of the total available.

TF1 Group has moreover taken advantage of a positive market environment in 2003 (long and credit spread rates at historically low levels) to successfully launch its first bond issue. This operation, whose details are given below, allows the Group to reach two objectives: to diversify its financing sources (previously exclusively bank financing) and to increase its maturity. Issued in November 2003, the 7 year (2010) bond amounts to €500 M redeemable in full at par with a 4.375% coupon.

Following the bond issue, TF1 Group decided in December 2003 to give up early one of its two syndicated credits (€381 M maturity 2006). The second syndicated credit requires TF1 to maintain two financial ratios habitually demanded by banks:

- net financial indebtedness/EBITDA (operating profit + depreciation, amortisation and provisions);
- EBITDA/net financial interest.

At December 31, 2003, the constraints imposed by these ratios were comfortably satisfied.

	F/V ²	AUTHORISED CREDIT LINES MATURITY			TOTAL	AMOUNTS DRAWN MATURITY			TOTAL	AVAILABLE
		LESS THAN ONE YEAR	BETWEEN ONE AND FIVE YEARS	OVER FIVE YEARS		LESS THAN ONE YEAR	BETWEEN ONE AND FIVE YEARS	OVER FIVE YEARS		
(€ million)										
Committed revolving credit lines	V	72.1	427.3	35.7	535.1	88.6	–	–	88.6	456.4
Syndicated loans	V	–	350.0	–	350.0	–	–	–	–	350.0
Leasing	V	5.7	11.9	–	17.6	5.7	11.9	–	17.6	–
Total bank authorisations		77.8	789.2	35.7	902.7					
Bond issue	F/V	–	–	500.0	500.0	–	–	500.0	500.0	–
Total authorisations		77.8	789.2	535.7	1,402.7					
Bouygues Relais agreement ¹	V	500.0	–	–	500.0	–	–	–	–	500.0
Total drawn						94.3	11.9	500.0	606.2	

¹ The Bouygues Relais credit supports the continued bank credits of the Group and does not constitute an additional line of credit.

² Fixed or variable rate.

6.3.2 Interest rate risk

MATURITY DATES OF FINANCIAL ASSETS AND DEBTS ARE AS FOLLOWS AT DECEMBER 31, 2003

(€ million)	LESS THAN ONE YEAR	BETWEEN ONE AND FIVE YEARS	OVER FIVE YEARS	TOTAL
Fixed rate financial liabilities	5.8	11.9	500.0	517.7
Variable rate financial liabilities	109.9	–	–	109.9
Non-exposed financial liabilities ¹	0.7	–	–	0.7
Gross financial liabilities	116.4	11.9	500.0	628.3
Variable rate net marketable securities	(150.8)	–	–	(150.8)
Variable rate cash	(34.1)	–	–	(34.1)
Non-exposed financial assets ²	(0.2)	–	–	(0.2)
Variable rate cash and marketable securities	(185.1)	–	–	(185.1)

1 Credit balances at bank.

2 Treasury shares.

MATURITY DATES OF FINANCIAL INSTRUMENTS ARE AS FOLLOWS AT DECEMBER 31, 2003

(€ million)	LESS THAN ONE YEAR	BETWEEN AND ONE FIVE YEARS	OVER FIVE YEARS	TOTAL	MARKET VALUE ¹
Fixed rate SWAP	–	238.5	–	238.5	(5.4)
Variable rate SWAP ²	–	–	300.0	300.0	1.7
CAP	–	139.5	–	139.5	(0.8)
Total					(4.5)

1 Excluding accrued interest not yet due.

2 The Group changed a portion (€300 M) of the bond issue so as to be at a variable rate.

FOLLOW UP AND MANAGEMENT OF THE INTEREST RATE RISK

(€ million)	FIXED RATE	VARIABLE RATE	NON-EXPOSED	TOTAL
Financial liabilities (financial debts)	517.7	109.9	0.7	628.3
Financial assets (cash and marketable securities)	–	(184.9)	(0.2)	(185.1)
Net position before hedging	517.7	(75.0)	0.5	443.2
Interest rate hedges: variable rate SWAP	(300.0)	300.0	–	–
Interest rate hedges: fixed rate SWAP	238.5	(238.5)	–	–
Net position after hedging	456.2	(13.5)	0.5	443.2

The interest risk policy consists in fixing the rate of the portion of the gross financial debt corresponding to the financing requirement of the TF1 Group (net debt), by making variable that part exceeding the financing requirement (which is placed by definition at a variable rate) in order to obtain a natural hedging of the balance sheet.

Having regard to the hedging rate portfolio at December 31, 2003, the net situation after hedging at variable rate is an asset position of €13.5 M; thus the Group has a low sensitivity to a decrease in rate.

Thus, an immediate one point decrease of interest rate would lead to a decrease of the financial result amounting to €0.1 M; this would represent an increase in financial expenses (net of investment revenue) of 0.8% for the full year 2003.

6.3.3 Exchange rate risk

INSTRUMENTS OF EXCHANGE RATE HEDGES

(€ million)	CURRENCY	NOMINAL VALUE OF HEDGES	MARKET VALUE
Forward purchase	USD	47.8	(2.3)
Activating forward purchase ¹	USD	10.3	(0.5)
Forward purchase	CHF	23.2	0.1
Forward sale	GBP	(20.4)	2.0
Forward sale	Other currencies	(5.5)	0.2
Total hedges			(0.5)

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 the threshold. If this threshold is crossed, the hedge price becomes again the minimum secured price.

FOLLOW UP AND MANAGEMENT OF THE EXCHANGE RATE RISK

AT 2003 CLOSING PRICE (€ million)	USD ¹	CHF	GBP ²	OTHER CURRENCIES	TOTAL
Assets	39.0	22.0	8.4	6.3	
Liabilities	(61.3)	(25.8)	(7.2)	(2.7)	
Off-balance sheet	(114.4)	(39.1)	–	–	
Before hedging	(136.7)	(42.9)	1.2	3.6	
Hedges ¹	58.1	23.2	(20.4)	(5.5)	
Net position after hedging	(78.6)	(19.7)	(19.2)	(1.9)	(119.4)
Sensitivity	(1.0)	(0.3)	(0.1)	(0.4)	(1.8)

1 The net position in relation to the dollar must be seen in context. In fact, several companies of the Group (TF1, TPS, Eurosport), because of their business activities, enter into the forward purchase of rights covering several years (up to 5 years) which explains the magnitude of off-balance sheet exposed amounts. These off-balance sheet commitments are deliberately not fully hedged because there is a strong probability they will be offset by recurring 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.

The consolidated net currency position after taking into account hedges (valued in euros at the closing price) is €119.4 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 €1.8 M.

6.3.4 Investment risk

TF1 has no exposure to the risk of price movements in securities held.

Notes to the consolidated financial statements

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 interest rate options. The derivatives are used for hedging purposes only and are never used for speculation.

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:

	2003	2002	2001
College 1 - Workers and clerical employees	80	116	87
College 2 - Technical staff	795	752	720
College 3 - Managerial and executive staff	2,259	2,142	1,689
College 4 - Journalists	510	470	406
Total	3,644	3,480	2,902

The above table presents, at the end of December 2003, employees of fully consolidated or proportionately consolidated companies.

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, 2003 amounted to €5,491,404.

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

Through its fully owned subsidiary Eurosport, TF1 in February 2004 has entered into an agreement with Holland Coordinator and Services B.V., a company controlled by Tarak Ben Ammar, providing for the joint control of Europa TV SpA. Europa TV holds a national television broadcasting licence over terrestrial frequencies, giving a coverage of 81% of the Italian population. In February, 2004, Europa TV launched a free-to-air nationwide sports channel under the trademark "Sportitalia". Eurosport bought 29% of the capital of Europa TV and has an option (to be exercised before May 3, 2004) to exquire an additional 20%.

TF1 has also entered into an agreement with Holland Coordinator and Services B.V., a company controlled by Tarak Ben Ammar, providing for the joint control of and the acquisition of a shareholding of 49% of the capital of Prima TV. Prima TV holds a provisional national television broadcasting authorisation over terrestrial analogue frequencies, giving coverage of 75.7% of the Italian population. Prima TV has also been authorised to carry out experimental digital broadcasting up to coverage of 58% of the Italian population. The digital broadcasting will be carried out through a digital terrestrial multiplex under the name D-free that will initially distribute four channels.



Statutory Auditors' report

Statutory Auditors' report on the consolidated financial statements

Financial year ended December 31, 2003

In accordance with our appointment by your Shareholders' Annual General Meeting, we have audited the consolidated financial statements of TF1, presented on pages 61 to 80 of the financial report, for the year ended December 31, 2003.

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 the recognition of long-service leave, mentioned in sections 2.2.3, 2.12, and 3.9 of the notes.

Basis of our assessments

In conformity with the provisions of Article L.225-235, paragraph 2, of the French Commercial Code, which require that we substantiate our assessments (a requirement applicable for the first time to this financial year), we draw to your attention the following:

- 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 rights 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 assessments were an integral part of our work and enabled us to issue our opinion of the financial statements as a whole.

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 10, 2004

The Statutory Auditors

MAZARS & GUERARD
Michel ROSSE

RSM SALUSTRO REYDEL
Jean-Pierre CROUZET

Balance sheet

ASSETS (€ million)	NOTES	12.31.03 NET	12.31.02 NET	12.31.01 NET
Intangible fixed assets	<i>1.2 and 2.1</i>	164.8	187.4	214.6
Franchises and other similar rights		0.1	0.2	0.3
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		91.4	109.0	107.8
Co-production rights available for rebroadcasting		45.5	53.0	49.7
Co-production in progress		27.8	25.2	56.8
Tangible fixed assets	<i>1.3 and 2.2</i>	32.5	36.0	45.0
Land		0.0	0.0	0.0
Freehold buildings		0.0	0.0	0.0
Technical facilities and equipment		10.7	14.3	18.2
Other tangible fixed assets		18.9	20.7	25.3
Tangible fixed assets under construction		2.9	1.0	1.5
Financial assets	<i>1.4 and 2.3</i>	979.0	1,048.4	551.3
Investments		589.7	655.6	424.3
Loans to associated undertakings		0.0	0.0	0.0
Other investments held as fixed assets		27.6	27.3	27.2
Loans		361.1	364.8	99.1
Other financial assets		0.6	0.7	0.7
FIXED ASSETS		1,176.3	1,271.8	810.9
Inventories	<i>1.5 and 2.4</i>	468.0	425.0	384.9
Raw materials and consumables		0.6	0.6	0.9
Goods held for resale		0.0	0.0	0.0
Rights ready for broadcasting		213.3	171.2	150.9
Rights for rebroadcasting		137.1	143.8	127.7
Broadcasting rights in progress		117.0	109.4	105.4
Prepayments and accrued income		2.6	1.7	4.1
Trade debtors	<i>1.6 and 2.5</i>	344.8	362.3	334.6
Other debtors	<i>2.5</i>	449.6	436.1	598.0
Marketable securities and cash at bank and in hand	<i>1.7 and 2.6</i>	154.5	2.3	2.3
Prepaid expenses	<i>2.7</i>	117.7	102.3	83.2
CURRENT ASSETS		1,537.2	1,329.7	1,407.1
Expenses to be spread over several years		1.5	0.0	0.0
Premium on the redemption of the bond issues		3.0	0.0	0.0
Unrealised losses/gains on foreign exchange		0.0	0.9	0.9
TOTAL ASSETS		2,718.0	2,602.4	2,218.9



