



**Interim Report
First Quarter 2004**



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Consolidated key figures

	Q1 2004	Q1 2003	2003
Turnover ¹	702.0	679.1	2,768.7
<i>TF1 core channel advertising revenue</i>	425.1	400.7	1,543.7
<i>Diversification and other revenue¹</i>	276.9	278.4	1,225.0
EBITDA ²	158.9	138.9	495.5
EBIT	131.5	104.3	333.9
Net profit attributable to the Group	69.9	59.6	191.5
Shareholders' funds	936.7	729.0	866.2
Net financial debt	434.8	414.8	443.2
Earnings per share (€)	0.33	0.28	0.90
Diluted earnings per share (€)	0.32	0.28	0.89

	Q1 2004	Q1 2003	2003
Average number of outstanding shares (in thousands)	213,915	212,839	213,281
Closing share price (end of period) (€)	25.84	20.88	27.68
Average market capitalisation (€ billion)	5.53	4.44	5.90

¹ Impacted by changes in accounting presentation linked to the transition to IFRS standards, see paragraph 2 of the notes to the consolidated financial statements

² EBITDA : EBIT + Depreciation, amortisation and provisions

Key events

Broadcasting

February

The interview with **Alain Juppé** during the **8 o'clock news** on February 3 attracted 12.1 million viewers, i.e., a 46.4% audience share³.

Viewer success on February 17 for the 5th showing of **les Bronzés font du ski**, which attracted over 10.8 million viewers, i.e., a 41.9% audience share³.

April

On April 10, the first show of **La Ferme Célébrités** attracted 8.5 million prime time viewers, that is a 45.7% audience share³.

An audience success on April 13 for the film **Monsieur Batignole** by Gérard Jugnot, with 12.3 million viewers and a 51.7% audience share³.

May

The final of the **Champions League** between Porto and **Monaco** on May 26 attracted 11 million viewers, that is a 44.0% audience share³.

TPS and digital distribution

February

Launch of **D-Free** at the end of February. **D-Free** is a digital terrestrial television multiplex distributing four channels on the Italian territory and covering 51% of the Italian population.

March

On March 15, **TPS** won the bid for the exclusive rights to the English Football League and will broadcast the whole of the English **Premier League** championship for three seasons, starting August 2004.

After Lyon in December 2003, on March 29 TPS launched its digital television service over telephone lines, « **TPSL Prestige** », in **Paris** and the **Paris region**.

Thematic channels

January

LCI, which was already available in the overseas departments and territories as well as in Australia, has increased its foreign distribution thanks to two new agreements with **Africa** and **Sweden**. That gives it a presence in 50 other countries.

February

TF1 Group completed its acquisition of a stake in both Prima TV (49%) and Europa TV (29% with an option to increase its stake up to 49%), the two Italian terrestrial networks.

On February 6, **Sportitalia (Europa TV)**, an unscrambled sports channel with a potential coverage of 81% of the Italian population, was launched in Italy.

March

By co-producing **La Vie comme elle va** directed by Henri-Jean Meunier, which was released on March 3, **Odyssée** became the first thematic channel to co-produce a feature film.

On March 9, TF1 raised its stake in **TV Breizh** to 67%.

On March 25, **Eurosport** launched its **i-mode** site, dedicated to sports news, on the Bouygues Telecom portal.

³ Source: Médiamétrie – individuals aged 4 years and over.

Production / Audiovisual rights

January

TF1 increased its stake in **Groupe Glem** to 97.8%

February

Release of two TF1 Films Production co-productions: **Podium** directed by Yann Moix and **Blueberry: L'expérience secrète**, with Vincent Cassel, directed by Jan Kounen.

March

March 24 release of **Immortel (ad vitam)**, adapted from the comic *La Femme Piège* by Enki Bilal and directed by the author: produced by Téléma and co-produced by TF1 Films Production.

March 31 release of **Agents Secrets** by Frédéric Schoendoerffer with Monica Bellucci and Vincent Cassel: co-produced by TF1 Films Production and distributed by TFM Distribution.

Review of operations

Boulogne, June 8, 2004

In first quarter 2004, TF1 Group operating revenue increased 3.4%. On a comparable accounting presentation (before any changes linked to the transition to IFRS standards⁴), TF1 Group operating revenue would have increased by 6.1%.

In first quarter 2004, the TF1 channel recorded growth of 6.1% in its net advertising revenue to reach €425.1m. In a volatile market with low visibility, the Food, Cosmetics, and Telecommunications sectors substantially increased their investments on TF1. The Press sector, which was previously prohibited from advertising on television, has had access to this medium since January 2004. It contributed to TF1's advertising revenue growth during the first quarter (2.1% of gross revenue⁵, for a market share⁵ of over 60% in this sector).

