



ANNUAL REPORT & ACCOUNTS

1997



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Information and data contained in this document without a reference is principally internal.

Chairman's Statement



Dear Shareholders,

1997 will remain an important year from all points of view. For the first time in our history the TF1 Group's consolidated turnover exceeded FF 10 billion. In addition to its symbolic nature, this figure has tripled since privatisation and is evidence of your Group's strong growth.

In 1997 TF1 comfortably maintained its position as the leading European generalist channel with a 37.2% share of the advertisers' key target group in the domestic market (source : Eurodata TV). Moreover, in terms of news, the French have twice as much confidence in TF1 as in its major competitor.

1997 provided a favourable environment with a notable upturn in consumer spending in the last four months. In addition, advertisers looking for both targeted and mass contact, used television more and more. Advertising investment on television continues to grow and represents more than 36% (source : Secodip) of advertisers' budgets, all media included. The positive audience results for the channel combined with an improved economic climate enabled TF1's advertising revenue to rise 3.6%.

In line with our objectives, programming costs were maintained at the same level as last year. That has resulted in an improvement of 23% in our operating margin.

Still in relation to 1997, diversification activities posted a double digit growth (+ 16%) and represent a quarter of consolidated turnover. These results represent the fruits of a strategy initiated at

privatisation to create new businesses with strong added value, developed in synergy with the channel.

Overall 1997 was unquestionably the year of digital television in France. The TF1 Group played an important role with TPS, whose success went beyond expectations. Offering a rich, complete and attractive selection of programmes, TPS, in its first year of existence, signed up more than 350,000 subscribers, double the initial target. This performance is superior to that of all other European digital packages during their first year of operation.

This new activity in the digital pay TV market development certainly had a negative impact on the group's profit for the year. However it represents a strategic investment, creating value and employment⁽¹⁾.

This clearly illustrates the Group's willingness and capacity to embark on and develop new markets offering strong potential with an innovative marketing approach, a real technological advance and a recognised know-how in project management. This strategy is underpinned by a dynamic management style.

The consolidated net profit of TF1 increased 17.6% on a like-to-like basis with 1996. This does not take into account the impact of TPS and the increase in corporate income tax. Our operating cash flow exceeded FF 1.1 billion and total shareholders' equity reached FF 2.7 billion. With this solid financial position, the group can pursue its development.

(1) In 1997 TPS recruited 420 new staff members.

More than ever focusing on the future, TF1 is ready to face new challenges.

Remaining loyal to the policy adopted several years ago with regards to its shareholders, your company continues to distribute a high proportion of its profits, paying a dividend of FF 16 per share (excluding tax credit) for 1997.

In 1998, the TF1 Group will follow a growth strategy based on the following objectives:

- to strengthen its position as the leading generalist channel, the only television format able to attract large audiences for big events like, for example, the Football World Cup in 1998, and to offer original and exclusive programmes, as varied and unifying as features, drama and light entertainment;
- to provide advertisers with an effective commercial offer linked to the power of a generalist channel which, in addition, is innovative due to the advanced technology of digital which allows development of new, more targeted and interactive advertising means;
- to control programme and structure costs, and to take full advantage of the growth in the advertising market expected in 1998, and therefore increase both the profitability and margins of our activities;
- to reinforce diversification activities whilst at the same time adapting to a rapid technological and economic evolution:
 - the publishing and distribution sector will launch new products : DVD ⁽²⁾ in video and new services on the Internet aimed not only at viewers but also at advertisers,
 - theme channels will be enriched before Summer 1998 with a home-shopping channel,
 - purchase and negotiation of audiovisual rights will be strengthened in 1998, consolidating the TF1 Group's position. Currently the group holds the third largest French film catalogue following the purchase of « Les Films Ariane » in 1997;
- to continue its development in the digital television sector in which rapid changes are modifying European competition barriers and hence opening new opportunities for the group.

More than ever focusing on the future, TF1 is ready to face new challenges. Your group will continue to invest in projects which create value, as it has always done, and which is why it now rates amongst the top French companies defined by this criteria ⁽³⁾.

Patrick Le Lay
Chairman and Managing Director



(2) DVD "Digital Video Disc".

(3) Listing of French companies creating value, calculated on the criteria of the EVA[™] ("Economic Value Added") copyright Stern & Stewart, compiled by the magazine L'Expansion in 1997.

Principal events

1997

One year after its launch, TPS has 350,000 satellite subscribers for its digital programmes and services offer.



TPS proposes a large number of movies through its Multivision pay-per-view service.

Fanny Ardant, awarded best French actress for her performance in "Pédale Douce", a film co-produced by TF1.



JANUARY

- Launch of TPS's movie channels Cinéstar 1 & 2 and Cinétoile which offer more than 200 features per month.
- Cinema success of the film "Le plus beau métier du Monde", which attracted 1.5 million people in 4 weeks.
- Launch of TPS's Arab speaking package "Arabesque".
- TF1 is awarded 7 "7 d'or" TV awards.

FEBRUARY

- Video success of the film "Les 3 frères", with 650,000 copies sold.
- Daily sales record for Télé-Shopping : FF 12.5 million i.e. around FF 400,000 per minute of air-time.
- Films co-produced by TF1 Films Production are awarded 4 "Césars" at the 23rd ceremony of the French Césars awards.
- TF1's lunch-time and 8 pm news bulletins reach record audience levels less than 5 months after being revamped.
- TF1 Vidéo and René Château Vidéo sign an agreement for the distribution of 800 movies from "La mémoire du cinéma Français" (Memories of the French cinema) collection.

MARCH

- TF1 Publicité becomes the advertising agency of theme channels Télétoon and Odyssee following a competitive tender.
- TF1's weather forecast team (Alain Gillot-Pétré, Evelyne Dhéliat and Catherine Laborde) is awarded the prize for the quality of information and introduction of new technology in its bulletins at the 7th International Issy-les-Moulineaux festival.

APRIL

- 3 months after its launch, TPS achieves 100,000 subscribers.

MAY

- TPS broadens its package: launch of its interactive programme guide and weather forecast service. VH-1, Histoire and Knowledge TV join the TPS package.
- Launch of Eurosport's Portuguese version bringing to 14 the total number of languages offered.
- TPS and Multivision offer the French Open tennis tournament (Roland Garros) on pay-per-view.
- TPS's movie channels are distributed on Lyonnaise Câble networks.

JUNE

- TF1's Studio Multimédia achieves its first DVD: "Vivre en France".
- "Alane" by Wes, Une Musique's summer release, sells 200,000 copies in one month.
- "La télé à la carte", TF1's video-on-demand service begins its commercial phase with 1,700 hotel rooms connected to the service.



Odyssee, a documentary channel, is the most recent thematic channel developed by TF1.

JULY

- TPS reaches 160,000 subscribers one year after its creation and 6 months after its launch.
- LCI is awarded the "Clic d'or" by Yahoo and CB News for the broadcasting of its programmes in real time on the Internet.

AUGUST

- Launch of TF1's new children's programmes renamed "TF!".
- TF1 acquires "Les Films Ariane" whose library totals 300 films.

SEPTEMBER

- TF1 Group's half year sales up 5.5%.
- TF1 is a candidate for the first private free-to-air TV licence in South Africa.
- Télé-Shopping celebrates its 10th birthday.
- Odyssée breaks through the 700,000 subscribers barrier (cable and TPS).



Une Musique's best ever sales performance: ERA with around 1 million copies sold.

OCTOBER

- TPS and Renault launch the first interactive advertising spot.
- Audience record for TF1 with "Un Indien dans la ville", watched by more than 12 million viewers.
- TF1 is ranked 6th amongst French companies creating the most value, according to the EVA™ criteria (ranking compiled by Stern & Stewart).
- TF1 completes the modernisation of Turmenistan's two national TV stations.
- TF1 Publicité publishes its 1998 rate cards.

NOVEMBER

- TPS and Lego open the first interactive shop.
- "Le Pari", co-produced by TF1 Films Production achieves more than 1 million cinema entrances in 1 week.
- LCI and daily newspaper "Le Monde" launch a new show "Autour du Monde".