SHAREHOLDERS' EQUITY AND LIABILITIES (€ million)	NOTES	12.31.03	12.31.02	12.31.01
Share capital		43.0	42.8	42.4
Share premium		63.7	53.4	36.4
Revaluation reserve		0.0	0.0	0.0
Legal reserve		4.3	4.2	4.2
Long-term capital gain reserve		25.0	25.0	25.0
Other reserves		734.0	670.0	530.0
Retained earnings		66.9	74.6	75.3
Net profit for the year		101.7	198.0	276.2
Government grants for investment	1.8	0.0	0.0	0.0
Regulated provisions: programme amortisation	1.9	132.5	150.4	149.0
SHAREHOLDERS' FUNDS	2.8	1,171.1	1,218.4	1,138.5
Provisions for contingencies		12.1	3.2	9.1
Provisions for charges		0.0	0.9	0.9
Other provisions for liabilities		29.4	31.0	28.0
PROVISIONS FOR LIABILITIES AND CHARGES	1.10, 1.11, 1.12 and 2.9	41.5	35.1	38.0
Bond loans		502.9	0.0	0.0
Bank borrowings ¹		0.0	18.5	43.8
Other financial creditors ²		233.7	495.0	241.5
Trade creditors		420.9	444.8	456.8
Tax and social liabilities		169.4	147.4	129.6
Fixed assets creditors		2.5	79.4	2.1
Other creditors		166.7	146.1	152.9
Prepaid income		7.7	16.9	15.6
CREDITORS AND OTHER LIABILITIES	2.10	1,503.8	1,348.1	1,042.3
Unrealised losses/gains on foreign exchange		1.6	0.8	0.1
TOTAL SHAREHOLDERS' FUNDS AND LIABILITIES		2,718.0	2,602.4	2,218.9
1 Including bank overdrafts		0.0	18.5	19.8
2 Including current accounts with associated companies		233.7	495.0	241.5

Profit and loss account

(€ million)	NOTES	2003	2002	2001
Turnover	1.13 and 3.1	1,596.2	1,552.0	1,567.1
Advertising revenue	3.1	1,461.3	1,424.2	1,414.3
Technical services		1.5	1.4	1.7
Other operating revenue		10.4	9.6	15.6
Stored production		(1.3)	0.2	(0.4)
In-house production		1.5	0.0	0.0
Operating grant		0.0	0.3	0.0
Depreciation, amortisation and provisions releases		26.3	20.4	26.9
Expense transfers		93.6	92.2	103.6
Other revenue		2.9	3.7	5.4
Operating expenses		(1,278.0)	(1,271.6)	(1,176.6)
Purchase of raw materials and consumables	3.2	(554.2)	(465.8)	(469.9)
Change in inventory		63.8	44.3	64.5
Other purchases and external expenses		(354.0)	(426.0)	(341.4)
Taxes and levies	3.3	(93.3)	(91.4)	(92.6)
Wages and salaries	3.4	(102.3)	(98.9)	(98.4)
Social security charges	3.5	(46.2)	(43.3)	(43.9)
Depreciation, amortisation and provisions	3.6			
• amortisation of broadcast co-production		(55.3)	(91.8)	(89.4)
• depreciation of other fixed assets		(12.1)	(13.2)	(17.0)
• provision for intangible assets and current assets		(41.2)	(17.9)	(16.3)
• provision for liabilities and charges		(13.4)	(2.3)	(6.8)
Other expenses	3.7	(69.8)	(65.3)	(65.4)
OPERATING PROFIT		318.2	280.4	390.5
Net profit from joint operations		0.0	0.0	0.0
Financial revenue		63.0	83.5	95.4
Financial expense		(144.1)	(53.0)	(49.8)
FINANCIAL PROFIT/(LOSS)	3.8	(81.1)	30.5	45.6
PROFIT BEFORE TAX AND EXCEPTIONAL ITEMS		237.1	310.9	436.1
Exceptional income		62.5	66.7	162.8
Exceptional revenue on operations		0.6	0.3	1.1
Exceptional revenue on fixed assets		18.2	19.9	129.3
Provision releases		43.7	46.5	32.4
Exceptional expenses		(81.3)	(84.2)	(184.9)
Exceptional expense on operations		(0.1)	(2.8)	(2.1)
Exceptional expense on fixed assets		(55.3)	(33.5)	(127.2)
Exceptional depreciation, amortisation and provisions		(25.9)	(47.9)	(55.6)
EXCEPTIONAL PROFIT/(LOSS)	3.9	(18.8)	(17.5)	(22.1)
Employee profit sharing		(10.4)	(8.7)	(11.6)
Corporate income tax	3.10 and 3.11	(106.2)	(86.7)	(126.2)
NET PROFIT		101.7	198.0	276.2

Cash flow statement

(€ million)	2003	2002	2001
1 - Operating activities			
Net profit	101.7	198.0	276.2
Depreciation, amortisation and provisions ^{1 2}	120.4	10.2	5.7
Investment grants released to revenue	0.0	0.0	0.0
Gain/(loss) on disposal of fixed assets	11.9	0.7	(12.6)
Cash flow	234.0	208.9	269.3
Purchase of co-production ²	(32.5)	(64.2)	(119.0)
Depreciation, amortisation and provisions of co-production ²	37.2	92.6	112.2
Stocks	(43.0)	(40.1)	(63.9)
Trade debtors	(13.5)	115.2	(197.6)
Trade creditors	10.3	1.1	(18.2)
Expenses to amortise over several periods	(1.5)	0.0	0.0
Net advances from third parties	(0.9)	2.4	(2.2)
Change in working capital needs	(43.9)	107.0	(288.7)
NET CASH INFLOW FROM OPERATING ACTIVITIES	190.1	315.9	(19.4)
2 - Investing activities			
Purchase of fixed assets ^{1 2}	(8.7)	(5.0)	(10.3)
Disposal of fixed assets ^{1 2}	0.5	0.2	0.2
Purchase of fixed asset investments	(67.1)	(250.5)	(330.0)
Disposal of fixed asset investments	15.3	19.1	128.9
Increase/(decrease) in fixed assets creditors	(76.9)	77.3	(3.9)
Increase/(decrease) in other financial assets	3.7	(265.7)	(5.1)
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	(133.2)	(424.6)	(220.2)
3 - Financing activities			
Increase in shareholders' funds	10.6	17.4	19.0
Net change in loans	241.5	229.5	115.9
Dividends paid	(138.3)	(136.9)	(136.5)
NET CASH OUTFLOW FROM FINANCING	113.8	110.0	(1.6)
TOTAL INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	170.7	1.3	(241.2)
Cash at beginning of period	(16.2)	(17.5)	223.7
Net inflow/(outflow)	170.7	1.3	(241.2)
Cash at end of period	154.6	(16.2)	(17.5)

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, 2003.

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

A provision for long-service leave has been set up in application of the national accounting authority (CNC) recommendation R.01 dated April 1, 2003 relating to the accounting and valuation rules in respect of retirement commitments and similar benefits (see note 1.12 for the calculation method and note 2.9 for the impact on the accounts). The impact of this change is not material and does not affect the comparability of the financial statements.

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 non-broadcast 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 have not been delivered or are not ready for transmission by the end of the financial year are reported under "Co-productions in progress". These co-productions are valued at the amount of capital expenditure contracted at the balance sheet dates. The remaining contractual commitment is 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	4 to 5 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 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 non-broadcast 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.

1.5.4 Rights in progress

Programmes that have not been delivered or are not ready for transmission by the end of the financial year, as well as broadcasting rights for which the beginning of the validity period falls after the year-end, are reported under "Rights in progress". These rights are valued at the amount of capital expenditure contracted at the balance sheet date. The remaining capital expenditure is valued in "Commitments and Contingencies".

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, 2001;
- 50% of their total amount, net of tax, for accounts receivable falling due between January 1, 2001 and December 31, 2001.

Risks on receivables originating after December 31, 2001 and not yet collected at December 31, 2003, 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%

Notes to the company financial statements

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, are reported as "Commitments and Contingencies".

These commitments are valued on the basis of the amount set out in the contract, after deduction of amounts that have been capitalised and recorded under the heading "Programmes and film rights".

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

(€ million)	2003	2002
Co-productions in progress	27.6	59.7
Co-productions ready for broadcasting	109.0	107.8
Co-productions available for rebroadcasting	53.3	50.0
Value of co-productions as of January 1	189.9	217.5
Add:		
Investments January 1 to December 31	60.1	77.1
Subtract:		
Disinvestments January 1 to December 31		
Cost of 1st transmission	(48.9)	(83.2)
Cost of 2nd transmission	(6.4)	(8.6)
Total cost of broadcasting	(55.3)	(91.8)
Rights expired	(13.5)	(4.7)
Rights retired	(11.7)	(8.2)
Rights sold (residual book value)	(2.4)	–
Total disinvestments January 1 to December 31	(82.9)	(104.7)
Value of co-productions as of December 31	167.1	189.9
Breakdown		
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
Total	167.1	189.9

As of December 31, 2003, the provision for risk of non-transmission of co-productions amounted to €30.3 M, of which

- €0.2 M is in provision for depreciation of assets;
- and €30.1 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

(€ million)	01.01.03	INCREASE	DECREASE	12.31.03
Technical facilities and equipment	60.9	2.4	4.5	58.8
Other	82.7	4.4	35.1	52.0
Assets under construction	1.0	2.8	0.9	2.9
Total	144.6	9.6	40.5	113.7

DEPRECIATION

(€ million)	01.01.03	INCREASE	DECREASE	12.31.03
Technical facilities and equipment	46.6	6.0	4.5	48.1
Other	62.0	6.0	34.9	33.1
Total	108.6	12.0	39.4	81.2

2.3 Financial assets

Financial investments

In 2003,

TF1 purchased the following:

- TV Breizh €8.8 M for 25.83% of share capital
- Publications Métro France €12.0 M for 34.3% of share capital

TF1 purchased from SICCIS its stake in:

- TF1 International for €36.4 M

TF1 subscribed to the capital increase of the following companies:

- Protécra €6.7 M
- TF1 Music for €2.9 M

TF1 sold to TF1 Production its stake in the following companies:

- Studios 107 for €4.7 M
- Groupe Glem for €10.4 M

TF1 sold to TF1 International its stake in the following company:

- Protécra for €9.0 M

TF1 made a €105.5 M provision on shares in subsidiaries as follows:

- TF1 Digital €83.8 M
- TF1 International €11.0 M
- TV Breizh €10.7 M

At December 31, 2003, the total value of the shares reported in the balance sheet of TF1 SA amounts to €696.3 M less provisions of €106.6 M.