For the first three months of the year, the TF1 channel's audience share increased 0.8 points to 35.5%⁶ for women aged under 50, and 0.5 points to 32.2%⁶ for individuals aged 4 years and over.

The advertising revenue of diversification activities (thematic channels and Internet) increased 12.5%, thanks notably to the dynamism of the investments on LCI and Eurosport.

The slight fall of 0.5% in operating revenue from diversification activities is mainly the result of changes in the accounting presentation because of the transition to IFRS standards. On a comparable accounting presentation, operating revenue from diversifications would have increased by 6.1%.

This increase is the result of TF1 Group's subsidiaries good performances :

- TPS's operating revenues were up 6.6% thanks to a regular expansion of its subscriber base,
- Eurosport (+ 5.8%) benefited from the growth in paying subscribers and an improvement in the pan-European advertising market (in particular in Germany) as well as the national markets (especially in France);
- Téléshopping (+ 29.0% before changes in accounting presentation) recorded strong sales growth regardless of the medium: TV programme, catalogue and Internet ;
- TF1 Interactif took advantage of the popular craze for the game show *À prendre ou à laisser*.

Group operating income amounted to €131.5m, generating a margin of 18.7% (an improvement of 3.3 points) relative to operating revenue. TF1 Group profitability improved both for the TF1 channel (an operating margin of 26.8%, an increase of 1.8 points) and for diversification activities (5.9%, an increase of 4.8 points).

Goodwill amortisation increased from €(1.9)m in first quarter 2003 to €(12.6)m in first quarter 2004, as a consequence of the TF1 acquisition of additional shares in the capital of TV Breizh and Groupe Glem, whose goodwill was fully depreciated in the first quarter 2004.

The financial result was €(5.3)m, primarily as a result of interest linked to the Group's net debt, which amounted to €434.8m.

Net profit attributable to the Group increased 17.3% to €69.9m, i.e., a net margin on operating revenue of 10.0%.

At March 31, 2004, shareholders' funds totalled €936.7m on a balance sheet total of €3,202.0m. Consolidated net debt stood at €434.8m, or 46.4% of shareholders' funds.

Outlook

On March 29, TPS, in partnership with France Télécom, launched its offering of television over the telephone lines, TPS L, in Paris and the suburbs, following the launch in Lyon in December 2003. This new means of distributing audiovisual content allowed TPS to reach households that were not technically able to receive its satellite offering.

In view of the advertising environment and the good audiences enjoyed by the TF1 channel, the net advertising revenue for first half 2004 should grow 5% to 6%.

⁴ See paragraph 2 in the notes to the consolidated financial statements

⁵ Source Secodip

⁶ Source Médiamétrie

The Combined Annual General Meeting of April 20, 2004 approved the distribution of a dividend of €0.65 per share as of April 30, 2004, together with a tax credit of €0.33 (based on a 50% tax credit). It adopted all the resolutions that were proposed by the Board of Directors.

A.) Broadcasting (source: Médiamétrie)

In the first four months of 2004, television consumption reached a new record with 3 hours 36 minutes on average per day for individuals aged 4 years and over, i.e., an increase of three minutes compared to the first four months of 2003.

For the first four months of the year, the TF1 channel's audience share reached 35.7% for women under 50 (that is, growth of 1.5 points compared to the same period 2003) and 32.3% for individuals aged 4 years and over (+ 0.9 points). TF1's growth here came mainly at the expense of the France Télévisions' channels.

TF1 also strengthened its leadership position by obtaining 48 of the 50 best audiences at the beginning of the year. This ranking includes 11 programmes exceeding 10 million viewers (vs. 7 in the first four months of 2003).

Among the channel's hits during the second quarter and the summer of 2004 were and will be : the *Euro 2004* (8 matches), the final of *La Ferme Célébrités*, the return of *Koh-Lanta (survivor)* and *l'Île de la tentation (temptation island)*, the continuation of *Greg le millionnaire (Joe Millionaire)*, and the summer saga: *Zodiaque* (with Claire Keim and Francis Huster).

B.) Advertising (source: Secodip)

For the period January-April 2004, TF1's gross advertising revenue increased 5.5%, with a 0.2 point market share increase to 53.7%.

Among the growth sectors during the period were:

- ⇒ the "business" sectors: Food, up by 11.7%, the leading investor on TF1 with a market share of 57.3%; Cosmetics, up 6.7% thanks to growth of the average budget by product (+ 3.0%); Automotive, up by 3.5% (after a hesitant first quarter 2004 (- 1.9%) sector investment grew 20% in April), with a 92.9% advertiser presence.
- ⇒ the sectors constituting "sources of growth": Telecommunications, up 41.7% (major investments by Internet access providers); Culture & Leisure, up 28.2%, with a market share increasing 7.2 points to 54,3%.