DECEMBER

- Launch of the "Schtroumpfs" video game on TPS.
- Launch of Eurosport's Romanian version, bringing the total number of languages available to 15.
- TF1's 8 pm news bulletin on December 2 attracts 15 million viewers, the highest audience of the year.
- Une Musique achieves its best ever sales performance with "Era" which sold 976,000 albums.
- TPS celebrates its first birthday with 350,000 subscribers at December 31.
- "Profession Reporter : le pays des interdits" by Marine Jacquemin is awarded the "Politique Événement" prize at the 12th International Journalism and Scoop Festival in Angers.
- The TF1 share price ends the year at an all-time high: FF 615 on December 31.



"Nanook", co-produced by TF1, is one of the channel's new children's programmes.



More than 12 million viewers watched "Un Indien dans la ville".

Board of directors, Auditors



One of TF1's 200 advertising jingles.

Board of Directors (March 1998)

- **PATRICK LE LAY**
Chairman & Managing Director of TF1
Appointed April 17, 1987
- **MARTIN BOUYGUES**
Chairman & Managing Director of Bouygues
Appointed September 1, 1987
- **CLAUDE COHEN**
Managing Director of TF1 Publicité
Co-opted October 7, 1997
- **MICHEL DERBESSE**
Managing Director of Bouygues
Appointed January 19, 1994
- **ALBERT FRERE**
Chairman and Managing Director of Groupe Bruxelles-Lambert
Co-opted on April 8, 1997
- **PHILIPPE MONTAGNER**
Managing Director of Bouygues' Telecommunications and Development Department
Appointed January 23, 1995
- **ETIENNE MOUGEOTTE**
Vice-Chairman of TF1
Appointed January 12, 1991
- **OLIVIER POUPART-LAFARGE**
Bouygues' Managing and Finance Director
Appointed April 17, 1987
- **ALAIN POUYAT**
Bouygues' Managing Director of Information Systems and New Technology
Appointed March 18, 1998
- **SOCIETE GENERALE**
Represented by Patrick Duverger, Managing Director of Société Générale since November 19, 1997
Appointed October 18, 1991
- **JEAN-PIERRE PERNAUT**
Employee Representative
Elected February 23, 1988
- **CORINNE CHEVRETON**
Employee Representative
Since June 30, 1997

AUDITORS

Statutory auditors

- CABINET SALUSTRO REYDEL

8, avenue Delcassé, 75008 Paris

Date of first appointment:

General Meeting of January 14, 1988

Expiry date of present appointment:

General Meeting approving the 1998 annual accounts

- JACQUES VILLARY

Tour Framatome, 92084 Paris La Défense Cedex 16

Date of first appointment:

General Meeting of June 12, 1995

Expiry date of present appointment:

General Meeting approving the 2000 annual accounts



TF1's new production facilities for the news.

Alternate auditors

- JEAN-LOUIS MULLENBACH

8, avenue Delcassé, 75008 Paris

Date of first appointment:

General Meeting of January 14, 1988

Expiry date of present appointment:

General Meeting approving the 1998 accounts

- JULIEN MARIN-PACHE

Tour Framatome, 92084 Paris La Défense Cedex 16

Date of first appointment:

General Meeting of June 12, 1995

Expiry date of present appointment:

General Meeting approving the 2000 accounts

In 1997, TF1 Films Production co-produced 17 feature films, several of which exceeded 1 million box office sales.

The Board met on four occasions in 1997. A Remuneration Committee has been set up to make proposals concerning the annual remuneration and service arrangements of Mr Patrick LE LAY.

The majority of Directors were appointed or re-appointed for 2 years by the General Meeting of June 12, 1997. Claude COHEN was co-opted on October 7, 1997, and Alain POUYAT on March 18, 1998. Jean-Pierre PERNAUT was re-elected as Employee Representative in 1996. Corinne CHEVRETON became Employee Representative following the retirement of Nicole DEJEAN on June 30, 1997 for whom she was alternate.



Group management

EXECUTIVE MANAGEMENT



PATRICK LE LAY
Chairman & Managing Director



ETIENNE MOUGEOTTE
Vice-Chairman



CLAUDE COHEN
Managing Director
TF1 Publicité

GENERAL MANAGEMENT

- **PIERRE MARFAING**
Technologies and General Services Director
- **ABDELHAMID BELDJOUDI**
Technical Director
- **CHRISTIAN GRELLIER**
Multimedia Studio Director
- **GUY LEQUESNE**
Information Systems Director
- **YVES RIPERT**
Engineering and Computer Research Director
- **JEAN-PIERRE MOREL**
Deputy General Manager & Chief Financial Officer
- **JEAN-LOUIS CAPRA**
Financial planning and Auditing Director
- **JEAN-MICHEL COUNILLON**
General Counsel
- **CHRISTIAN LEMAIRE**
Financing and Investor Relations Director
- **JACKY POISSON**
Accounting and Tax Director
- **JEAN-PIERRE PAOLI**
Company Secretary of TF1
- **COLAS OVERKOTT**
International Affairs Director

- **NONCE PAOLINI**
Human Resources Director
- **EMMANUEL GRADOS**
Personnel and Labour Relations Director
- **CLAUDIE METAYER**
Employee Communications Director
- **PASCAL NOYRIGAT**
Human Resources Development Director

PROGRAMMING

- **RONALD BLUNDEN**
Communications Director
- **EDOUARD BOCCON-GIBOD**
Deputy Manager in charge of Contractual Relations
- **XAVIER COUTURE**
Programme Director
- **JEAN-CLAUDE DASSIER**
Sports and Special Operations Director
- **LAURENT FONNET**
Programming and Broadcasting Director
- **JEAN-FRANÇOIS LANCELIER**
Director of Marketing and Programme Development
- **GÉRARD LOUVIN**
Variety and Entertainment Director
- **CÉLINE NALLET**
Deputy Manager in charge of Programme Budgeting

- **ROBERT NAMIAS**
Editorial Director
- **ANNE SINCLAIR**
Deputy General Manager in charge of Information and News Business Development
- **GUILLAUME DE VERGES**
Deputy General Manager in charge of Broadcasting
- **FRANCIS WILLIAUME**
Deputy General Manager in charge of Administration & Finance of the Production Department

TF1 PUBLICITÉ

- **PATRICK LE LAY**
Chairman
- **CLAUDE COHEN**
Managing Director
- **JEAN-PIERRE MOREL**
Deputy General Manager & Chief Financial Officer
- **MARTINE HOLLINGER**
Sales Director
- **JEAN-BERNARD ICHAC**
Strategy and Development Director
- **MONIQUE MUGLER**
Sales Director

Main subsidiaries

TF1 ENTREPRISES

- PATRICK LE LAY
Chairman
- ANNE SINCLAIR
Managing Director
- PIERRE BROSSARD
Managing Director of TF1 Vidéo
- HUBERT TAIEB
TF1 Licences Director
- LAURENT KRIVINE
Editorial Director of TF1 Interactif
- MARTINE TOURNIER
Director in charge of phone-based services, games and interactive services on the Internet

UNE MUSIQUE

- PATRICK LE LAY
Chairman
- NADINE LAIK-BLANCHARD
Managing Director

TÉLÉ-SHOPPING

- ROBERT LENS
Chairman

TF1 FILMS PRODUCTION

- ETIENNE MOUGEOTTE
Chairman
- LAURENT STORCH
Managing Director

PROTÉCRÉA

- JEAN-LOUIS CAPRA
Chairman

BANCO PRODUCTION

- JEAN-LOUIS CAPRA
Chairman

GLEM

- JEAN-PIERRE MOREL
Chairman
- GÉRARD LOUVIN
Managing Director

STUDIOS 107

- FRANCIS WILLIAUME
Chairman
- JEAN ADAM
Director

TF1 INTERNATIONAL

- JEAN-PIERRE MOREL
Chairman
- DIDIER SAPAUT
Managing Director
Chairman of "Les Films Ariane"
- PASCAL DELARUE
Managing Director of
"Les Films Ariane"

- PERRINE TEZE
Sales Director

EUROSPORT

Sagas

- JEAN-PIERRE MOREL
Chairman

Eso

- Management company:
SAGAS

Sets

- PATRICK LE LAY
Chairman
- JEAN-CLAUDE DASSIER
Vice-Chairman
- EMMANUEL FLORENT
Managing Director

Eurosales

- Management company:
ESO

LA CHÂÎNE INFO

- Management company:
TF1
represented by
ETIENNE MOUGEOTTE

- JEAN-CLAUDE DASSIER
Managing Director

ODYSSÉE

- Management company:
TF1
represented by
GÉRARD CARREYROU

TÉLÉVISION PAR SATELLITE

- PATRICK LE LAY
Chairman
- CYRILLE DU PELOUX
Managing Director



Eurosport, the all sports channel.