Loans

This heading essentially relates to:

- an equity loan of €45.7 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, (residual value on December 31, 2003: €46.4 M);
- a loan granted to Eurosport (residual value on December 31, 2003: €268.8 M).

Other financial assets

This heading essentially relates to 1,245,387 TF1 shares, for a total amount of €25.9 M.

993,850 TF1 shares have been purchased as part of a share buyback 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 has sold a call option to a bank at a price of €18.66 covering 709,900 TF1 shares. These TF1 shares are intended to cover this call option.

251,537 shares have been purchased as part of a share buyback 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 has sold a call option to a bank at a price of €29.26 covering 97,550 TF1 shares.

Notes to the company financial statements

2.4 Inventories

This heading essentially relates to non-transmitted broadcasting rights.

(€ million)	EXTERNAL PRODUCTION	IN-HOUSE PRODUCTION	TOTAL 2003	2002
Rights ready for 1st broadcasting	199.9	1.8	201.7	179.6
Rights available for rebroadcasting	177.6	–	177.6	159.0
Rights in progress	108.8	1.2	110.0	105.9
Value of programmes as of January 1	486.3	3.0	489.3	444.5
Add:				
Investment January 1 to December 31	552.0	284.4	836.4	822.7
Subtract:				
Disinvestments January 1 to December 31				
Cost of 1st transmission	419.3	274.5	693.8	711.6
Cost of 2nd transmission	32.3	–	32.3	34.9
Total cost of broadcasting	451.6	274.5	726.1	746.5
Rights expired	17.9	–	17.9	10.8
Rights retired	16.2	11.2	27.4	19.7
Rights sold (residual book value)	2.4	–	2.4	0.9
Total disinvestments January 1 to December 31	488.1	285.7	773.8	777.9
Value of programmes as of December 31	550.2	1.7	551.9	489.3
Change in stock	63.9	(1.3)	62.6	44.8
Breakdown				
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
Total	550.2	1.7	551.9	489.3

As of December 31, 2003, the provision for risk of non-transmission of rights amounted to €84.4 M.

2.5 Debtors

2.5.1 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 €158.2 M at December 31, 2003, against €180.8 M at December 31, 2002. This balance is net of sales rebates, which have yet to be granted, and which are included in "Other Creditors".

2.5.2 Other debtors

This heading essentially relates to VAT receivable for €61.7 M, corporate income tax for €0.5 M and loans granted to subsidiaries under cash management agreements for €392.8 M.

2.5.3 Due dates for debtors

Debtors linked to fixed assets and current assets total €1,322.1 M.

A proportion of the debtors carried under fixed assets (€6.6 M) and current assets (€960.3 M) fall due within one year.

A proportion of the debtors carried under fixed assets (€306.7 M) fall due between one and five years.

A proportion of the debtors carried under fixed assets (€48.5 M) fall due after five years.

2.6 Cash and marketable securities

Marketable securities consist of TF1 shares bought in order to fulfil the stock option plan set up in October 1995 for certain employees and directors of TF1, for an amount of €0.2 M; and money market funds for €134.7 M (on which all capital gains have been realised at December 31, 2003).

2.7 Prepaid expenses

Prepaid expenses account for €117.7 M, including €113.3 M relating to prepaid sports transmissions.

2.8 Shareholders' funds

The share capital is divided into 215,154,149 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:

	01.01.03	ALLOCATION OF PROFIT (GENERAL MEETING OF APRIL 23, 2003)	OTHER MOVEMENTS	12.31.03
(€ million)				
Share capital	42.8	–	0.2 ³	43.0
Share premium	53.4	–	10.3 ³	63.7
Legal reserve	4.2	0.1	–	4.3
Long-term capital gain reserve	25.0	–	–	25.0
Retained earnings	74.6	(4.4)	(3.3) ⁴	66.9
Other reserves	670.0	64.0	–	734.0
Net profit for the year	198.0	(198.0)	101.7	101.7
Sub-total	1,068.0	(138.3)	108.9	1,038.6
Regulated provisions	150.4	–	(17.9) ²	132.5
Total	1,218.4	(138.3)¹	91.0	1,171.1

1 Dividends paid on April 28, 2003.

2 Net movements of the year.

3 Exercise of share subscription options.

4 Provision made against reserves in the opening balance sheet for long-service leave.

2.9 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:

	01.01.03	INCREASE	DECREASE USED	DECREASE NOT USED	12.31.03
(€ million)					
Claims	3.2	11.5	1.1	1.5	12.1
Associated companies	17.1	3.1	8.2	–	12.0
Bad debts	2.7	–	–	–	2.7
Pension costs	11.2	1.3	1.3	–	11.2
Provisions for long-service leave	3.3 ¹	0.6	0.4	–	3.5
Exchange loss	0.9	–	0.9	–	0.0
Total	38.4	16.5	11.9	1.5	41.5

1 Provision made against reserves in the opening balance sheet for long-service leave.

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.

2.10 Creditors

2.10.1 Bond issue

In November 2003, TF1 issued a 7 year (2010) €500 M bond redeemable in full at par with a 4.375% coupon.

2.10.2 Bank borrowings

The company had €283.0 M of undrawn credit facilities with various banks at December 31, 2003.

The company has subscribed:

- in May 1999 a syndicated loan amounting to €381 M, for a period of 7 years. A decision to give up this credit early was made in December 2003;
- in July 2002 a syndicated loan amounting to €350 M, for a period of 5 years.

At 31 December 2003, these credits remained undrawn.

2.10.3 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 €190.7 M (€157.1 M in 2002).

2.10.4 Other creditors

This heading includes credit notes and rebates on tariffs to be granted by TF1, amounting to €162.5 M in 2003 (€141.3 M in 2002).

2.10.5 Due dates for creditors

Of the total creditors, €1,496.2 M, €995.4 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.

3 Notes to the profit and loss account

3.1 Breakdown of turnover

Advertising revenue amount to €1,461.3 M and correspond to TF1 Publicité's revenue, less the fees enabling TF1 Publicité to cover its operating costs (€126.2 M).

Notes to the company financial statements

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 €76.5 M in 2003 (€74.7 M in 2002).

3.4 Wages and salaries

This heading includes €5.2 M of fees paid to freelance employees (€6.0 M in 2002).

3.5 Social security charges and employment expenses

This heading includes €3.5 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 €58.1 M in 2003 (€58.2 M in 2002).

3.8 Financial profit

Financial loss for 2003 breaks down as follows:

(€ millions)	2003	2002
Dividends	23.2	37.0
Net interest received	10.2	13.7
Provisions for depreciation of financial investments ¹	(105.5)	-
Provisions for depreciation of other debtors	(7.2)	-
Provisions for liabilities	(2.2)	(16.8)
Exchange differences	(0.3)	(3.5)
Profits on sales of marketable securities	0.7	0.1
Net	(81.1)	30.5

¹ See notes 2.3.

With respect to associated companies, interest paid amounts to €9.7 M and interest received to €24.8 M in 2003 (respectively €4.6 M and €27.4 M in 2002).

3.9 Exceptional items

The exceptional items for 2003 break down as follows:

(€ million)	2003	2002
Capital losses on disposal and retirement of programmes	(25.2)	(12.9)
Net provisions (including accelerated amortisation for tax purposes)	17.9	(1.4)
Capital gains/(losses) on disposal of financial assets ¹	(12.2)	0.1
Other	0.7	(3.3)
Net	(18.8)	(17.5)

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 (51.1%) mainly results from the reversal of provisions for liabilities and charges (€105.6 M) and of capital losses on disposals of financial investments (€9.1 M), and from the deduction of dividends (€23.1 M), employee profit sharing (€1.7 M) and the net losses recorded by GIE Aphélie (€1.3 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

(€ million)	FUTURE INCREASE IN TAX	FUTURE DECREASE IN TAX
Regulated provisions	46.9	-
Employee profit sharing, paid vacation, Organic tax and provisions for pension commitments and long-term leave, etc.	-	12.5

4 Other information

4.1 Commitments and contingencies

On December 31, 2003, the various types of commitments and their due dates are as follows:

COMMITMENTS GIVEN

(€ million)	LESS THAN ONE YEAR	BETWEEN ONE AND FIVE YEARS	OVER FIVE YEARS	TOTAL 2003	2002
Programmes and broadcasting rights ¹	294.6	270.4	1.6	566.6	618.1
Sports broadcasting rights ¹	65.8	123.8	–	189.6	224.1
Real-estate leasing	16.3	73.8	9.7	99.8	113.3
Operating leases	7.2	10.6	–	17.8	37.0
Image transmission contracts	64.4	61.3	–	125.7	189.6
Guarantees	127.4	125.8	15.5	268.7	259.1
Others	18.0	3.3	4.0	25.3	33.1
Total	593.7	669.0	30.8	1,293.5	1,474.3

COMMITMENTS RECEIVED

(€ million)	LESS THAN ONE YEAR	BETWEEN ONE AND FIVE YEARS	OVER FIVE YEARS	TOTAL 2003	2002
Programmes and broadcasting rights ¹	294.6	270.4	1.6	566.6	618.1
Sports broadcasting rights ¹	65.8	123.8	–	189.6	224.1
Real-estate leasing	16.3	73.8	9.7	99.8	113.3
Operating leases	7.2	10.6	–	17.8	37.0
Image transmission contracts	64.4	61.3	–	125.7	189.6
Others	18.3	3.6	–	21.9	27.8
Total	466.6	543.5	11.3	1,021.4	1,209.9

¹ Including €3.0 M in USD and €33.7 M in CHF.

The heading "Programmes and broadcasting rights" includes long-term contracts relating to variety and game shows and entertainment programmes for €271.6 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, 2003.

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 :	114.8
• accumulated	101.6
• financial year	13.2
"Theoretical" depreciation charges ² :	81.0
• accumulated	72.5
• financial year	8.5
Estimated remaining future lease payments ³ :	
• less than one year	16.3
• between one and five years	73.8
• more than five years	9.7
Purchase option on the building in 2009	67.1

¹ Including capital repayment of €36.9 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 2004 under contracts signed at December 31, 2003.