Over the four first months of the year, three sectors declined:

- ⇒ Housecleaning (- 17.9%), though the TF1 market share was still high (57.4%) with a 100% advertiser presence;
- ⇒ Publishing (- 17.4%), mainly penalised by the falling investment in music publishing (- 41.9%), which in turn was linked to the steep drop in CD sales (- 30% revenue in the first quarter 2004 for the music industry);
- ⇒ Financial Services (- 3.5%), though the average budget per product increased by 10.0% over January-April 2003.

Since January 1, 2004, the press sector has been allowed to invest in analogue television channels. This advertising market liberalisation was mainly to the advantage of TF1:

- €18.0m were invested at end April 2004 on TF1, i.e., 2.0% of the channel's gross revenue,
- a high market share of 56.9%,
- 71% of press advertisers on TV chose TF1 to communicate.

The complementary nature of national clear-to-air TV and the thematic channels is strengthening: at the end of March 2004, 73% of advertisers on national television also communicated via the thematic channels (vs. 66% in first quarter 2003).

In first quarter 2004, the cable and satellite offering represented close to 8% of the gross revenues of the TV market, up 47% over first quarter 2003.

Retail, Press and Book Publishing were new arrivals on the thematic channels and represented 2% of gross advertising revenue.

C.) The TF1 Group

In first quarter 2004, the operating revenue generated by TF1 Group's diversification activities fell slightly (- 0.5%) to €276.9m. On a comparable accounting presentation, operating revenue from diversifications would have increased by 6.1%. Diversification activities improved their profitability, in particular thanks to stringent budget controls.

N.B.: the activity of the TF1 subsidiaries is analysed below on the basis of their contribution to consolidated financial figures

I) Publishing – Distribution

In first quarter 2004, Publishing-Distribution operating revenue was down 32.1% to €57.4m. This decline was due to accounting reasons:

- since July 1, 2003, the TF1 Interactif activity, which was previously integrated in TF1 Entreprises, has been accounted for in the Internet division within the e-TF1 legal structure. In first quarter 2004, TF1 Entreprises therefore suffered from an unfavourable comparison (the TF1 Interactif activity at first quarter 2003 was €6.6m);
- to harmonise the presentation of the operating revenue accounts with IFRS, TF1 has undertaken the following changes in presentation:
 - provisions for returns of merchandise are no longer accounted for through a risk accrual but rather through a credit to be issued, which decreases the revenue and relating expenses. This concerns primarily TF1 Entreprises, TF1 Vidéo and Télésopping).
 - the pay-backs on certain distribution contracts are deducted from revenue such that only the economic advantage to TF1 (commission) appears as income. This change in accounting presentation primarily concerns TF1 Entreprises and TF1 Vidéo.

NB: these two changes have a negative impact of €18.4m on Q1 2004 consolidated operating revenue. They only concern the presentation of income and expense and do not impact operating income.

TF1 Vidéo (incl. RCV and CIC), as a result, saw its contribution to operating revenue fall by 37.1% to €29.0m. Before changes in accounting presentation, the decrease would have reached 3.1%. Kiosk activity increased 75% thanks to the 2004 new titles. Rental activity decreased 60% due to the discontinuation of the distribution contract for the Buena Vista Home Entertainment catalogue (on December 31, 2003).

TF1 Vidéo operating income amounted to €2.9m, vs. €2.4m at first quarter 2003.

TF1 Entreprises recorded an operating revenue decline of 70.7% to €5.4m. Before changes in accounting presentation, the decrease would have reached 60.0%. Other than the accounting impact, this drop is also due to the integration of TF1 Interactif through E-TF1 and to the decline of TF1 Musique (deterioration of the CD market and weaker performance of the Star Academy 3 products vs. Star Academy 2). Its operating income amounted to €1.1m (vs. €3.4m at Q1 2003).

With surging business in the first quarter, **Télésopping** improved its contribution to operating revenue by 24.9% to €22.6m (increase of 29.0% to €23.4m before changes in accounting presentation). All sales channels (TV programme, catalogue and Internet) recorded revenue growth. Operating income for the subsidiary tripled to reach €3.4m.

The Publishing-Distribution division contributed €7.4m to consolidated operating income (+ 5.7%) and €5.0m (+ 4.2%) to consolidated net profit. Operating and net profitability for the division are up 4.6 points and 3.0 points, respectively, to 12.9% and 8.7%. This is largely thanks to Télésopping, which substantially increased volumes and lowered sub-contracting costs.