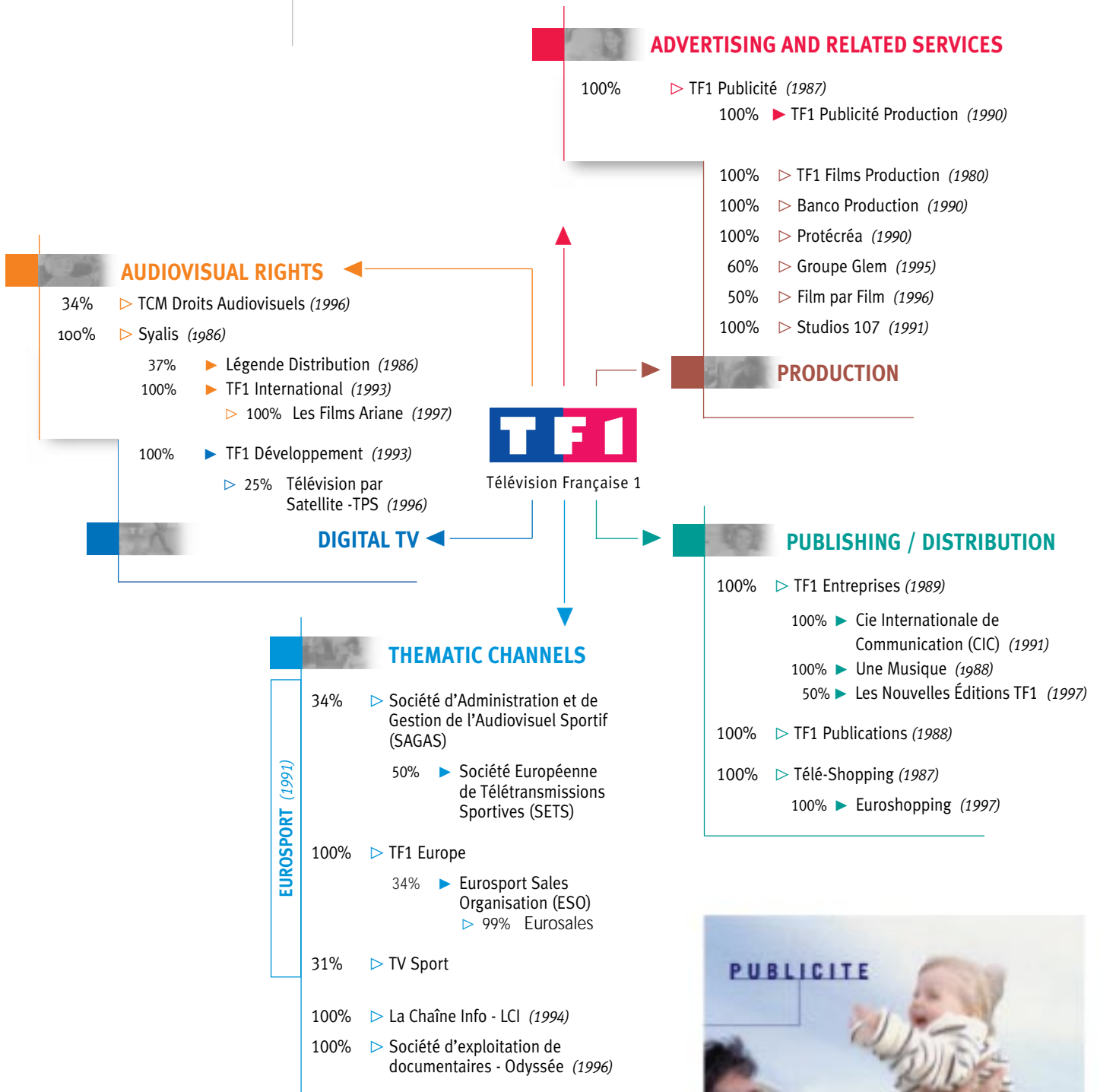
In 1997, more than 5,000 guests appeared on LCI's debates and talk shows.



"Les trois frères", 650,000 cassettes sold.

Organisation chart TF1 Group

(March 98)



(Year of creation)



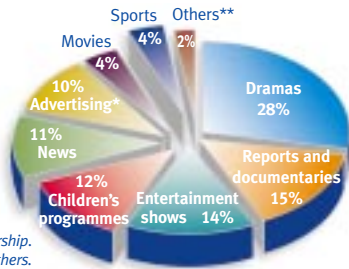
Review of group operations



"Le Rouge et le Noir", one of the high profile dramas co-produced by TF1.

Privatised in 1987, *TELEVISION FRANCAISE 1 (TF1)* is today an **integrated communications group which covers all of the audiovisual profession.** The organisation is grouped around the TF1 Channel, the number one European television channel in terms of audience. The Group has initiated a policy of diversification which aims to exploit activities in synergy with the core business of generalist broadcasting, and at the same time creates new franchises. TF1 has equally developed an expertise in such varied areas as cinema and television production, acquisition and sales of audiovisual rights, video and music distribution and publication, interactive services, merchandising rights, home-shopping, thematic channels and digital television.

Breakdown of 1997's broadcasting air time



*Classical ad breaks and sponsorship.
**Promotional spots and others.

The TF1 channel

A generalist and family channel, TF1 offers viewers a **range of programmes** with appealing and varied themes: movies, sport, entertainment, drama, news and children's programmes.

TF1 is by far the most watched channel in France, attracting more than 35% of all viewers and 37.2% of women under 50, the

advertisers most sought after target (source: Médiamétrie).

Success depends on a **programming schedule which is rich and diversified**, based on current events with an approach which is original, innovative and geared to the viewers' daily life.

TF1 is a non-encrypted 24 hour terrestrial channel covering the entire French territory. ●

Advertising Services

TF1 is a commercial channel, selling powerful and effective advertising spaces. The size and quality of the channel's audience means that the target needs of many advertisers are met in all areas. Advertising revenue represents **75% of the Group's turnover**.

TF1 Publicité, the Group's advertising arm, sells to advertisers and advertising agencies, advertising space on TF1, on LCI (24 hour news channel) and, since the beginning of 1997, on Odyssée (documentary channel), on Télétoon (children's channel) and on TF1's Internet site.

Always with the advertisers' interests at heart, TF1 Publicité is active in all the traditional investment areas in television (food, cosmetics, transport...) at the same time as developing new areas such as services (banks, insurance, telephones...), office or information technologies.

Innovation, quality service and competitiveness are the daily concerns of TF1 Publicité.

Since 1987, TF1 has pursued a **strategy of diversification** based on the development of value-added professions which are in complete synergy with the mainstream channel. Organised around **five complimentary business sectors** (audiovisual production, exploitation of audiovisual rights, publishing and distribution, broadcasting of thematic channels and digital television), these activities constitute **new sources of growth**. In fact, the Group's diversification activities have, for several years, recorded a double digit growth. ●

Innovation, quality service and competitiveness are the daily concerns of TF1 Publicité.

"Joséphine, profession ange gardien" attracted more than 10.7 million viewers.



Audiovisual Production

With more than FF 14 billion of investments since its privatisation, **TF1 is the most important investor in French-speaking production among the non-encrypted channels.** By law, TF1 is required principally to dedicate :

- ▶ **3% of its net advertising turnover** to the co-production of French-speaking features for the cinema. These are made by **TF1 Films Production** whose status of co-producer enables TF1 to generate box-office returns and to acquire broadcasting rights for TF1 and its subsidiaries. Since 1987, TF1 Films Production has invested FF 1.6 billion in the co-production of 163 feature films, 46 of which have attracted more than 1 million people in cinemas in France.

- ▶ **15% of its net advertising turnover** to the production of French-speaking audiovisual programmes. Through its own production subsidiaries, TF1 produces in particular reports, documentaries, cartoons, light entertainment and variety shows.

Located in the Paris suburbs at La Plaine Saint-Denis, **Studios 107** provides technical services to producers of variety and game shows, dramas and home-shopping programmes. These high-tech facilities offer several production studios, two of which are large enough to accommodate audiences.