At that date, the exchange value of the aggregate of these outstanding amounts was €34.2 M:

- €8.7 M in forward purchases of US dollars;
- €7.1 M in activating forward purchases of US dollars;
- €18.4 M in forward purchases of CHF.

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, 2003 is reported within financial profits for €0.7 M.

Notes to the company financial statements

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:

	2003	2002	2001
College 1 - Workers and clerical employees	34	39	40
College 2 - Technical staff	465	446	442
College 3 - Managerial and executive staff	701	671	636
College 4 - Journalists	236	227	212
Total	1,436	1,383	1,330

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, 2003 amounted to €5,491,404.

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 2003 amounted for €274,709.

4.7 Movements in provisions

(€ million)	01.01.03	INCREASE	DECREASE	12.31.03
Regulated provisions				
• In respect of intangible fixed assets (programmes)	150.4	25.9	43.8	132.5
Provisions for liabilities and charges	35.1	19.8	13.4	41.5
Provisions for depreciation of fixed assets	3.3	0.1	0.4	3.0
Provisions on financial assets				
• Long-term investments	1.1	105.6	–	106.7
• Related loans	0.3	–	0.3	–
Provisions for depreciation of current assets				
• Inventories	65.0	41.1	21.6	84.5
• Other debtors	1.7	7.1	–	8.8
Total	256.9	199.6	79.5	377.0

4.8 Financial and short-term investments held at December 31, 2003

FINANCIAL INVESTMENTS	NUMBER OF SHARES	% SHAREHOLDERS' FUNDS (€)	SHAREHOLDERS' FUNDS (€)
EUROSPORT	150,000,000	100.00	273,949,205
SYALIS	40,000	99.76	36,829,382
TF1 ENTREPRISES	200,000	100.00	21,450,523
TF1 FILMS PRODUCTION	169,994	100.00	18,513,707
TF1 PUBLICITE	30,000	100.00	15,494,320
TCM DA	5,100	34.00	4,312,130
TELESHOPPING	8,500	100.00	4,296,014
TV BREIZH	91,145	40.49	1,378,245
PUBLICATIONS METRO FRANCE	343	34.30	986,404
TAPAS 4	40,000	100.00	40,000
TAPAS	2,475	99.00	39,408
SAGIT	39,994	99.99	38,642
@ TF1	39,999	100.00	37,905
TCM GESTION	848	33.92	12,792
SMR6	10,000	20.00	10,000
TVB NANTES	440	11.00	4,400
TPP	5	1.00	3,742
FILM PAR FILM	1	0.01	786
TELEMA	1	0.01	599
GROUPE GLEM	1	0.02	302
NOUVELLES EDITIONS TF1	25	1.00	226
TRICOM & CIE	2	0.07	108
SERIE CLUB	1	0.004	34
EUROSHOPPING	1	0.02	20
TRICOM	1	0.003	19
TPS GESTION	1	0.02	6
TF6 GESTION	1	0.001	1
Total financial investments			377,394,960

Shareholders' funds correspond to the proportion of net shareholders' equity owned by TF1 SA.

MARKETABLE SECURITIES	NUMBER OF SHARES	SHARE PRICE AT 12.31.03	SHAREHOLDERS' FUNDS (€)
ABSOLU VEGA	13,210	2,278.53	30,099,381
CARDIF JOUR	625	26,957.12	16,848,200
FIMA EURO TRESORERIE	338	47,344.93	16,002,586
DEXIA MONEY 3 M	889	17,540.30	15,593,327
CARDIF TRESORERIE	917	15,980.43	14,654,054
CLMA TRESORERIE 3 MOIS	13	866,407.16	11,263,293
CLAM EONIA	59	181,006.82	10,679,402
CDC MONETAIRE	2,811	3,614.07	10,159,151
NATEXIS SECURITE JOUR	192	47,645.87	9,148,007
CENTRALE USD	22	11,299.24	248,583
Total marketable securities			134,695,984
TF1 SA SHARES	30,000	8.22 ¹	246,544 ¹
Total investments			512,337,488

¹ Net book value (see note 2.6).

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	9,225	100.00%	3,038	3,038	–	–	1,587,898	3,869	5,370
TF1 FILMS PRODUCTION		2,550	15,550	99.996%	1,768	1,768	–	–	36,415	414	1,000
TELESHOPPING		127	1,253	100.00%	130	130	–	–	73,143	2,915	1,050
TF1 PUBLICATIONS		75	(1,558)	99.88%	519	–	1,392	–	–	30	–
TF1 ENTREPRISES		3,000	426	100.00%	3,049	3,049	–	–	60,835	18,024	15,704
SYALIS		40	34,773	99.76%	41,680	41,680	–	–	–	2,105	–
TF1 US	USD	28	–	100.00%	24	24	–	–	–	–	–
SWONKE		18	420	100.00%	900	441	–	–	–	–	–
e-TF1		1,000	(34)	99.90%	999	999	–	–	28,204	(1,770)	–
TF1 DIGITAL		99,132	(12,328)	100.00%	99,132	15,285	42,434	–	482	(91,180)	–
@ TF1		40	–	100.00%	40	40	–	–	–	(2)	–
SAGIT		40	–	99.99%	40	40	–	–	–	(1)	–
EUROSPORT SA		15,000	242,858	100.00%	234,243	234,243	268,823	–	359,676	16,092	–
TF1 PRODUCTION		40	(1)	100.00%	40	40	15,245	–	–	(155)	–
TAPAS 4		40	–	100.00%	40	40	–	–	–	–	–
TAPAS		40	–	99.00%	40	40	–	–	–	–	–
TF1 EXPANSION		38	(59,001)	100.00%	94,921	94,921	53,319	–	–	(1,838)	–
SACAS		38	(33,255)	99.96%	154,628	154,628	3,971	–	–	(1,329)	–
TF1 INTERNATIONAL		37,500	(8,601)	100.00%	36,431	25,431	–	–	34,074	(41,259)	–
II - Financial investments (holding 10% to 50% of shares)											
MEDIAMETRIE		930	4,705	10.75%	15	15	–	–	35,838	771	19
MERCURY INTERN. FILM	DEM	1,000	–	50.00%	255	255	–	–	–	–	–
TCM GESTION		40	(2)	33.92%	14	14	–	–	3	–	–
TCM DROITS AUDIOVISUELS		240	7,902	34.00%	82	82	6,516	–	20,940	4,541	21
TV BREIZH		22,510	(12,336)	40.491%	12,113	1,393	1,760	–	5,904	(6,770)	–
PUBLICATIONS METRO FRANCE		100	8,418	34.30%	12,000	12,000	–	–	–	(5,642)	–
TVB NANTES		40	–	11.00%	4	4	–	–	–	–	–
SMR6		50	–	20.00%	10	10	–	–	–	–	–
III - Financial investments (holding of less than 10%)											
GROUPE GLEM		80	7,176	0.02%	3	3	861	–	1,327	(5,744)	–
TF1 PUBLICITE PRODUCTION		8	108	1.00%	–	–	–	–	13,067	258	3
GIE CHALLENGER FORMATION		11	–	6.67%	1	1	–	–	2,058	–	–
MEDIAMETRIE EXPANSION		1,829	(363)	5.00%	91	–	–	–	–	20	–
TPS GESTION		72	(1)	0.02%	–	–	–	–	496	(34)	–
LES NOUVELLES EDITIONS TF1		40	(85)	1.00%	–	–	–	–	105	68	–
EUROSHOPPING		75	(1)	0.02%	–	–	–	–	34	27	–
TRICOM & CIE		45	8	0.07%	–	–	–	–	44	109	–
TF6		80	11	0.02%	–	–	–	–	15,366	(274)	–
TF6 GESTION		80	–	0.001%	–	–	–	–	3	–	–
SERIE CLUB		50	263	0.004%	2	2	–	–	8,634	540	–
SED ODYSSEE		8	(63)	0.20%	–	–	1,227	–	4,401	(443)	–
LA CHAINE INFO		4,500	50	0.0003%	–	–	2,276	–	37,515	(9,633)	–
TF1 CINEMA		1,950	(915)	0.001%	–	–	1,316	–	50	(11,793)	–
TF1 SATELLITE		37	(8,054)	0.04%	62	62	–	–	–	(730)	–
TELEMA		1,000	4,971	0.01%	3	3	–	–	8,541	19	–
FILM PAR FILM		1,525	6,332	0.01%	1	1	–	–	3,538	–	–
TRICOM		450	18	0.003%	–	–	–	–	–	165	–
Total					696,318	589,682					

4.10 Post balance sheet events

TF1 has entered into an agreement with Holland Coordinator and Services B.V., a company controlled by Tarak Ben Ammar, providing for the joint control of and the acquisition of a shareholding of 49% of the capital of Prima TV. Prima TV holds a provisional national television temporary authorisation over terrestrial analogue frequencies which grant coverage of 75.7%

of the Italian population. Prima TV has also been authorised to carry out experimental digital broadcasting up to a coverage of 58% of the Italian population. The digital broadcasting will be carried out through a digital terrestrial multi-plex under the name D-Free which will initially distribute four channels.

Statutory Auditors' report

Statutory Auditors' report on the financial statements

Financial year ended December 31, 2003

In accordance with our appointment by your Shareholders' Annual General Meeting, we hereby report to you, for the year ended December 31, 2003, on:

- the audit of the accompanying financial statements of TF1, presented on pages 82 to 95 of the financial report;
- 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, 2003 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 the recognition of long-service leave, mentioned in sections 1.1, 1.12, and 2.9 of the notes.

Basis of our assessments

In conformity with the provisions of Article L.225-235, paragraph 1, of the French Commercial Code, which require that we substantiate our assessments (a requirement applicable for the first time to this financial year), we draw your attention to the following:

- Section 1.4 of the notes describes the method used to determine the value in use of investments for which a provision for amortization 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 rights 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 analyzing 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 assessments were an integral part of our work and enabled us to issue our opinion on the financial statements as a whole.

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 10, 2004

The Statutory Auditors

MAZARS & GUERARD

RSM SALUSTRO REYDEL

Michel ROSSE

Jean-Pierre CROUZET

Statutory Auditors' report

Statutory Auditors' report on regulated contracts

Financial year ended December 31, 2003

As the Statutory Auditors of your company, we hereby present to you our report on regulated contracts.

Agreement entered into during the year

In accordance with Article L.225-40 of the French Commercial Code, we have been informed of the following agreement, previously authorized by the Board of Directors of your company.

We are not required to investigate the possible existence of other agreements, but to inform you, on the basis of the information provided, 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 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.