II) Internet – Interactive division

At first quarter 2004, e-TF1 benefited from the integration of TF1 Interactif. As a result, the e-TF1 contribution to consolidated operating revenue amounted to €16.3m for the first quarter 2004 (vs. €3.5m in Q1 2003). The subsidiary's growth was also fuelled by growing advertising revenues and content sales. With two million individual visitors in March 2004, TF1.fr hit a new record and confirmed its position as the leading media site in France.

e-TF1 operating income and net profit were positive for the first time, at €2.0m as of March 31, 2004 ((vs. €(1.2)m in Q1 2003).

III) Thematic channels

With regard to the thematic channels, the results of the sixth phase of Mediacabsat, measuring the audience performance of the cable and satellite channels, underpinned the strategy of TF1 Group, which placed four of its thematic channels (Eurosport, LCI, TF6 and TV Breizh) in the sector's top ten.

These results also confirmed that, with a 26.1% audience share (+ 0.1 points vs. the previous phase), TF1 continues to be the reference in the offering segmentation.

➤ Eurosport

Eurosport is present in 54 countries and has been broadcast in 19 languages since the launch of the Bulgarian version in March. At March 31, 2004, Eurosport reached 98 million households, of which 49.3 million are paying subscribers in Europe (+ 5.1% compared to March 2003). Eurosportnews is broadcast in six languages in over 70 countries and reaches 17.6 million households.

In the first quarter, the Eurosport channel's average audience increased 30%, compared to the first quarter of the previous year, to reach 759,000 viewers per median 1/4 hour. Some 25 million different viewers watched Eurosport each day during the period.

In addition, the Sportitalia channel was launched on February 6, 2004. It is broadcast unscrambled on the Italian clear-to-air analogue network, Europa TV, and reaches 22% of Italian viewers after only two months' existence. Its ultimate audience potential is 46.7 million viewers, i.e., 81% of the Italian population.

The contribution to end March 2004 operating income was up 5.8% to €67.3m. This was thanks to the combined effect of increased revenue from cable and satellite (growing penetration of pay subscriber households) and increased advertising revenue (improved pan-European advertising market and broadcasting of more live sports events).

Operating income has almost doubled in one year, enabling Eurosport to show a 16.3% operating margin this quarter (vs. 9.0% at first quarter 2003). This improvement is linked to the double effect of the re-negotiation of sports broadcasting rights and savings on other operating charges.

Eurosport's contribution to Group net profit end March 2004 was €3.7m, significantly higher than the first quarter 2003 (€0.6m).

➤ Thematic division

Operating revenue is up by 12.2% to €12.9m primarily as a result of the change in scope following the full consolidation of TV Breizh (consolidated under the equity method at first quarter 2003). The other thematic channels showed varying performances during the quarter:

- The TF6 contribution to Group operating revenue increased 14.3%, thanks both to cable and satellite revenue and advertising revenues (around 50% of total revenues);
- Série Club operating revenue expanded 33.3%, with advertising revenue representing 38% of the total (vs. 30% in first quarter 2003);
- LCI operating revenue declined slightly by 1.1%. The increase in advertising revenue could not fully make up for the negative impact of the fall in subscription fees paid by CanalSatellite;
- Odyssee's operating revenue was practically stable at €0.7m.

The thematic division's operating income was €(4.8)m (vs. €(2.6)m in 2003). It was negatively affected by the 100% consolidation of TV Breizh, which recorded an operating loss of €(1.9)m. Operating expenses (costs of the programming grid and operating costs) increased for TV Breizh because of a new, more general-interest orientation of the programming grid (increase in purchasing for feature films and series...). The remaining operating loss came from LCI, which was penalised by the fall in subscription revenues paid by CanalSatellite.

IV) Production and broadcasting rights

➤ Production⁷

Production operating revenue declined 18.0% to €10.5m, due mainly to the fall in activity of Studios 107, which was penalised by the discontinuation of services for *Bigdil* and *Kalifa TV*.

The net loss amounted to €(6.9)m and takes into consideration the amortisation of goodwill for Glem (€5.6m) at TF1 Productions. This goodwill was fully depreciated during the first quarter.

➤ Broadcasting rights⁸

Operating revenue increased 27.0% to €14.6m. TF1 International is the top contributor of this increase, mainly thanks to the film *Agents Secrets*. TF1 Films Production also benefited from increased cinema admissions and from the success of the films *Podium* and *Les Anges de l'Apocalypse*.

The net profit amounted to €3.3m compared to a loss of €(1.1)m for first quarter 2003.