TF1 Publicité Production creates and produces promotional spots for TF1 and its thematic channels, as well as advertising spots, either for commercial breaks or sponsored shows. ●

Audiovisual Rights

Its expertise in broadcasting, production and distribution has enabled TF1 since 1993 to develop, via its subsidiary **TF1 International**, activities in **purchasing and distributing** film and television rights for all media and all territories.

With the purchase of **Les Films Ariane** in 1997, the TF1 Group now holds the **3rd largest catalogue of French films** with more than 20,000 programme hours and almost 1,700 films.

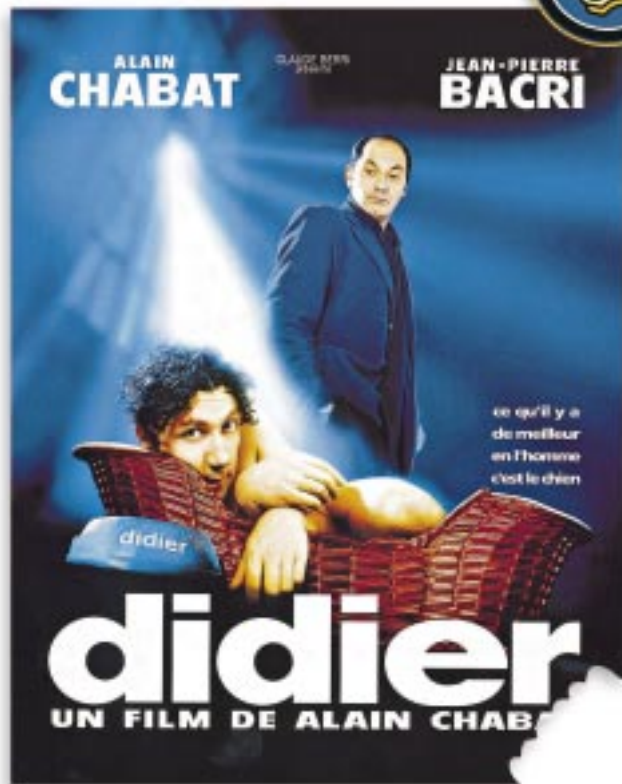
TF1 is also a shareholder of **TCM DA**, set up at the end of 1996 in partnership with CLT and M6, to manage the non encrypted rights of films from the American Paramount studios. ●

Publishing and Distribution

The Group's most important diversification business sector, Publishing and Distribution, is structured as follows:

TF1 Enterprises comprises the following activities: publication and distribution of **video cassettes**, exploitation of **merchandising products derived** from the channel's programmes, and the development of interactive services (Internet, Minitel...).

With the release of major French and foreign box-office hits and non-film videos (sporting events, concerts, cartoons, documentaries...), **TF1 Video is the n°. 3 distributor in France and the n°. 1 in the non-film video sector.**



"Didier", co-produced by TF1, attracted over 2.8 million viewers.

In an effort to respond to the market evolution and to continue its growth, TF1 Vidéo has developed a new collection at a lower price. Under the brand name "Une Vidéo", it uses new distribution means such as newstands to sell cassettes accompanied by a book and/or small objects which illustrate the video theme.



TF1 Vidéo, the n°. 3 French video publishing company, sold 300,000 "Coluche" videos.



"Alane" by WES, Une Musique's summer hit, sold 1.5 million copies.

Specialising in music recording and publishing, **Une Musique** sells audio CDs in **association with major international record labels** and is the n°. 1 French record label in the production of French-speaking artists' works (source: La Loupe Financière).

Télé-Shopping, which has just celebrated its 10th birthday, is **one of the first home-shopping service providers in Europe**. The

programmes are broadcast in the mornings on the TF1 Channel. In addition to this activity, which represents a major part of its turnover, **Télé-Shopping** has developed a mail-order catalogue and is selling its home-shopping programmes to channels in France and abroad.

Operating since 1987, **Télé-Shopping's** strength lies in its capacity to offer annually, more

than 1,500 different, attractive and innovative products (of which 800 are new) as well as its know-how in purchasing goods, producing shows and organising logistics.

Continuing its growth, **Télé-Shopping** will launch, in the first half of 1998, **a digital home-shopping channel**, on cable and satellite. ●

Thematic channels

To complement the channel's generalist programme offer, the **TF1 Group has created several high quality thematic channels** for cable and satellite. Relying on TF1's editorial and technical know-how, the channels have achieved impressive growth linked in particular to the development of digital technology as well as to their strong reputation.

Eurosport was initiated by the European Broadcasting Union (EBU) which purchases sports broadcasting rights for its members. In 1987, 17 EBU members set up a consortium to maximise their exploitation of these rights.

In 1991, the Eurosport Consortium entrusted TF1 with the technical and commercial management of this programme. In 1993, the Eurosport network and "The European Sport Network" (operated by Canal+ and ESPN) combined their interests to produce and commercialise one single pan-European programme: Eurosport. In April 1998, the channel was received by **77 million households in 45 countries, equivalent to 1 in 3 European households**. The programme is available in **15 different languages**. More than 90% of viewers can watch it in their native language. EUROSPORT has positioned itself way out in front as the number one pan-European channel.

Capitalising on its editorial and technical expertise, TF1 launched, in June 1994, the first continuous news channel in France: **La Chaîne Info (LCI)**. Available on cable and satellite, LCI rapidly established itself as **the 4th most watched theme channel**, and is amongst the fore runners in news channels **with more than 2 million subscribers in France** (source: Audicâble).

Created by the TF1 Group, the documentary channel **Odyssee** celebrated its first birthday in January 1998. It is among **the top 20 thematic channels in terms of subscribers**. The editorial policy of this channel is to offer the public numerous original documentaries based on three principal themes: discovery, knowledge and in-depth reports. ●



LCI, the n°. 1 news channel on cable and satellite.



More than 90% of Eurosport's viewers can watch the channel in their native language.

Digital television

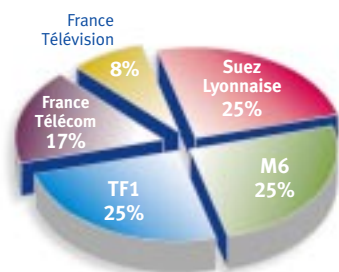
As digital technology offered very interesting opportunities in France (the cable and satellite markets being little developed), TPS was launched in 1996 by TF1 in association with major partners. **TPS is a digital satellite pay-TV package available** on Eutelsat.

TPS offers a rich and diverse line up of programmes at an attractive price, based on three options:

- › “TPS Thématiques” which comprises 70 thematic channels including such varied themes as sport, news, youth, documentaries or music;
- › “TPS Cinema” with 3 movie channels showing more than 120 films a month, many for the very first time;
- › “Tout TPS”, a combination of the first two options.

1997 confirmed these strategic choices as TPS attracted more than **350,000 subscribers in a year**, twice as many as initially expected. TPS will continue its development by constantly enriching its programme and interactive services offer.

The positioning **in the emerging market** of distribution of thematic channels and interactive services, represents an important strategic thrust for the Group both in France and in the rest of Europe. ●



TPS: shareholdings at February 20, 1998

New services

As part of its information highway initiative, TF1 has developed and marketed a real interactive video-on-demand service “**Télévision à la carte**”, in partnership with VISEA, the European leader of TV services for hotels. At the beginning of 1998, this service was being offered in more than 2,500 hotel rooms in France.

In view of the opportunities offered by **Internet** and the development of the on-line market, TF1 has created

TF1 Interactif. This new structure is charged with producing content for the TF1-LCI Internet site, and in a way which combines distribution channels. The output of this new site will be news and information - enriched with visual and sound elements - interactive and immediate.

To develop these new audiovisual services TF1 has a **multi-media Studio**, an integrated digital production facility.



TPS regularly broadens its offer of programmes and interactive services.



TF1 Interactif develops the Group's Internet site.



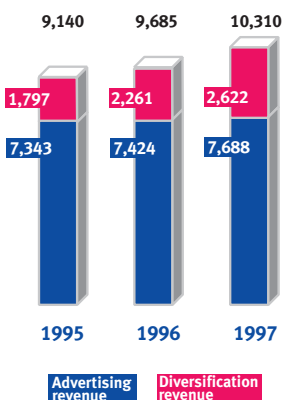
"Combien ça coûte", one of TF1's most watched entertainment shows.