Agreements with TPS

At its meeting on December 2, 2003, the Board of Directors authorized the signature of an agreement under which TF1 granted TPS a bridging loan on its confirmed credit lines, using a current account.

This agreement, for €270 M maximum, is valid for a one-year period.

TPS may draw funds from both or one of its shareholders (TF1 owns a 66 % stake, Métropole Télévision – M6 owns 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 2003, TF1 invoiced €54,000 under this agreement.

Directors concerned: Patrick Le Lay, Etienne Mougeotte.

Agreements approved during past years which continued to be applicable during the year

Moreover, in accordance with the Decree of March 23, 1967, we have been informed of the following agreements, which were approved during the previous years, and were applicable during the period.

Agreements with certain subsidiaries

The agreements signed on November 15, 1999, provide for the invoicing of specific services rendered, at the request of TF1 subsidiaries, by the administrative departments (management, human resources, and 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 2003, besides specific services in conformity with market conditions, TF1 invoiced some subsidiaries a proportion of the residual shared administrative service costs defined in these agreements, as follows:

(€'000s)	AMOUNT (EXCLUDING VAT)
TF1 PUBLICITE	15,104
EUROSPORT	3,258
TF1 ENTREPRISES	617
TF1 VIDEO	2,162
LA CHAINE INFO	584
UNE MUSIQUE	59
e-TF1	460
TELESHOPPING	769
TF1 FILMS PRODUCTION	344
STUDIOS 107	198
SICCIS	460
ODYSSEE	57
TF1 PUBLICITE PRODUCTION	172
TAP	57
ALMA PRODUCTION	51
Total	24,352

Statutory Auditors' report

Agreements with Bouygues

– The common services agreement 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 2003, the amount invoiced by Bouygues, which did not include any specific services, as defined by this agreement, was €5.1 million.

– The company's investment management agreement enables TF1 to use Bouygues' central administrative department for investment management purposes.

During 2003, Bouygues invoiced €60,000 for these services.

– The air transport agreement regarding the airplanes 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 €5,000 in 2003.

During 2003, Bouygues invoiced €0.8 M for these services.

Agreement with Bouygues Relais

– Under the cash agreement, signed for a one-year period on March 5, 2002, with the same terms as the agreement of December 1, 1999, TF1 can loan cash to Bouygues Relais and freeze part of this loan for a calendar-month period. The interest due under the agreement is calculated under current market conditions.

During 2003, this agreement was not applied, and it was not renewed in 2003.

– Under a bridging loan agreement, dated February 24, 2003, signed under the same terms as the agreement of September 4, 2002, Bouygues Relais granted TF1 a bridging loan on its confirmed credit lines up to a maximum amount of €500 M.

TF1 may use this funding as a day-to-day overdraft from Bouygues Relais.

Interest is calculated on the basis of the drawings made at a rate equal to EONIA, plus:

- 0.10% for an amount under €100 M;
- 0.125% for the proportion drawn falling between €100 and €200 M;
- 0.15% for the proportion drawn falling between €200 and €500 M.

This facility is granted for the period from February 24, 2003 to March 1, 2004.

During 2003, Bouygues Relais invoiced €5.9 M under this agreement.

Agreement with Eurosport

Under the terms of the long-term loan contract between TF1 and Eurosport, TF1 granted Eurosport a long term loan of €278.8 M.

This loan came into effect retroactively as of January 1, 2002, for a seven-year period, and must be fully repaid by January 2, 2009. TF1 has agreed that Eurosport can defer repayment of the principal of the loan for a five-year period.

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 2003, TF1 invoiced €11.3 M, including interest and premiums on hedging instruments, under this agreement.

Paris la-Défense and Paris, March 10, 2004

The Statutory Auditors

MAZARS & GUERARD

RSM SALUSTRO REYDEL

Michel ROSSE

Jean-Pierre CROUZET

Corporate governance

Board of Directors, Auditors (February 2004)

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 and Chief Executive Officer of TV Breizh SA
- Chairman of TF1 Publicité SAS
- Administrator of Bouygues SA
- Administrator of Colas 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 TF1 for Siccis SA
- 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)

Chief Executive Officer of Financière Pinault SCA

Member of the Supervisory Board of Pinault-Printemps-Redoute SA

Chairman of TF1 Audit Committee

Member of TF1 Compensation Committee

Co-opted July 12, 2000

- Joint Chief Executive Officer of Artemis Conseil SA
- Joint Chief Executive Officer of Delor SA
- Joint Chief Executive Officer of Kerstone SA
- Joint Chief Executive Officer of Garuda SA
- Joint Chief Executive Officer of E.P.S SA
- Joint Chief Executive Officer of Artemis Obligations SA
- Joint Chief Executive Officer of Simetra Obligations SA
- Joint Chief Executive Officer of Tennessee SA
- Joint Chief Executive Officer of Editions Tallandier SA
- Joint Chief Executive Officer of Tawa SA
- Member of the Supervisory Board of Chateau Latour (SC)
- Member of the Supervisory Board of Yves Saint Laurent SAS
- Member of the Supervisory Board of Yves Saint Laurent Parfums SA
- Administrator - Chief Executive Officer of Artemis SA
- Administrator - Chairman of Théâtre Marigny SA
- Administrator - Chairman of Finintel SA
- Administrator / Chairman and Chief Executive Officer of Piasa SA
- Administrator of FNAC SA
- Administrator of Air France SA
- Administrator of Arok International SA

- Administrator of Editions Tallandier SA
- Permanent representative of Artémis for Bouygues SA
- Permanent representative of Artémis for Sebdo le Point SA
- Permanent representative of Artémis for AGEFI SA
- Permanent representative of Artémis for Christie's France SA
- Permanent representative of Artémis for Aurora SA
- Permanent representative of Artémis for Tennessee SA
- Permanent representative of Artémis for Company News SA
- Permanent representative of Artémis for Tawa SA
- Permanent representative of Artémis Finance for Artemis Conseil SA
- Permanent representative of Artémis for Artémis 8 SAS
- Permanent representative of Artémis for Artis SAS
- Permanent representative of Artémis for Artémis Finance SNC
- Permanent representative of Artémis for Artémis Net SCS
- Permanent representative of Artémis for Haussmann Antin SAS
- Permanent representative of Artémis for Luba SAS
- Permanent representative of Artémis for Artémis 12 SAS
- Permanent representative of Artémis for Artémis America (USA)
- Board Member and Chairman of Christies International PLC (GB)
- Board Member of Gucci (Holland)
- Managing Director of Kerusa (USA)
- Director of NCLH (USA)
- Director of Tawa UK (GB)
- Director of Anlac (USA)
- Managing partner of Artémis 5 SARL
- Managing partner of Productions du 18 juin SARL
- Managing partner of Shamrock SARL
- Managing partner of Taranis SARL

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
- Administrator / Chairman and Chief Executive Officer of SCDM SA
- Administrator of Société de Distribution d'Eau de la Cote d'Ivoire (SODECI) SA
- Administrator of Compagnie Ivoirienne d'Electricité (CIE) SA
- Administrator of Crédit Commercial de France (CCF)
- Permanent representative of SCDM SA for Activy SA

Claude COHEN (June 24, 1941)

Chief Executive Officer of TF1 Publicité since March 1, 1987

Co-opted October 7, 1997

- Administrator of Eurosport SA

Corporate governance

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
- Permanent representative of Bouygues for Société d'Aménagement Urbain et Rural SA
- Administrator of Bouygues Immobilier 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 / Chairman of Infomobile SA
- Administrator of Société d'Aménagement Urbain et Rural 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 TF1 Cinéma SA
- Administrator of Siccis SA
- Administrator of LV & CO SA
- Administrator of Groupe Glem 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 TV B Nantes SA
- Permanent representative of Groupe Glem 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

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 Société d'Aménagement Urbain et Rural 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 Télécom SA
- Administrator of ETDE SA
- Administrator of C2S SA
- Administrator of Société Parisienne d'Etudes Informatiques et de Gestion SA
- Permanent representative of Bouygues for Infomobile SA

Haïm SABAN (October 15, 1944)

Chairman and Chief Executive Officer of Saban Capital Group (USA)

Appointed April 23, 2003

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



Statutory Auditors

Auditors

	DATE OF FIRST APPOINTMENT	EXPIRY DATE OF PRESENT APPOINTMENT
Cabinet RSM Salustro Reydel 8, avenue Delcassé - 75008 Paris	General Meeting of January 14, 1988	General Meeting approving the 2004 annual accounts
Cabinet Mazars & Guerard 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
8, avenue Delcassé - 75008 Paris

General Meeting
of January 14, 1988

General Meeting approving
the 2004 annual accounts

Thierry Colin
Cabinet Mazars & Guérard
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 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.

The General Meeting of April 23, 2002, renewed Alain POUYAT's mandate as administrator for two years. Jean-Pierre PERNAUT and Céline PETTON were elected as Employee Representatives in 2002.

Corporate governance

Corporate governance

In the interests of its shareholders, and wishing to respond to the demands of corporate governance, the TF1 Group added resources in 2003 to improve management transparency. The twelve administrators examined their corporate governance practices and particularly the way of working of the Board and reviewed the appropriateness of the way they are organised to their responsibilities.

The following measures have been taken in 2003:

- The adoption of the text of the Board's internal regulations imposing in particular new obligations and ethical rules on administrators (including ownership of 100 registered shares per administrator not representing employees and 10 registered shares per employee representative, declaration of any transaction involving TF1 shares, attendance at Board meetings and shareholders' meetings and disclosure of conflicts of interest),
- The setting up of an Audit Committee and an Administrators Selection Committee,
- The appointment of an independent administrator.

A Compensation Committee has existed since 1989.

Board of Directors

The TF1 Board of Directors is controlled by the group of investors who, in consideration of their majority in the share capital, determine the Group's corporate governance policy.

The Board of Directors currently comprises 12 administrators, of which, in accordance with Article 10 of the Articles of Association, two are representatives of employees elected by the employee electoral colleges, in compliance with Article 66 of Law n° 86-1067 dated September 30, 1986.

Three women are members of the Board, and one independent administrator, in the "Bouton" report sense, was appointed by the General Meeting of April 23, 2003.

Administrators and Chairman are elected for a two-year term of office. The age limit for acting as Chairman of the Board is fixed at 68 years old. The Board has imposed no special limitations on the Chairman's powers.

Each administrator has one vote. In the case of a tie, the Chairman of the meeting has a casting vote.

Administrators are required to inform the Chairman of the Board of Directors of any conflict of interest, even a potential one, and not to take part in any vote or decision that concerns them directly or indirectly.

The administrators and any other person invited to attend Board meetings are obliged to treat as strictly confidential any information provided to the Board.