V) Digital distribution

➤ Satellite TV – TPS

At the end of first quarter 2004, the TPS offering reached a total of 1.252 million subscribers through direct satellite reception. The TPS market share for new subscribers is estimated at 38% for the period.

TPS continues to expand its programme offering, with the signature of an exclusive agreement with the English Football League to broadcast the totality of the English Premier League championship for three seasons starting August 2004.

On December 18, 2003, TPS launched television over the telephone lines, TPSL, together with France Télécom. TPSL is available in the Lyons conurbation and since March 29 has been marketed in Paris and its suburbs. Thanks to this new offering, households that could technically not receive the TPS service via satellite now have access to the TPS bundle and to digital-quality programmes.

For first quarter 2004, the TPS contribution to operating revenue amounted to €91.5m, up 6.6% compared to first quarter 2003. TPS generated consolidated net profit, for the first time, of €0.2m, vs a loss of €(2.4)m in Q1 2003.

VI) Miscellaneous

➤ Visiowave (80% TF1)

Visiowave operating revenue was up 64.3% to €2.3m. Visiowave has become a strong brand in video surveillance and its solutions are engaged in all the major international bids. Net profit is stable at €(1.1)m. Its significant R&D investments enable Visiowave to stay at the leading edge of technology.

D.) Human resources

The TF1 Group workforce increased slightly, both at TF1 SA and its subsidiaries, in first quarter 2004 (3,740 people) compared to December 31, 2003 (3,682 people).

E.) Share price

On April 30, 2004, TF1 shares closed at €25.77, down 7.5% since the beginning of the year, compared with a rise of 2.2% of the CAC 40 stock market index and of 2.5% of the SBF 120 index. The TF1 Group market value at April 30, 2004 was €5.51 billion.

⁷ TF1 Production, TPP, Studios 107, Groupe Glem, Alma, TAP, Quai Sud

⁸ TF1 Films Production, TF1 International, Ciby DA, TCM, Téléma

CONSOLIDATED PROFIT AND LOSS ACCOUNT

OPERATIONAL BREAKDOWN

(€ million)	Q1 04	Q1 03	2003
TF1 Channel			
Advertising revenue	425.1	400.7	1,543.7
Advertising agency fees	(22.7)	(22.2)	(82.4)
NET REVENUE FROM BROADCASTING	402.4	378.5	1,461.3
Royalties and contributions			
- Authors	(16.5)	(15.5)	(58.1)
- CNC	(20.9)	(19.7)	(76.5)
Transmission costs			
- TDF, Satellites, Transmissions	(14.0)	(13.9)	(57.2)
Programming costs			
	(203.3)	(203.5)	(852.0)
GROSS MARGIN	147.7	125.9	417.5
Diversification revenue and other revenue ⁹	274.2	276.1	1 219.4
Other operating expenses ⁹	(263.0)	(263.1)	(1,141.4)
Depreciation, amortisation and provisions (net) ⁹	(27.4)	(34.6)	(161.6)
OPERATING PROFIT	131.5	104.3	333.9
FINANCIAL PROFIT / (LOSS)	(5.3)	(6.2)	(14.4)
PROFIT BEFORE TAX AND EXCEPTIONAL ITEMS	126.2	98.1	319.5
Exceptional items	(0.5)	(2.2)	(8.1)
Goodwill amortisation	(12.6)	(1.9)	(12.0)
Corporate income tax	(43.4)	(34.7)	(114.7)
Share in net earnings of companies consolidated under the equity method	(0.6)	(0.3)	0.0
NET PROFIT OF CONSOLIDATED COMPANIES	69.1	59.0	184.7
Minority interest	0.8	0.6	6.8
NET PROFIT ATTRIBUTABLE TO THE GROUP	69.9	59.6	191.5

⁹ Impacted by changes in accounting presentation linked to the transition to IFRS standards, see paragraph 2 of the notes to the consolidated financial statements