Directors' Report

To the Combined General Meeting of May 12, 1998

Ordinary part

Consolidated total revenue
(in FF million)



In accordance with legal requirements, we have called this General Meeting (Ordinary part) to report on management over the past financial year, to submit to the shareholders' approval the financial statements for the year 1997, and to comment on the company's current situation and future prospects.

As usual, the accounts for the year 1997 are presented both for the TF1 Group (consolidated accounts) and for Télévision Française 1 (parent company).



1997 Business review

1•1 THE GROUP

In 1997, the TF1 Group's turnover exceeded FF 10 billion for the first time. It amounted to FF 10,310 million, a 6.5% increase.

With a stable audience market share of 35% of individuals over 4 years old, TF1 remains by far the most watched channel. The Group pursued growth in a climate which

experienced upturn in the advertising market in the fourth quarter and from diversification development, notably the thematic channels and the digital package, TPS.

Net advertising revenue for the TF1 Channel increased 3.6% to FF 7,688 million in an improved economic climate compared to 1996.

At the same time, in line with objectives set at the beginning of the year, programming costs remained stable at FF 4,590 million.

Diversification activities rose 16% to FF 2,622 million and represent a quarter of the Group's total revenues.

Highlights of 1997 are as follows:

- improved consumer spending and advertising investment over the last 4 months of the year;
- control over programming costs which, combined with the growth in advertising revenues, resulted in an improved operating margin for the Channel;
- continued development of diversification activities, particularly in the Publishing and Distribution sector, boosted by the video, music and tele-shopping activities, and the thematic channels (Eurosport, LCI and Odyssee) which benefited from a substantial development of the new pay satellite television offers;
- the first year of activity for the digital satellite pay TV package, TPS of which a 25% stake is held by TF1. Launched on December 17, 1996, this offer of thematic channels and interactive services has been very successful. The package had attracted 350,000 subscribers to the satellite offer by December 31, 1997, twice the initial target. An additional 38,000 subscribers took up the cinema option (Cinéstar and Cinétoile) offered on cable (Lyonnaise Cable, France Télécom Cable...).

Consolidated operating profit rose to FF 1,160 million in 1997, compared to FF 911 million in 1996, an increase of 27%.

Consolidated financial profit amounted to FF 30 million in 1997, compared to FF 26 million in 1996.

Consolidated exceptional loss amounted to FF 8 million, compared

with a loss of FF 3 million in 1996. In addition, amortisation of goodwill amounted to FF 17 million in 1997, compared with FF 13 million in 1996.

Net consolidated profit attributable to the Group, amounted to FF 482 million compared to FF 575 million in 1996. It includes notably the negative impact of TPS totalling FF 140 million (after tax at 41.6%) and the effect of the 15% increase in corporate income tax (from 36.6% to 41.6%) amounting to FF 78 million. If these exceptional elements were not taken into account, net consolidated profit would have been FF 700 million, an increase of 17.6%.

As of December 31, 1997, long term capital was FF 3,601 million, an increase of 19%, out of a balance sheet total of FF 8,793 million. The Group presents a debt-free balance sheet and has a net cash position of FF 635 million.

Based on the 1996 financial statements, TF1 was ranked 6th of the French companies creating the most value according to the EVATM (1).

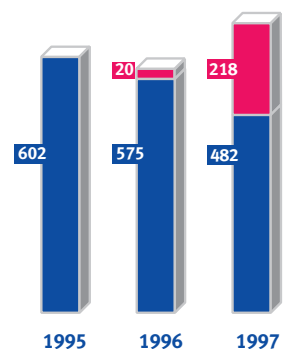
(1) The EVATM (Economic Value Added) measures the creation of wealth produced by a company in a year. This indicator was developed by Stern & Stewart.



TF1 broadcasts the best of football, from the top European clubs to France's national team.

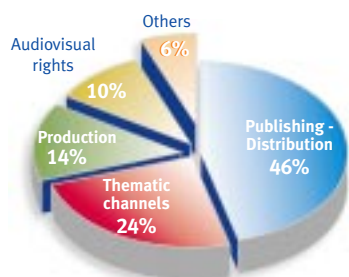
Net advertising revenue for the TF1 channel increased 3.6% to FF 7,688 million in an improved economic climate compared to 1996.

Net Profit (Attributable to the Group)
(in FF million)



Net additional profit excluding the impact of TPS and the increase in the rate of Corporate Income Tax

In 1997, subsidiaries' contributions to consolidated turnover and profit were as follows:



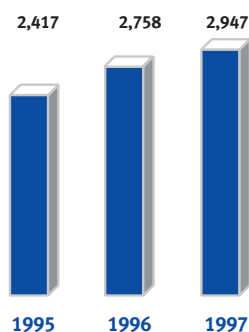
Contributions to the diversified activities revenues

(TPS is not included as the company is consolidated under the equity method.)



"Le Bigdil": successful on the strategic access prime-time slot.

Programmes and films rights in stock
(in FF million)



CONTRIBUTIONS TO CONSOLIDATED TURNOVER *

(in FF million)	1997	1996	1995
TF1 SA	7,831	7,494	7,409
Incl. Advertising	7,688	7,424	7,343
PUBLISHING/ DISTRIBUTION	1,204	1,083	1,001
TF1 Entreprises	591	540	484
CIC	30	19	-
Télé-Shopping	389	344	315
Une Musique	194	168	172
TF1 Publications	-	12	28
TF1 Boutiques	-	-	2
THEMATIC CHANNELS	624	510	383
Eurosport	434	375	264
ESO	259	211	147
TV Sport	59	40	37
Eurosales	116	124	80
LCL	184	135	119
Odysée	6	-	-
DIGITAL TV	-	1	-
Groupe TPS	-	1	-
TF1 Développement	-	-	-
PRODUCTION	380	372	198
TF1 Films Production	140	96	67
Banco Production	15	17	10
Protécra	24	63	64
Groupe Glem	120	106	-
TF1 Publicité Production	40	37	33
Studios 107	41	53	24
AUDIOVISUAL RIGHTS	265	181	143
TF1 International	206	181	143
Légende Distribution	-	-	-
TCM	-	-	-
Groupe Ariane	59	-	-
OTHERS	6	44	6
TF1 Publicité (divers)	6	44	6

TOTAL 10,310 9,685 9,140

* In this table, consolidated turnover includes all of the companies' operating revenues and also includes intra group adjusting entries.

CONTRIBUTIONS TO CONSOLIDATED PROFIT*

(in FF million)	1997	1996	1995
TF1 SA	606	577	609
PUBLISHING/ DISTRIBUTION	67	57	78
TF1 Entreprises	38	38	55
CIC	1	1	-
Télé-Shopping	17	17	14
Une Musique	11	10	10
TF1 Publications	-	(9)	(2)
TF1 Boutiques	-	-	1
THEMATIC CHANNELS	(60)	(92)	(132)
Eurosport	28	13	(9)
ESO	22	4	(17)
TV Sport	15	12	-
Eurosales	(1)	(2)	(1)
TF1 Europe	(8)	(1)	8
Eurosport GMBH	-	-	1
LCL**	(65)	(100)	(123)
Odysée**	(23)	(5)	-
DIGITAL TV	(140)	(20)	-
Groupe TPS	(236)	(32)	-
TF1 Développement	96	12	-
PRODUCTION	6	20	(6)
TF1 Films Production	-	4	(18)
Banco Production	(5)	-	-
Protécra	(24)	2	14
Groupe Glem	21	6	-
TF1 Publicité Production	1	-	-
Studios 107	13	8	(2)
AUDIOVISUAL RIGHTS	1	26	28
TF1 International	21	28	30
Légende Distribution	-	(1)	(1)
Parmentier	-	-	(1)
TCM	(18)	(1)	-
Groupe Ariane	(2)	-	-
OTHERS	2	7	25
TF1 Publicité	1	13	4
Syalis	1	(6)	21

TOTAL 482 575 602

* Due to adjusting entries concerning accelerated tax depreciation, provisions and deferred tax, company profits may differ from company contributions to consolidated profits.

** LCL and Odysée being limited partnership companies, corresponding tax credits (respectively FF 27 million, FF 36 million, FF 45 million in 1997, 1996 and 1995 for LCL and FF 9 million and FF 2 million in 1997 and 1996 for Odysée) are included in TF1 SA's net profit.

● THE TF1 CHANNEL ⁽ⁱ⁾

The rapid development of digital packages constituted one of the major events in the audiovisual landscape in 1997.