According to the AMF recommendation n° 2002-01, each administrator must declare all transactions he/she undertakes with respect to TF1 shares, at the end of each half-year. This concerns any subscriptions, purchases or sales of TF1 shares (except for subscriptions made on the exercise of stock options) or securities giving access to the capital or forward financial instruments on its shares or forward transactions on its shares. The Chairman sends to the AMF, within the period specified by law, the information collected in aggregate and anonymous form.

Board meetings are held, in principle, every quarter, with the possibility of additional meetings for particular presentations or to review special subjects. TF1 Board of Directors met six times in 2003. The Audit Committee met three times and the Compensation Committee once: each of their reports has been examined by the administrators.

The role of the Board of Directors is to:

- Determine the group's direction and strategy,
- Determine significant operations, major investments and internal restructuring operations,
- Monitor their implementation,
- Inform shareholders and the market,
- Control and check what it considers appropriate,
- Settle the compensation of company officers.

Relevant information concerning the company and the Group is supplied to administrators, in particular strategic plans, business plans, reports showing the trends of business operations and sales, the financial situation, the cash position, company commitments, details of any events or developments likely to have a material impact on the consolidated results of the Group and also any significant events affecting human resources and staff numbers.

Each administrator can moreover request additional information, the Chief Executive Officer being available to the Board of Directors at all times in order to provide relevant explanations and details.



In 2003, the Directors' fees have been allocated as following:

- To each administrator: the annual theoretical amount is €15,250. Fees are allocated as to 50% for the responsibility taken as administrators and 50% for attendance at Board meetings.
- To Committee members:
 - Audit Committee: €2,000 per member per quarter
 - Compensation Committee: €1,200 per member per quarter
 - Administrators Selection Committee: €1,200 per member per quarter
- To the Chairman for his specific responsibilities: €6,000 per month

There are three specialised committees within the Board: the Audit Committee, the Compensation Committee and the Administrators Selection Committee. The Board determines the composition and powers of the committees, which carry out their activities under its responsibility. Members are appointed from among the administrators.

Those committees are made up of two or three administrators. Any person holding the post of Chairman, Chief Executive Officer or Joint Chief Executive Officer of TF1 is not allowed to be 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 reached by simple majority of their members and they report on their work at the next meeting of the Board of Directors.

The Audit Committee

The Audit Committee was created on February 24, 2003 and 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.

The Committee held three meetings in 2003 and one in the first quarter of 2004. The minutes of each meeting are presented to administrators.

Four meetings are planned per year/ during which the quarterly, half-yearly and annual accounts are examined before their presentation to the Board.

The Compensation Committee

The Compensation Committee was created in 1989 and since February 24, 2003 has comprised 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 once in 2003 and once in the first quarter of 2004. The minutes of each meeting are presented to administrators.

Corporate governance

The Administrators Selection Committee

The Administrators Selection Committee was created on February 24, 2003 and 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 the first quarter of 2004 and minutes have been sent to the administrators.

As from the 2004 General Meeting, the Chairman will communicate each year the report required by the Financial Security Law (Loi de Sécurité Financière) dated 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 2003 BOARD MEETINGS

Patrick LE LAY	100%
Martin BOUYGUES	83%
Claude COHEN	100%
Michel DERBESSE	67%
Patricia BARBIZET	67%
Philippe MONTAGNER	100%
Etienne MOUGEOTTE	100%
Olivier POUPART-LAFARGE	100%
Alain POUYAT	100%
Société Générale/Haim SABAN	33%
Céline PETTON	83%
Jean-Pierre PERNAUT	67%

Internal control report

Note: A printed version of the full report of the Chairman on the work of the Board of Directors and on the internal control procedures established by the company is available free on request from TF1's headquarters. This report is also available on the AMF website and on www.tf1finance.fr.

The company's internal control procedures are summarised below.

Internal control objectives

The company's internal control procedures are designed:

- firstly, to ensure that actions pertaining to the management or execution of operations and also staff behaviour both fall within the strategic framework for the group's business activities as determined by General Management, and within applicable laws and regulations and the company's own values, standards and rules.
- secondly, to verify that the accounting, financial and management information communicated to the General Management fairly reflects the company's position and its business activity.

One of the objectives of the internal control system is to anticipate and control business-related risks and the risk of error or fraud, especially in the accounting and financial fields. Like any control system, however, it cannot provide an absolute guarantee that these risks are totally eliminated.

General organisation of internal control operations

TF1 Group's internal control operations are based on:

- a general organisation founded on the combination of operational departments and functional departments, the latter's role being to control, appraise and advise the former. This involves:
 - Administration and Finance Department
 - General Secretary's Office and Legal Affairs Department
 - Human Relations Department
- specific and independent audit bodies:
 - Internal audit
 - Audit Committee
- the principles of delegating, authorising and segregating tasks. These principles are reflected in our procedures, approval channels and systems.

The organisation and role of the various bodies who contribute to the internal control operations are detailed below.



Administration and Finance

The Administration and Finance Department incorporates various central functions which have a dual appraisal and control function. This dual function is exercised directly in TF1 SA and in the sub-groups and subsidiaries. The finance function submits the policies and procedures for validation by General Management, implement them and ensure that they are applied throughout the group.

Management control

The group's Management Control Department has the following objectives:

- Masterminding the processes involved in planning and defining business objectives,
- Putting in place reporting, control and decision-making tools adapted to the various levels of responsibility and different types of activity,
- Analysing the differences between results achieved and objectives, determining the causes of those variances with operating departments and monitoring the implementation of corresponding corrective measures,
- Ensuring the accuracy of basic data and checking the consistency of data collected from financial information systems.

The management control system embraces TF1 Group's operational and legal organisation. The analytical framework is based on the codified division of the TF1 Group into cost and/or profit centres (delegated responsibility), which are themselves grouped together within commercial, technical or functional departments, programme units or subsidiaries and subsequently incorporated within uniform economic units such as sub-groups, functional or commercial departments, technical departments, the TF1 core channel and business divisions.

In the case of each entity, the system's effectiveness depends on the complementary relationship between:

- A single operating manager who works on a plan that he has carefully prepared and that has been validated by General Management. He directs and co-ordinates his entity's business activity and validates all commitments;
- A management controller (the level and associated teams depend on the size of the entity), who reports to the operating manager and who assists him in all phases of this process. The management controller monitors commitments and ensures the plan is adhered to, proposes any corrective measures and checks that they are implemented. He ensures that group procedures and standards are applied through a functional link with central departments.

Accounting

The Central Accounts and Tax Department has the following objectives:

- Checking the reliability of processes for the collecting and processing of the basic financial data,
- Guaranteeing that company and consolidated financial statements are prepared in accordance with the standards and regulations in force and the principle of consistent accounting policies, and that they give a true and fair picture of the company's position and business activity,
- Ensuring that financial information is available in a form and within a timeframe that enables readers to understand and make effective use of it,
- Defining and checking that financial security procedures are applied and comply, in particular, with the principle of separating authorisation and payment processes, and directly integrating these procedures into the systems.

The company's accounting activity is carried out by:

- The Central Accounts and Tax Department, which is responsible for:
 - Defining accounting policies and preparing the consolidated financial statements,
 - Controlling the accounts departments of the various group entities,
 - Defining the tax strategy and fulfilling an appraisal and advisory function on behalf of General Management and group entities,
 - Co-ordination with the Statutory Auditors and making available to them information useful in performing their work,
- The TF1 SA parent company's accounts department, which reports to the Central Accounts and Tax Department,
- The dedicated accounts teams in each subsidiary or group of subsidiaries, under the operational responsibility of the entities' finance directors or general secretaries, and under the functional responsibility of the Central Accounts and Tax Director.

Treasury and financing

Financing, investments, exchange rate risk and payment media security are managed centrally in TF1 Group within the Treasury and Financing Department where a specialist team of permanent staff receives ongoing training in the management of these operations.

Corporate governance

This organisation allows the TF1 Group to:

- Centralise and consolidate exchange rate and interest rate risks,
- Maintain a level of expertise capable of dealing with evolving and increasingly complex issues,
- Preserve the confidentiality of secure payment procedures,
- Delegate power to a limited number of employees who alone are authorised by General Management to deal with a restricted list of financial operations on behalf of all Group companies, pursuant to defined authorisation procedures and thresholds.

As part of their advisory and appraisal function, Treasury and Financing Department staff regularly participate in the work of the *Association Française des Trésoriers d'Entreprise* (French Company Treasurers Association) in order to keep up to date with best practice in financial security.

Financial communications

The Investor Relations Department distributes financial information concerning TF1 Group and its strategy both internally and outside the company. Financial information is distributed strictly in accordance with market operating regulations and the principle of equal treatment of investors. Investors, financial analysts, credit rating agencies, private shareholders and the market authorities are the department's main external contacts.

Human Relations Department

The Human Relations Department and the Human Resources managers of each entity ensure that the company complies with Labour Law provisions, essentially through continuous monitoring of regulations.

The Human Relations Department is responsible for organising relations with employee representative bodies.

General Secretary's Office – Legal Affairs Department

The General Secretary's Office and Legal Affairs Department are responsible for:

- Defining and monitoring the application of the group's contracting policy,
- Organising relations with the French and European regulatory authorities,
- Monitoring litigation issues and legal risks, including interfacing with the Administration and Finance Department to ensure that they are taken into account in the financial statements,
- Managing the group's different insurance policies.

Internal Audit

Until end-2003, TF1 had no dedicated internal audit structure. Instead, each year audit operations were conducted by:

- The Bouygues group's Internal Audit Department (operational and financial issues),
- External service providers (accounting, IT and legal issues).

The group has decided to set up its own internal audit department as from 2004. This department will be responsible for executing an audit plan validated by the Audit Committee.

Audit Committee

The Audit Committee consists of at least two directors, although no executive director or other employee of TF1 is eligible to sit on the committee. Its main task is to examine the company and consolidated accounts, before they are presented to the Board of Directors, to ensure the appropriateness and consistency of the accounting policies adopted and to verify the internal procedures for collecting and checking the information used in compiling these accounts.

The Audit Committee holds at least four meetings a year, during which the quarterly, half-yearly and annual accounts are examined before being approved by the Board of Directors. The accounts are submitted to the Audit Committee by the Executive Vice President Administration and Finance, assisted by the Central Accounts Director and the Management Control Director, in the presence of the Statutory Auditors.

Conclusion

The Group will continue to implement its internal control measures, using the key control features that are helping to control risks, and a formalised programme to verify that they function satisfactorily.

TF1 will adjust its internal control procedures regarding potential changes to regulations, which are subject to legal and regulatory surveillance designed to anticipate their impact on the company's welfare.