CONSOLIDATED FINANCIAL STATEMENTS ¹⁰

CONSOLIDATED PROFIT AND LOSS ACCOUNT

(€ million)	Q1 04	Q1 03	2003
TURNOVER	702.0	679.1	2,768.7
Net advertising revenue	452.3	424.9	1,663.2
<i>TF1</i>	425.1	400.7	1,543.7
<i>OTHERS</i>	27.2	24.2	119.5
Diversification revenue ¹¹	242.2	246.2	1,056.1
Technical services revenue	4.7	6.2	23.6
Other revenue	2.8	1.8	25.8
Operating expenses	(570.5)	(574.8)	(2,434.8)
External production costs	(156.0)	(139.6)	(593.3)
Staff costs	(93.8)	(87.9)	(363.9)
Other operating expenses ¹¹	(293.3)	(312.7)	(1,316.0)
Depreciation, amortisation and provisions (net)			
- Depreciation	(30.0)	(25.8)	(117.5)
- Provisions ¹¹	2.6	(8.8)	(44.1)
OPERATING PROFIT	131.5	104.3	333.9
Financial revenue	7.3	1.2	15.5
Financial expenses	(12.6)	(7.4)	(29.9)
FINANCIAL PROFIT / (LOSS)	(5.3)	(6.2)	(14.4)
PROFIT BEFORE TAX AND EXCEPTIONAL ITEMS	126.2	98.1	319.5
Exceptional income / (expense)	(0.5)	(2.2)	(8.1)
Goodwill amortisation	(12.6)	(1.9)	(12.0)
Corporate income tax	(43.4)	(34.7)	(114.7)
Share in net earnings of companies consolidated under the equity method	(0.6)	(0.3)	0.0
NET PROFIT BEFORE MINORITY INTEREST	69.1	59.0	184.7
Minority interest	0.8	0.6	6.8
NET PROFIT ATTRIBUTABLE TO THE GROUP	69.9	59.6	191.5
Average number of outstanding shares (in thousands)	213,915	212,839	213,281
Earnings per share (€)	0.33	0.28	0.90
Diluted earnings per share (€)	0.32	0.28	0.89

¹⁰ These consolidated financial statements at March 31, 2004 have been subject to a limited review by our statutory auditors

¹¹ Impacted by changes in accounting presentation linked to the transition to IFRS standards, see paragraph 2 of the notes to the consolidated financial statements

CONSOLIDATED BALANCE SHEET

ASSETS (€ million)	31.03.04 Net	31.12.03 Net	31.03.03 Net
<i>Intangible fixed assets</i>	883.1	894.9	896.5
Audiovisual rights	87.9	99.7	101.8
Other intangible fixed assets	795.2	795.2	794.7
<i>Goodwill</i>	101.9	114.9	109.6
<i>Tangible fixed assets</i>	189.8	197.5	210.1
Land	45.7	45.7	45.7
Freehold buildings	34.0	34.7	36.5
Other tangible fixed assets	110.1	117.1	127.9
<i>Financial assets</i>	58.7	13.3	9.1
Investments consolidated under the equity method	11.4	1.0	0.0
Investments and loans to associated undertakings	42.9	6.4	5.4
Other financial assets	4.4	5.9	3.7
FIXED ASSETS	1,233.5	1,220.6	1,225.3
Programmes and film rights ¹²	531.2	693.4	683.3
Raw materials and supplies	10.7	10.5	10.5
Trade debtors ¹²	877.4	621.7	601.7
Other debtors and adjustment accounts ¹²	425.8	481.7	524.7
Marketable securities and cash at bank and in hand	123.4	185.1	44.9
CURRENT ASSETS	1,968.5	1,992.4	1,865.1
TOTAL ASSETS	3,202.0	3,213.0	3,090.4

¹² Impacted by changes in accounting presentation linked to the transition to IFRS standards, see paragraph 2 of the notes to the consolidated financial statements

SHAREHOLDERS' EQUITY AND LIABILITIES (€ million)	31.03.04	31.12.03	31.03.03
Share capital	43.0	43.0	42.8
Share premium	64.3	63.7	55.0
Other reserves	759.5	568.0	571.6
Profit attributable to the group	69.9	191.5	59.6
SHAREHOLDERS' FUNDS	936.7	866.2	729.0
Minority interest	0.5	(0.1)	(0.1)
Provisions for liabilities and charges ¹³	91.7	102.9	75.8
Financial creditors and borrowings ^{(1) (2)}	558.2	628.3	459.7
Trade creditors ¹³	891.5	919.1	947.2
Other creditors and adjustment accounts	723.4	696.6	878.8
CREDITORS	2,173.1	2,244.0	2,285.7
TOTAL SHAREHOLDERS' FUNDS AND LIABILITIES	3,202.0	3,213.0	3,090.4
(1) Including current bank overdrafts	1.1	0.6	15.1
(2) Less than one year	46.9	116.3	443.6

¹³ Impacted by changes in accounting presentation linked to the transition to IFRS standards, see paragraph 2 of the notes to the consolidated financial statements