In France, in an increasingly competitive context, TF1 remained the viewers' most watched channel. The audience market share of the women under 50 increased to 37.2% and reached 35% of individuals aged 4 years and over.

In Europe, TF1 is one of the three terrestrial broadcasters, together with ITV and BBC1 in the United Kingdom, with a market share of over 30% in their own country.

This success was founded on a clear initiative based on two intangible principles: offering a generalist family-oriented schedule and providing programmes based on events.

Such a coherent schedule allowed it to offer a wide range of easily recognisable products which in turn reinforced its generalist reputation.

This is true as regards the cinema where box office hits like "Mrs Doubtfire", "Un Indien dans la ville", "Sister Act", or "Les 3 frères", have appeared on the channel.

It is equally true for sport where exclusive rights to events like the Champions League, French Cup and the French football team, as well as Formula 1, give an exceptional and factual quality to the programming schedule.

In the area of drama, TF1 has been enterprising for the last 11 years. The channel's heroes have been adopted by the French viewers:

"Julie Lescaut", "Navarro", "Les Cordier" or "Une femme d'honneur", each attracted an average of 11 million viewers in 1997. Today, drama still enables the channel to introduce new heroes on Monday evenings as part of an original programming schedule which has a large public following. This record has enabled TF1 to continue to offer prestigious programmes such as "Le Rouge et Noir" with Carole Bouquet (awarded best actress at the Monte Carlo TV awards in the mini-series category), or soon, "Le comte de Monte Cristo" with Gérard Depardieu in his first TV role.

The strength and wealth of light entertainment has allowed TF1 to alternate the regular programmes deeply rooted in the public's tastes (like "Les Années tubes", "Les Enfants de la télé" or "La Fureur") and events like the Miss France Competition, the "Fête de la Musique" or most recently the 20 years since the death of Claude François.

In the area of entertainment programmes, "Combien ça coûte" marked a revival. With the broadcasting of "Sans Aucun Doute" during the first part of the evening or of "Plein Les Yeux", the channel has an innovative attitude in this area.

The Access Prime Time slot is one of the key success factors for a large generalist network. This period, where the number of viewers doubles in the space of 2 hours, receives particular attention. For TF1, success is based on programmes based on events and targeted at the widest possible sector of the public. That is what is behind the programme "Bigdil" in this time slot. With Vincent Lagaf, the channel has



"La Fureur": karaoke-like entertainment which ranked among the top variety shows in 1997.

In Europe, TF1 is one of the three terrestrial broadcasters with a market share of over 30% in their own country.



"Une Femme d'honneur": TF1's new cop drama, is already rated among the top 50.

(i) Source: Médiamétrie - Eurodata TV.



TF1's news bulletins continued to gain audiences in 1997.

successfully managed to attract more than 36% of women under 50, which also affirms its strong position on advertisers' targets. This success perfectly illustrates TF1's willingness to position itself as the family channel.

The success of the news bulletins is a mark of the excellence of the news department's work, and is recognised as such by the public. 40% of the French public trust TF1 as a source of information, twice as much confidence as in its principal competitor (Sofres survey - La Croix - Télérama February 1998).

In 1997, for all individuals aged 4 and over, TF1 scored 92 out of the top 100 ratings. More than ever, it is a "broad public" strategy which clearly puts TF1 as the fore runner.

● ADVERTISING

In 1997, the growth in TF1's net advertising revenue accelerated, recording a 3.6% increase compared with 1.1% in 1996. Total revenue amounted to FF 7,688 million. This growth was supported by a more favourable economic environment, with a notable improvement in consumer spending towards the end of the year.

In this positive context, television's market share increased by 0.6% to 36.3%⁽¹⁾. This confirms advertisers' attraction to television and its driving force in communicating to the widest possible sector of the public. TF1 ended 1997 with a 50.2% share of the TV advertising market (source: Secodip - Gross figures).

74.2% of advertisers chose to communicate on TF1 in 1997 compared with 72.6% last year. Their confidence is justified by the high audience levels during the

channel's commercial breaks: a 6.1% increase of women under 50, with an average audience still 2 or 3 times higher than those of the other channels.

In addition, thanks to the programme offer which attracts the whole family, TF1 is the channel whose commercial breaks have the highest level of family audience. Advertisers favour TF1 as a result, in view of the demographic importance and spending power of these households.

The commercialisation of the advertising space of Odyssee and Télétoon, as well as the increasing advertiser interest in interactivity (interactive advertisements, weather forecast service and advertising on the internet...) will provide TF1 with new advertising revenue opportunities in 1998.

DIVERSIFICATION ACTIVITIES

In 1997, the TF1 Group's diversification activities grew by 16% to FF 2,622 million, due principally to:

- consistent growth in the Publishing and Distribution sector which represents more than 45% of the total turnover from diversification activities,
- development of the audiovisual rights sector, reinforced by the purchase of "Les Films Ariane" catalogue,

- the performance of the thematic channels which benefited fully from the development of digital television by cable and above all by satellite.

● PUBLISHING AND DISTRIBUTION

The Publishing and Distribution activity is TF1's largest diversification sector. It continued to grow in 1997.

TF1 ENTREPRISES

TF1 Entreprises recorded a turnover of FF 610 million in 1997, an 11% increase.

TF1 Vidéo grew by 22% to FF 437 million in a stable market. Total sales rose to 7.4 million cassettes (+ 46%) due to the success of films like "Seven" (300,000 cassettes sold in 1997) or light entertainment programmes like "Coluche" (290,000 cassettes sold in 1997).

TF1 Vidéo also continued the development of its low price collections under the brand name "Une Vidéo", which experienced strong success with more than 1 million videos sold in 1997, of which almost 500,000 from the "De Funes" collection.

Cassette sales in newstands (which began in 1996) have quadrupled their turnover due especially to the cartoons "Dragon Ball" and "L'Ourson Pluche".

Phone-based services recorded a decline of 16% in a climate marked by the reduced use of Minitel and



In 1997, growth in net advertising revenues gained momentum.



N.B. In this part of the report, figures used to analyse the activities of TF1 subsidiaries are company figures presented in table "Subsidiaries and Financial Investments" of the notes to TF1 SA accounts. These figures differ from net contributions to the consolidated turnover.

⁽¹⁾ Mass media (TV, press, radio, posters and cinema) represents 36.2% of total advertising expenditure in 1997.

telephone kiosks and the development of new media (Internet, video consoles, CD-ROM...) A new department, TF1 Interactif, was introduced to reinforce the editorial content of the TF1-LCI Internet site and to respond to these new economic stakes.

At the heart of the Merchandising activities, the "Licensing" sector benefited from the success of the Ushuaia and Spiderman brand names and the introduction of the brand names Haribo, Les Enfants de la télé, Salut les toons and Tamagotchi.

UNE MUSIQUE

In 1997, the French CD market grew by 7% (source: SNEP) due, in particular, to the explosion of CD singles (two-track CDs), whose sales rose by 52%.

In this context, Une Musique recorded a turnover of FF 195 million, an increase of 17%. The company sold more than 7.2 million items (+33%). The big success of 1997 was the ERA album, triple platinum disk, recording the best ever sales of Une Musique with 976,000 copies. The summer release, WES, sold 234,000 albums and 1.5 million two-track CDs (3rd best selling two-track CD of 1997 - source: SNEP).

TELE-SHOPPING

In 1997, Télé-Shopping celebrated its 10th birthday. The company is 100% owned by TF1, following the buy-out of minority interests.

In a quasi-stable mail-order market (+0.9%), Télé-Shopping recorded a 13% increase in turnover at FF 392 million. The activity linked to the programmes recorded a growth of 11%, while those linked to catalogues continued to develop, with turnover up 18%.

LES NOUVELLES EDITIONS TF1

Les Nouvelles Editions TF1, was created from a partnership between TF1 Entreprises (51%) and Robert Laffont (49%) and published 2 works in the fourth quarter of 1997.

THEMATIC CHANNELS

EUROSPORT

The pan-European sports channel has continued to broaden its coverage. Eurosport is received by 77 million European households (one in three) in more than 47 countries (a collective audience of about 210 million individuals). The launch of the Romanian and Portuguese versions in 1997 has brought to 15 the total number of languages broadcast, giving 93% of households the ability to receive programmes in their native language.