Statutory Auditors' report

Statutory Auditors' report on the report by the Chairman of the Board of Directors on internal control procedures

Financial year ended December 31, 2003

Dear Shareholders,

As Statutory Auditors of TF1 and in accordance with the provisions of the final paragraph of Article L.225-235 of the 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 Commercial Code, for the period ended December 31, 2003.

Under the responsibility of the Board of Directors, the company's management is mandated to set out and implement appropriate and effective internal control procedures. It is the Chairman's responsibility to report on the manner in which the work of the Board is prepared and organized and on the internal control procedures implemented in 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.

In accordance with auditing principles generally accepted in France, we have studied the objectives and general organization of internal controls, and the internal control procedures used for the preparation and treatment of the accounting and financial information presented in the Chairman's report. However, we did not assess the appropriateness and effectiveness of the internal control procedures used for the preparation and treatment of accounting and financial information.

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 Commercial Code.

Paris la-Défense and Paris, March 10, 2004

The Statutory Auditors

MAZARS & GUERARD

Michel ROSSE

RSM SALUSTRO REYDEL

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, after taking cognisance of the Board of Directors' report and the Statutory Auditors' report on the accounts of the company, approves them together with the financial statements for the year ended December 31, 2003, including the Balance Sheet, the Profit and Loss Account and the notes to the 2003 financial statements as submitted to them, as well as the operations reflected in these accounts and summarised in these reports.

The General Meeting approves the Directors' management of the Company.

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 business activities of the Group and the position for the year ended December 31, 2003, approves them together with the consolidated financial statements for 2003 including 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 Law)

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 Article L. 225-38 of the French Commercial Law, approves the agreements and the operations contained therein.

Fourth resolution

(Allocation 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 €168,558,038.24,

being the 2003 year net profit of €101,673,965.66 and €66,884,072.58 in retained earnings from the previous year, approves the following allocation and distribution of the profits proposed by the Board of Directors:

- Allocation to Legal Reserve €22,072.00
(amounting to 10% of the Capital)
- Distribution of a dividend of €139,850,196.85
(i.e. a net dividend of €0.65 per
€0.2 nominal share together with a tax credit¹)
- Leaving a balance to be carried forward of €28,685,769.39

Dividends will be payable on April 30, 2004.

In compliance with the provisions of Article L. 225-210 of the French Commercial Law, the General Meeting authorises the inclusion, in Retained Earnings, of the amount of dividends relative to the TF1 shares, which TF1 holds as treasury stock.

The General Meeting notes that the net dividends distributed for financial years 2000, 2001 and 2002 were respectively €0.65, €0.65 and €0.65 per share with a nominal value of €0.2; the corresponding tax credits were €0.325, €0.325 and €0.325 on the basis of a 50% tax credit.

Fifth resolution

(Presentation of the stock warrant or stock option plans)

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 stock warrant or stock options plans in 2003 notes the information contained in this report.

Sixth resolution

(Presentation of the report on the work of the Board of Directors and on internal control procedures)

The General Meeting, acting in compliance with the quorum and majority rules required for ordinary general meetings, having heard the special report of the Chairman about the preparation and organisation of the work of the Board of Directors and the internal control procedures implemented by the company and having noted the Statutory Auditors' special report on that part of the Chairman's report devoted to internal control procedures relating to the preparation and processing of accounting and financial information, takes note of the information mentioned in these reports.

¹ The dividend to be distributed for the year under review gives the right to a maximum tax credit of 50% of the amount distributed, this is to say €0.325 per share, according to the fiscal situation of the recipient.



Seventh 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 for a further two years the term of office of Alain Pouyat, which expires at the end of this Meeting.

His term of office shall end at the end of the General Meeting convened to consider the accounts for 2005.

Eighth resolution

(Noting of the election of Directors representing employees)

The General Meeting, acting in compliance with the quorum and majority rules required for ordinary general meetings, after having taken cognisance of the names of the Directors representing employees elected by the electoral colleges on March 16, 2004 and communicated by the Chairman of the Board prior to the reading of this resolution, notes their election and their designation as Directors representing employees.

The terms of office of the Directors representing employees shall be two years and shall end at the time of the next announcement of the results of the election for the Directors representing employees, in accordance with Article 10 of the Articles of Association.

Ninth resolution

(Purchase of own shares)

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 having taken cognisance of the information note approved by the AMF (French stock exchange authority), authorises the Board of Directors, in compliance with the provisions of Article L 225-209 of the French Commercial Law, 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.

The General Meeting decides that such purchases can be for all purposes and in particular:

- To allocate or transfer shares to employees in connection with employee profit sharing schemes, employee shareholding plans or employee savings plans, or purchase options granted to employees and management of the Group,
- or to retain them,
- or to stabilise the share price through systematic intervention against the market trend for the stock,

- or to purchase or sell according to the market situation,
- or to cancel the shares, subject to a specific authorisation of the Extraordinary General Meeting,
- or to use them in share exchanges or payment, particularly in the context of financial operations,
- or in the context of financial and asset management,
- or to deliver shares at the time of share issues giving access to the capital.

The General Meeting decides that the purchase, sale or transfer of shares may take any form, in particular by sale of blocks of shares or the use of derivatives on the stock exchange or over the counter, or a share swap in the context of financial operations, and may take place at any time, except at the time of a public exchange offer, in compliance with regulations in force. A part of the share purchase plan may be carried out by way of negotiation in respect of a block of shares.

The General Meeting decides to set at €60 the maximum unit price of purchase and at €10 the minimum unit price of sale. Those prices are set subject to adjustments to reflect any potential operations involving TF1's capital.

The General Meeting, in compliance with Article 179-1 of the decree of March 23, 1967 on commercial companies, on the basis of the existing number of shares composing the capital (215,154,149) and taking into account the fact that the company owns 1,275,387 of its own shares for stock option plans and employee savings plans, fixes at 20,240,027 [(215,154,149 x 10%) €1,275,387] the maximum number of shares that may be purchased in compliance with this authorisation, representing a maximum of €1,214,401,620 at a purchase price of €60 per share.

This authorisation is valid until the next General Meeting, convened to consider the accounts for 2004.

As required by law, the Board of Directors, in its report to the Annual General Meeting, will provide all the information relative to any such purchases, transfers, sales or cancellation of shares.

As a result, full powers are granted to the Board of Directors, with the power to sub-delegate, to place all orders on the stock exchange, sign all agreements necessary for the registration of share purchases and sales, make all declarations to the AMF (French stock exchange authority) and all other authorities, execute all other formalities and, in general, take all necessary actions.

Resolutions

Tenth resolution

(Issue of one or more debenture loans)

The General Meeting, acting in compliance with the quorum and majority rules required for ordinary general meetings, after having heard the Board of Directors' report, authorises the Board of Directors to create and issue in France and/or abroad, on one or more occasions and on the basis of its deliberations alone, bonds, whether subordinated or not, with a limited or unlimited duration, or bond warrants, denominated in Euros or foreign currencies or in any other monetary unit established by reference to several currencies. The debentures may be accompanied by scrip certificates for debentures of a similar type, up to a nominal amount of one billion two hundred thousands Euros (€1,200,000,000) or an equivalent amount in any other currency, with or without a guarantee, and in the proportions, forms and at periods, interest rates and issue conditions and under amortisation conditions which it considers suitable, it being stated that this maximum nominal amount shall apply to all bonds, whether issued directly or following the exercise of warrants.

The General Meeting grants full powers to the Board of Directors to issue the said debenture bond(s) and states that it shall be free to determine the characteristics of the bonds or warrants. In particular, they may have a variable interest rate and a fixed or variable redemption premium above par, with the said premium added to the maximum amount of one billion two hundred thousands Euros (€1,200,000,000) mentioned above.

The Board of Directors may, within the scope of this resolution and pursuant to the law, delegate the powers granted to it under this authorisation.

The Board of Directors may also take any measures and complete any formalities made necessary by the issue or issues referred to herein.

This authorisation, which is given for a period of 26 months, replaces with effect from today the authorisation given to the Board of Directors by the ninth resolution of the Ordinary General Meeting of shareholders of April 23, 2002.

Extraordinary part (Matters submitted for approval)

- Reading of the Directors' report and the Statutory Auditors' reports.
- Authorisation to be given to the Board of Directors to reduce the share capital through the company cancelling treasury shares held.
- Authorisation to be given to the Board of Directors to issue securities providing access to the capital, with preferential subscription rights.
- Authorisation to be given to the Board of Directors to issue securities providing access to the capital, with cancellation of preferential subscription rights.
- Authorisation to be given to the Board of Directors to increase the share capital at the time of a public exchange offer initiated by the company.
- Overall limit on the above mentioned authorisations.
- Authorisation to be granted to the Board of Directors to increase the share capital through share issues, with subscription reserved to employees of TF1 or of companies in the TF1 Group who have joined an employee saving plan (PEE) or an employee voluntary partnership plan for retirement (PPESVR), with cancellation of preferential subscription rights.
- Authorisation to be granted to the Board of Directors to increase the share capital through issues of any security providing access to the capital, excluding cash shares, and if need be free allocation of shares or other securities providing access to the capital, with subscription reserved to employees of TF1 or of companies in the TF1 Group who have joined an employee saving plan (PEE) or an employee voluntary partnership plan for retirement (PPESVR), with cancellation of preferential subscription rights.
- Compliance of the company's Articles of Association with Law No. 2003-706 of August 1, 2003, on financial security.
- Powers for registration and formalities.

Information concerning TF1 SA

General information

Name:	TELEVISION FRANCAISE 1 – TF1
Registered office:	1, quai du Point-du-Jour 92656 Boulogne-Billancourt Cedex
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

Information concerning TF1 SA

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.

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 n°2 and n°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 n°2 and n°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.

Amount

On February 23, 2004, the capital of TF1 amounted to €43,030,829.80, divided into 215,154,149 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 20, 2004 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 of securities 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 INCREASE ¹	MAXIMUM NOMINAL AMOUNT OF ¹ BOND ISSUES	DURATION	REMAINING DURATION ²	GENERAL MEETING	RESOLUTION
Bond debentures	–	€1,200 M	26 months	26 months	CGM 20.04.2004	10
Issues of shares and securities (including equity warrants), with PSR ³	€120 M	€1,200 M	26 months	26 months	CGM 20.04.2004	12
Issues of shares and securities (including equity warrants), without PSR ³	€120 M	€1,200 M	26 months	26 months	CGM 20.04.2004	13
Issues of shares and securities, paying for shares contributed in a public exchange offer	€120 M	€1,200 M	26 months	26 months	CGM 20.04.2004	14
Issues of shares for stock options plans without PSR ³	(4)	–	38 months	14 months	CGM 23.04.2002	15
Shares and securities of all kinds and – if determined - the allocation of bonus shares giving access to capital reserved for employees subscribing to a Company Savings Plan (PEE or PPESVR), without PSR. ³	(5)	–	5 years	5 years	CGM 20.04.2004	16 and 17
Purchase of shares for employees subscribing to the Company Savings Plan	–	–	–	unlimited	OGM 12.06.1992	11
Programme to purchase own shares	(4)	–	1 year	1 year	CGM 20.04.2004	9
Capital reduction through share cancellation	(4)	–	18 months	18 months	CGM 20.04.2004	11

1 It is specified that (16th resolution - Combined General Meeting of April 20, 2004):

- the total nominal amount of the various authorised increases in capital must not exceed €120 million.
- the total nominal amount of bond issues must not exceed €1,200 million.