CONSOLIDATED CASH FLOW STATEMENT

(€ million)	Q1 04	2003	Q1 03
1- Operating activities			
• Net profit	69.1	184.7	59.0
Depreciation, amortisation and provisions	22.2	155.9	30.8
- Intangible fixed assets	15.4	50.5	9.1
- Tangible fixed assets	12.4	58.9	15.2
- Financial assets	(7.3)	5.9	0.0
- Expenses to amortise	0.4	2.0	0.9
- Goodwill	12.6	12.0	1.9
- Provisions for liabilities and charges	(11.3)	26.6	3.7
• Investment grants released to revenue	(1.5)	(12.3)	(2.2)
• Expenses to amortise	0.0	(1.5)	(0.5)
• Capital gains / (losses) on disposal of fixed assets	7.5	(3.4)	(0.3)
• Change in deferred taxation	2.7	(2.8)	(0.8)
• Share of investments consolidated under the equity method	0.6	0.0	0.3
Cash flow	100.6	320.6	86.3
• Stocks	18.2	(20.4)	(13.6)
• Trade debtors	(28.1)	52.9	76.9
• Trade creditors	18.3	(54.3)	(39.1)
• Net advances from third parties	(41.6)	14.5	(2.1)
Change in working capital needs	(33.2)	(7.3)	22.1
NET CASH INFLOW FROM OPERATING ACTIVITIES	67.4	313.3	108.4
2- INVESTING ACTIVITIES	(61.3)	(155.0)	(28.1)
• Purchase of intangible fixed assets	(8.5)	(58.2)	(9.8)
• Purchase of tangible fixed assets	(5.1)	(42.0)	(8.4)
• Disposal of tangible, intangible and financial fixed assets	(0.9)	5.5	0.9
• Purchase of financial asset investments	(44.1)	(17.1)	(3.0)
• Change in liabilities on purchase of financial asset investments	0.0	(50.2)	0.0
• Net increase / (decrease) in other financial assets	(0.1)	(1.9)	0.1
• Net increase / (decrease) in fixed assets creditors	(2.6)	8.9	(7.9)
• Consolidation adjustments	0.0	1.9	(1.2)
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	(61.3)	(153.1)	(29.3)
3- FINANCING ACTIVITIES			
• Increase in shareholders' funds	2.1	20.1	3.8
• Increase in capital subscribed by minorities	0.0	2.4	0.0
• Net change in loans	(70.7)	103.8	(89.5)
• Dividends paid	0.2	(138.3)	0.0
NET CASH INFLOW / (OUTFLOW) FROM FINANCING ACTIVITIES	(68.4)	(12.0)	(85.7)
TOTAL INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(62.3)	148.2	(6.6)
Cash at beginning of period	184.5	36.3	36.3
Net inflow / (outflow)	(62.3)	148.2	(6.6)
Cash at end of period	122.2	184.5	29.7

NOTES TO THE FINANCIAL STATEMENTS

1. GROUP ACCOUNTING POLICIES

The consolidated quarterly financial statements of the TF1 Group have been prepared in accordance with French Generally Accepted Accounting Standards notably the 99/02 rules of the Accounting Regulations Committee, confirmed by the Government order dated June 22, 1999, and the recommendations of the National Accounting Council on interim accounts.

The accounting policies adopted for the 2004 first quarter consolidated financial statements are consistent with those used for the previous years' consolidated financial statements.

2. CHANGES OF METHOD

TF1 Group proceeded from January 1, 2004 to changes in accounting presentation, which, while based on the accounting standards described in paragraph 1, converge on the presentation that will be adopted in 2005 under International Financial Reporting Standards. Those changes in presentation are described below.

- *Programmes and film rights (impact on the balance sheet presentation)*

The programmes and film rights are accounted for in inventories when the technical acceptance has occurred and the rights are opened.

All of the rights that do not fulfill those previous conditions are accounted for in commitments and contingencies (for the part of rights not paid) or in prepayments and accrued income (for the rights already prepaid).

The impact on the consolidated balance sheet as of January 1, 2004 is summarized in the table below (in €m):

Heading concerned	Part not paid	Part paid	Total impact
Programmes and film rights	(22.3)	(170.0)	(192.3)
Trade debtors	(7.9)	249.0	241.1
Other debtors and adjustment accounts	(42.0)	(79.0)	(121.0)
TOTAL ASSETS	(72.2)	0.0	(72.2)
Trade creditors	(72.2)		(72.2)
TOTAL SHAREHOLDERS' FUNDS AND LIABILITIES	(72.2)	-	(72.2)
COMMITMENTS AND CONTINGENCIES	72.2	-	72.2

This change in accounting presentation does not affect the change in working capital needs.

- *Turnover (impact on the profit and loss presentation)*

Provisions for returns of merchandise are no longer accounted for through a risk accrual but rather through a credit to be issued, which decreases revenue and related expenses. This concerns primarily TF1 Entreprises, TF1 Vidéo and Téléshopping).