1997 turnover increased by 20%, to FF 902 million, despite a year less rich in major sporting events in comparison with 1996. Network revenues are showing strong growth, principally in Great Britain, in Central Europe and in France where Eurosport benefits from an assortment of digital satellite packages.

In line with forecasts, Eurosport made a profit in 1996 and its net profit improved strongly in 1997 to reach FF 110 million.

Eurosport is the only company in the TF1 group to have significant commitments in South-East Asia. A provision of some FF 7 million has been made in Eurosport's financial statements for this.

LA CHAINE INFO (LCI)

With an average market share of 2.2% (source: Médiamétrie - Audicâble), LCI is ranked fourth in the theme channel sector and is the leading news channel.

At December 31, 1997, LCI was received by more than 2 million subscribers to cable or satellite. This 64% growth stems particularly from the development of satellite digital packages on which the channel is distributed. 1997 turnover amounts to FF 196 million, up 20%.

ODYSSEE

The most recent of the thematic channels created by TF1 has been broadcast for the last year on the digital TPS package (14 hours of programmes per day, 7 days a week). Since June 1, 1997, the documentary channel has also been taken up by the cable networks of Lyonnaise Câble and France Télécom Câble. With more than 710,000 subscribers as at December 31, 1997, Odyssee is among the twenty most widely distributed thematic channels. In 1997, it recorded a turnover of FF 6 million.



Diversification activities constitute new sources of growth.



TF1 Video is the n°. 1 video publisher on the non-film segment with products like "Rudy" (200,000 cassettes sold in 1997).



Télé-Shopping continued to post double digit revenue growth in 1997 with FF 400 million.



Miss France contest: 1997's 3rd best audience rating.

Co-produced by Film par Film, "Le plus beau métier du monde" attracted box office sales in excess of 2.3 million.

● PRODUCTION

In 10 years, the TF1 group has invested more than FF 14 billion in French production. In 1997, the amount was FF 1,550 million including FF 333 million through its subsidiaries.

TF1 FILMS PRODUCTION

In 1997, TF1 Films Production coproduced and purchased the rights of 17 feature films for a total of FF 198 million. Over the year, TF1 Films Production co-produced 10 of the 16 French films which attracted box office sales of more than 500,000 in France. Big successes in 1997 included "Le Pari", "Didier", "Lucie Aubrac", "Le Bossu", and "Les Randonneurs" of which the first two also reached 2 million. Films co-produced by TF1 received 2 "Césars" at the 23rd ceremony of the French Césars awards.

TF1 Film Production obtained a 40% share of the French film market and recorded turnover of FF 217 million.

FILM PAR FILM

In 1997, TF1 increased its 36% shareholding in the film production company Film par Film to 50%. The year's turnover rose to FF 58 million, up 84%. This progress is based principally on the success of the film "Le plus beau métier du Monde" which recorded 2.3 million box office sales.

BANCO PRODUCTION AND PROTECREA

In 1997, Banco made 7 TV films for the channel including "Le juge est une femme". As regards Protécra, it produced 8 episodes of TV series such as "Le commissaire Moulin" or "Le juste", as well as 21 programmes of "Ushuaïa", "Okavango" and "52 sur la Une".

The 1997 financial year was marked by a stagnation in the two subsidiaries' activities. In January 1998, TF1 signed an agreement with USPA (Audiovisual Production Union), by which it agreed to dedicate 80% of its production obligations to independent producers. Therefore it was decided to re-organise the structures of these two organisations and to merge their means of production.

GLEM

Glem recorded increased turnover of 28% to FF 370 million, due principally to television activity which was produced for TF1. This included game shows like "L'or à l'appel", "Mokshu Patamu", "Touché Gagné" as well as the programmes "Les années tubes", "Sans aucun doute" and "Capitale d'un soir". In addition, the company produced special programmes such as "Salut Sardou", "C'est du Lux" and "Miss France 98".

Theatre activity continued its development with the success of "Ils s'aiment" with Pierre Palmade and Michèle Laroque and the tour of "Les Années Twist" and the group Alliage.



Protécra co-produces animated series such as "L'ours Paddington".



● **TRADING OF AUDIOVISUAL RIGHTS**

TF1 INTERNATIONAL

In 1997, the turnover of TF1 International rose to FF 249 million, an increase of 3%. This was primarily made up of feature film sales ("Un Amour de Sorcière", "Ma vie en Rose", "Jungle to Jungle", "Casino", "K..."). TF1 International has continued its efforts in audiovisual rights investment, principally on feature films which in 1997 represented 2/3 of the acquisitions.

ARIANE FILMS

In August 1997, TF1 International purchased the entire share capital of "Les Films Ariane", owner of a catalogue of approximately 300 feature films and 200 programming hours of audiovisual programmes. This includes, in particular, "Fanfan la Tulipe", "Et Dieu créa la Femme", "Le Salaire de la peur", "Le Nom de la Rose", and "Cinéma Paradiso".

The acquisition of the Ariane Film catalogue was made possible by the purchase of Les Films Ariane, Cogelda and Régie Cassette Vidéo (RCV).

"Les Films Ariane" recorded turnover of FF 51 million in 1997.

TCM DROITS AUDIOVISUELS - TCM DA

TCM DA acquired the television exploitation rights of new productions from the Paramount library which contains films like "Forrest Gump" "The Saint", "Mission Impossible", and "Beverly Hills Cop". In its first year TCM DA sold some feature films, television films and series to French terrestrial channels as well as to Belgian and Swiss TV networks. This resulted in turnover of FF 64 million in 1997.

● **DIGITAL TELEVISION**

TELEVISION BY SATELLITE - TPS

TPS offers the general public a package of programmes and services in digital via the satellite. It comprises more than 70 thematic channels and a collection of all the national generalist channels, as well as 6 pay-per-view channels, and about 10 interactive services (including programme guide and weather service-on-demand) and numerous radio stations.

A year after its official launch, this diverse and attractive television offer has attracted 350,000 subscribers to the satellite package, double the initial target. In addition, TPS has almost 38,000 subscribers to the cinema channels on the cable networks. More than 90% of subscribers choose the "Tout TPS" option, which provides the entire package for FF 150 per month.

TPS has developed innovative interactive services like the weather service-on-demand, video games, (Bandiagara), sporting information (Roland Garros tennis tournament, The Champions League), cultural news ("L'œil du Hibou"), interactive business (interactive shopping and advertising) and financial services.

1•2 THE PARENT COMPANY

In 1997, turnover amounted to FF 7,297 million, up 5%, split between advertising revenues (FF 7,167 million) and other revenues (FF 130 million).

Programming costs remained stable at FF 4,590 million in 1997, compared to FF 4,584 million in 1996. This was in line with objectives.

Net profit amounted to FF 594 million, compared to FF 505 million in 1996, up 18%.

1•3 RESEARCH AND DEVELOPMENT

In 1997, research and development costs were not significant.

1•4 HEDGING

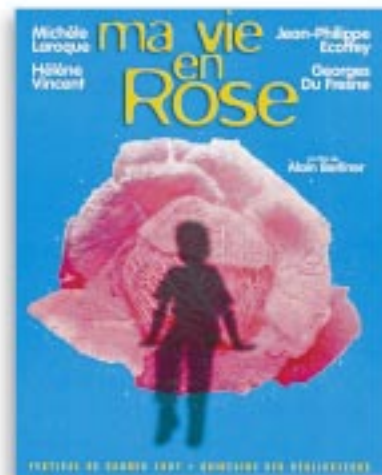
In June 1994, TF1 signed a lease (with a right to purchase) on the building it has occupied since 1992 in Boulogne (92). This contract is for a 15 year duration at a cost of FF 1,080 million (excluding financial costs). To protect rental payments against interest rate fluctuations, TF1 took out several types of hedging (CAP, FRA and SWAP).

In addition, the Group used hedging instruments (forward contracts) to cover changes in exchange rates, principally with respect to audiovisual rights purchases made in foreign currencies.

Details of these hedging operations are presented in the notes to the consolidated accounts.

1•5 EXCEPTIONAL EVENTS OR LITIGATION

The costs of current litigation have been fully provisioned in the parent company and Group accounts. To date and to the knowledge of TF1 and the Group, no other exceptional event or legal action that could substantially affect their business activity, financial situation or assets, is anticipated.



TF1 International commercialises feature rights such as "Ma vie en rose".

Thanks to its digital expertise and the adaptability of its decoder, TPS has developed innovative interactive services.