2 With effect from the Combined General Meeting of April 20, 2004.

3 PSR: Preferential Subscription Right.

4 Within a maximum limit of 10% of share capital.

5 Within a maximum limit of 5% 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 million
- **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 12 November 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.

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.

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 n° 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 provisions of Article 82 of Law of September 30, 1986, this authorisation could be automatically extended to 2012, by reason of the simultaneous broadcasting ("simulcast") of the channel's programmes by digital terrestrial transmission (DTT).

The CSA has provided TF1 with a draft amendment to the licence incorporating the provisions relating to the broadcasting of programmes on digital terrestrial television.

Main legal provisions and obligations

Texts:

- Contract conditions set forth by Decree n° 87-43 of January 30, 1987 and the Decision regarding licensing use of frequencies of November 20, 2001, given to Télévision Française 1, until January 1, 2007;
- Law n° 86-1067 of September 30, 1986 as amended by Law n° 94-88 of February 1, 1994, and by Law n° 2000-719 of August 1, 2000;
- Directive Européenne Télévision Transfrontières du 3 octobre 1989 modifiée;
- 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 n° 90-66 of January 17, 1990, as amended by Decree n° 92-279 of March 27, 1992 and by Decree n° 2001-1330 of December 28, 2001 (broadcasting obligations);
- Decree n° 92-280 of March 27, 1992, as amended by Decree n° 2001-1331 of December 28, 2001 and by Decree n° 2003-960 of October 7, 2003 (obligations relating to advertising and sponsorship).

Decree n° 2003-960 of October 8, 2003 has amended Article 8 of Decree n° 92-280 of March 27, 1992 related to sectors banned from television advertising. The legal provisions of this Decree, which will be partly applicable from January 1, 2004, will see the opening of the following markets:

- Book publishing: 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 will soon clarify its position concerning this text.



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.

Applications for digital terrestrial television services

On July 24, 2001, the CSA (French media authority) invited tenders for national digital terrestrial television services.

On October 23, 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.

Market and stock yield

1 Dividends and yield

At December 31, 2003, the group's share capital totalled €43,030,830, based on a nominal value per share of €0.20 (see paragraph 5 of the Directors' Report in the Financial Report).

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

YEAR	DIVIDEND PAID ¹ (€)			SHARE PRICE ¹ (€)			YIELD CLOSING PRICE)
	NET	TAX CREDIT	TOTAL	HIGH	LOW	CLOSE	
1997	0.24	0.120	0.360	9.4	7.4	9.4	3.9%
1998	0.34	0.170	0.510	17.1	9.4	15.2	3.3%
1999	0.46	0.230	0.690	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 ²	0.325 ³	0.975	29.8	18.6	27.7	3.5%

1 Adjusted for 10 for 1 split.

2 Submitted for approval at the General Meeting.

3 Based on a 50% tax credit.

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, 2003, TF1's market capitalisation totalled €5.96 billion.

At December 31, 2003, the TF1 stock was included in the following stock market indices: CAC 40, ITCAC, SBF 120 and FTSE

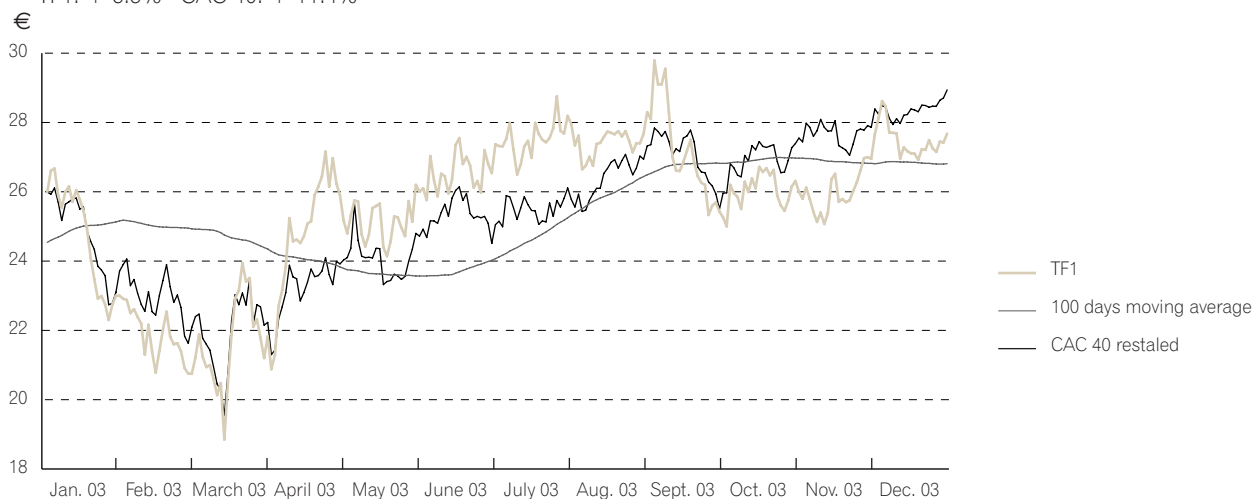
Eurotop 300. The TF1 stock is also included in the following sustainable development indices: DJSI STOXX, FTSE4Good Europe and ASPI Eurozone.

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.

TF1 share price/CAC 40 Index

CHANGE FROM JANUARY 2, 2003 TO DECEMBER 31, 2003

TF1: + 6.5% CAC 40: + 11.4%



2 Share price performance and volumes

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
2001	January	63.8	50.0	55.0	14,424,459	11,615.1
	February	54.5	43.3	47.0	20,792,841	9,919.3
	March	50.0	35.6	38.9	22,958,240	8,204.5
	April	48.9	35.8	47.3	14,054,795	9,989.0
	May	48.5	38.2	38.5	21,912,299	8,130.6
	June	41.9	32.2	34.5	17,865,710	7,277.4
	July	39.2	31.2	38.6	16,573,817	8,141.1
	August	39.8	31.5	32.0	15,756,226	6,755.7
	September	32.0	20.2	21.0	25,599,967	4,434.8
	October	28.7	18.5	25.0	28,266,619	5,271.1
	November	35.1	24.6	27.1	26,809,491	5,727.3
	December	31.2	26.2	28.4	14,112,735	6,018.6
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	5,959.8

Source: Euronext Paris SA

1 Highs and lows are those recorded at stock market sessions.

2 Traded 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.

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 24, 2004

Patrick LE LAY
Chairman and Chief Executive Officer

Statutory Auditors

Financial year ended December 31, 2003

As Statutory Auditors of TF1 and as required by COB regulation 98-01, we have examined the information on the financial position and the historical accounts in this registration document, in accordance with the auditing standards generally accepted in France.

This registration document is the responsibility of the Chairman of the Board of Directors of TF1. Our responsibility 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 auditing 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 that came to our attention, based on our broad knowledge of the company acquired during our audit.

We also audited the statutory financial statements and the consolidated financial statements for the periods ended December 31, 2002 and 2001, as approved by the Board of Directors, in accordance with auditing standards generally accepted in France. No observations or qualifications were made in our reports on these financial statements.

We have audited the statutory financial statements and the consolidated financial statements for the period ended December 31, 2003, 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.

Without calling into question the opinion above, we have drawn your attention to the change in accounting method for long-service leave, mentioned in the notes to the financial statements for the period ended December 31, 2003.

In addition, in conformity with the provisions of Article L.225-235 of the French Commercial Code, applicable for the first time in 2003, which require that we substantiate our assessments in our reports on the statutory financial statements and the consolidated financial statements for the period ended December 31, 2003, we have drawn to your attention the following:

- the estimates made to determine the provision for amortization of co-production rights and broadcasting rights in the statutory and consolidated financial statements, for which we ensured that the broadcasting forecasts were reliable;
- the estimates made to determine the present value of the main intangible assets and goodwill in the consolidated financial statements, for which we ensured that the Group approach adopted, the assumptions made and the resulting valuations were reasonable;
- the estimates made to determine the useful value of the investments in the statutory financial statements, for which we ensured that the approach adopted by the company, the assumptions made and the resulting valuations were reasonable.

These assessments were an integral part of our work and enabled us to issue our opinion on the financial statements as a whole.

Concerning forecasts of specific items, estimated using a structured method, this review took into account the assumptions, with associated figures, made by management.

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 24, 2004

The Statutory Auditors

MAZARS & GUERARD
Michel ROSSE

RSM SALUSTRO REYDEL
Jean-Pierre CROUZET

Information and investor relations

Jean-Pierre MOREL

Deputy General Manager and Chief Financial Officer

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Legal documents can be consulted at:
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FRANCE

You can also receive information on the TF1 Group:

By mail:

TF1

Investor Relations Department
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FRANCE

By Internet:

<http://www.tf1finance.com>

E-Mail: comfi@tf1.fr

Investor relations timetable:

January 29, 2004	2003 Q4 turnover
February 24, 2004	Annual accounts 2003
February 24, 2004	Analyst meeting
April 20, 2004	Annual shareholders' meeting
April 29, 2004	2004 Q1 turnover
June 8, 2004	2004 Q1 accounts
July 29, 2004	2004 H1 turnover
August 31, 2004	2004 H1 accounts
September 1, 2004	Analyst meeting
October 27, 2004	2004 Q3 turnover
November 30, 2004	2004 Q3 accounts

This timetable may change.

Fees of group statutory auditors

(Fully consolidated companies)

(in €K)	SALUSTRO REYDEL		MAZARS & GUERARD	
	AMOUNT	%	AMOUNT	%
Audit: statutory audit, certification and consolidated accounts examination	691	72.1%	97	68.8%
Audit: other assignments	157	16.4%	29	20.6%
Other	110	11.5%	15	10.6%
Total	958	100.0%	141	100.0%



The French version of the Annual report was filed by the "Autorité des Marchés Financiers" (AMF - French stock exchange commission) on March 25, 2004, in accordance with the regulation COB n°98-01. This document may not be used to support a financial operation unless it is accompanied by an operation note certified by the AMF.