The pay-backs on certain distribution contracts are deducted from revenue such that only the economic advantage to TF1 (commission) appears as income. This change in accounting presentation primarily concerns TF1 Entreprises and TF1 Vidéo.

These two changes have a negative impact of €18.4m on Q1 2004 consolidated operating revenue. They only concern the presentation of income and expense and do not impact operating income.

3. CHANGES IN SCOPE OF CONSOLIDATION

The changes in the scope of consolidation between December 31, 2003 and March 31, 2004 result from:

- The additional stake in TV Breizh, which increased TF1 Group's interest in this subsidiary from 40.5% to 67.2%;
- The additional stake in Groupe Glem, which increased TF1 Group's interest in this subsidiary from 72.8% to 97.8%.

The changes in the scope of consolidation between the first quarters of 2003 and 2004 result from:

- Publications Metro France, acquired at the end of 2003, which has been consolidated under the equity method since December 31, 2003;
- TV Breizh, previously consolidated under the equity method, is fully consolidated following the increase of TF1's stake;
- Film par Film, previously proportionally consolidated, was excluded from the scope of consolidation with an effective date of December 31, 2003.

Moreover, TF1 Group completed during the first quarter 2004 its investments in Prima TV (49% stake for €12.7m) and Europa TV (29% stake for €22m, with an option to acquire an additional 20% stake). These two companies should be consolidated at the next half-year accounts.

4. SUBSEQUENT EVENTS

No significant event has occurred since the end of the first quarter 2004.

5. SHAREHOLDERS' FUNDS

(€ million)		Share Capital	Retained earnings	Shareholders' funds
Shareholders' funds at Dec. 31, 2001		42.4	728.0	770.4
Capital increase	(1)	0.4	17.1	17.5
Dividends			(136.9)	(136.9)
Net profit at 31 Dec. 2002			155.2	155.2
Shareholders' funds at Dec. 31, 2002		42.8	763.4	806.2
Capital increase	(1)	0.2	10.3	10.5
Dividends			(138.3)	(138.3)
Exchange differences			(0.6)	(0.6)
Change of method	(2)		(3.1)	(3.1)
Net profit at 31 Dec. 2003			191.5	191.5
Shareholders' funds at Dec. 31, 2003		43.0	823.2	866.2
Capital increase	(1)		0.6	0.6
Net Profit at 31 March 2004			69.9	69.9
Shareholders' funds at March 31, 2004	(3)	43.0	893.7	936.7

(1) Stock options exercised.

(2) Set up of opening provisions net for long service leave

(3) Share capital is divided into 215,225,979 ordinary shares with a nominal value of €0.20 per share. Share capital is fully subscribed.

6. FINANCIAL CREDITORS AND BORROWINGS

Financial creditors and borrowings were €558.2m at March 31, 2004, and mainly consist in:

- The €500 M bond issue and the relating €9.4m interest;
- The financial debt linked to the leasing amounting to €16.3m;
- Current bank overdrafts for €15.3m.

In addition, TF1 has subscribed two syndicated loans amounting to €350m, which have not yet been used.

7. BUSINESS LINE INFORMATION FIRST QUARTER 2004

(€ million)	Turnover			Operating profit		
	Q1 2004	Q1 2003	2003	Q1 2004	Q1 2003	2003
TF1 core channel	431.5	409.0	1,575.4	114.9	99.0	295.4
Publishing and Distribution (1)	58.3	84.7	344.3	7.4	7.0	34.3
TPS	91.3	85.5	353.1	1.8	(0.7)	2.8
Eurosport	67.2	63.2	283.4	11.0	5.7	30.2
Thematic channels	12.9	11.4	50.9	(4.8)	(2.6)	(17.1)
Internet	16.3	3.5	26.0	2.0	(1.2)	(1.2)
Production	10.3	8.1	51.3	(0.6)	(0.9)	(11.5)
Audiovisual rights	9.5	10.6	45.1	1.3	(0.5)	1.2
Miscellaneous	1.9	1.3	13.4	(1.4)	(1.5)	(0.2)
Total (1)	699.2	677.3	2,742.9	131.6	104.3	333.9

(1) The first quarter 2004 turnover integrates the changes in presentation described in paragraph 2.

8. TF1 COMPANY FINANCIAL STATEMENTS

(€ million)	Q1 2004	Q1 2003	2003
Turnover	406.1	382.0	1,473.2
Operating profit	114.6	103.4	318.2
Net profit	93.4	81.1	101.7

Télévision Française 1

A public limited company (« Société anonyme ») with a share capital of €43,030,830

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