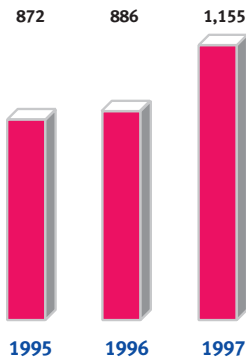


TPS's electronic programme guide and cultural news interactive service.



As a general public network, TF1 offers family-oriented dramas such as "Navarro".

Cash Flow
(in FF million)



The TF1 Group has become an important player in France's digital revolution.



2

Prospects for 1998

In a competitive environment, TF1 bases its growth strategy on the following principles:

- strengthen its position as the leading generalist channel;
- offer advertisers an innovative and effective commercial proposition which meets their expectations, a partnership based on trust and a long lasting relationship with a strategic vantage point on the development of advertising on television;
- control programme and structure costs in order to take full advantage of the growth in the advertising market and to increase profitability and operating cash flow;

- create and develop diversification activities that create strong props to the Group's growth, in areas connected to its broadcasting profession:

- ▶ publishing and distribution (TF1 Entreprises, Télé-Shopping, Une Musique...),
- ▶ national thematic (LCI and Odysée) and pan-European (Eurosport...) channels,
- ▶ purchase and negotiation of audiovisual rights (TF1 International, Ariane Films, TCM...),
- ▶ production (TF1 Films Production, TF1 Publicité Production or Glem...),
- ▶ distribution of digital programmes and services (TPS).

These diversifications, essentially self-financed, have been realised in conjunction with TF1's managerial and financing capabilities. The objective is to limit risk and to maintain company profits. Today the rapid development of satellite packages is changing the audiovisual landscape and generating new opportunities for the Group in each of its areas of activity.

TF1 will continue its development in each of the new markets not only as a founding member of TPS but also as a publisher and provider of programmes and services. In fact TF1 will:

- remain the leading generalist channel which unites and gathers the entire family to watch exclusive and original events. It will increasingly use the new opportunities provided by digital technology and the adaptability of the TPS decoder to offer advertisers "interactive advertising".

- manage LCI and Odysée (national thematic channels), Eurosport (a European theme channel), and before summer 1998, a home-shopping theme channel,

- assure, through TF1 Publicité, the advertising sales of the generalist programmes, the channels LCI, Odysée and Télétoun as well as those for the TPS weather service and for the TF1 Internet site,

- conceive and produce, through its Multimedia studio and the TF1 Interactive department, new programmes and services based on digital television and the Internet, with the objective of providing a quality editorial and commercial offer for both viewers and advertisers.

The Group possesses all the necessary requirements for solid development in this new environment. Equally in the area of news, variety and light entertainment, TF1 manages the content which it produces and distributes. At the same time, in the area of drama and cinema, (riskier sectors), several means of distribution are used: pay-per-view, video cassette sales (tomorrow in DVD), thematic channels, the generalist channel ...to optimise the use and reduce the risk.

TF1 has become an important player in the digital revolution, which is not limited just to France, but already extends into the rest of Europe.

Whether alone or in partnership, the future of the TF1 Group will be European.



Human resources

3•1 EMPLOYEES

On December 31, 1997, the number of permanent employees of the TF1 Group was 2,109, split as follows: 1,220 in TF1, 227 in TF1 Publicité, 126 in TF1 Entreprises, 147 in LCI, 198 in Eurosport and 191 in other subsidiaries.

The workforce is made up of 1,007 managerial staff, 326 journalists, 627 supervisors and 104 other support staff.

	31.12.97	31.12.96	31.12.95
TF1	1,220	1,248	1,238
Subsidiaries	889	833	757
Total	2,109	2,081	1,995

3•2 REMUNERATION POLICY, EMPLOYEE PROFIT SHARING AND SAVINGS PLANS

Employee profit sharing amounted to FF 34 million in 1997, compared with FF 22 million in 1996.

At the end of December 1997, the Employee Savings Plan, created in December 1992, had 1,396 subscribers. The Group's contribution amounted to FF 27 million against FF 22 million in 1996.

3•3 PROFESSIONAL TRAINING AND RELATIONS WITH SCHOOLS AND UNIVERSITIES

More than 33,000 hours were devoted to professional training in 1997, through nearly 2,950 training sessions in all the Group's various entities.

The Group also continued to develop ties with schools and universities through 539 internships.

In 1997, professional training expenses represented nearly 4.4% of the total personnel costs.

3•4 GOALS FOR 1998

In 1998, TF1 will continue to negotiate over the planning and duration of working hours as well as over the principles of governing the "time saving account" with those of pension funds.



Subsidiaries and associated companies

4•1 CREATION OF NEW COMPANIES IN 1997

● LES NOUVELLES ÉDITIONS TF1

Incorporated on February 4, 1997, Les Nouvelles Editions TF1 was created as a SAS company (Société par Actions Simplifiée), with a capital of FF 250,000, divided into 2,500 shares of FF 100 each, held as follows:

TF1 Entreprises 50% (1,250 shares), Les Editions Robert Laffont 49% (1,149 shares), TF1 1% (1 share).

Its business purpose is the publishing, distribution and sale of books and publications of all types, whatever their form, presentation or frequency excluding the following: "youth" books, newspapers and magazines as well as all leaflets sold with video and music products, in particular, CDs, DVDs and cassettes.

● EUROSHOPPING

Incorporated on December 1, 1997 as a limited partnership company,

Euroshopping has a share capital of FF 500,000 divided into 5,000 shares of FF 100 each, held as follows:

- ▶ 4,999 shares held by Télé-Shopping as limited partner,
- ▶ 1 share held by TF1, as general partner.

Its business purpose is the creation, conception and distribution of a teleshopping theme channel, broadcast by all means notably by satellite and cable in analog and/or digital, to be integrated in one or more digital satellite programme packages.

4•2 ACQUISITION

● LES FILMS ARIANE

On August 6, 1997, TF1 International (subsidiary of Syalis, itself a subsidiary of TF1) acquired "Les Films Ariane", RCV and Cogelda for FF 189 million.

4•3 SUBSCRIPTIONS

● FILM PAR FILM

On December 8, 1997, TF1 increased its shareholding in "Film par Film" from 36.6% to 50%, for FF 28 million.

● LUXTEL

On June 27, 1997, TF1 purchased the whole of the capital increase of FLUX 1,250,000. This was preceded by a reduction in capital of FLUX 1,150,000 combined with elimination of brought forward losses.



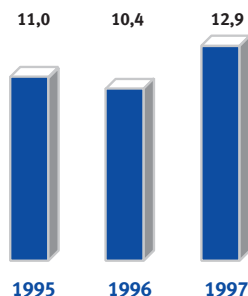
"Gazon maudit": 11.2 million viewers.

The most successful French productions and Hollywood's best are on TF1.



"Sister Act": 11.8 million prime time viewers.

Market capitalisation (in FF billion)



4.4 REDUCTIONS IN CAPITAL

● TÉLÉ-SHOPPING

The share capital of Télé-Shopping was reduced by FF 150,000, from FF 1 million to FF 850,000. On July 2, 1997, Télé-Shopping purchased 1,500 of its own shares for FF 21.8 million for immediate cancellation. As a result, TF1 holds 100% of the share capital of Télé-Shopping.

● TF1 ENTREPRISES

The share capital of TF1 Entreprises was reduced by FF 32 million, from FF 52 million to FF 20 million. As a result, on December 15, 1997, TF1 Entreprises purchased 32,000 of its own shares for immediate cancellation.

4.5 DISPOSALS

● TÉLÉ-EUROPE

Télé-Europe, having no particular prospects for development having made losses for several years, was sold on April 1, 1997, to TDF for a token franc. The shares held (2,621), valued at FF 419,000, represented 8.7% of the share capital. Télé-Europe is a limited company whose business purpose is the rental and use of all sound or image documents.

● MULTIVISION

On June 26, 1997, TF1 sold all of the 9,800 shares it held in Multivision to TPS for FF 7,340,824. This was accompanied by the closure, at nominal value, of TF1's current account amounting to FF 2,000,000.

4.6 LIQUIDATIONS

● SYALIS MDS AND SYALIS VARIÉTÉS

On December 30, 1997, Syalis MDS and Syalis Variétés, both dormant and each with a share capital of FF 250,000 (subsidiaries of Syalis, itself a subsidiary of TF1) were struck off the Company Register, after their liquidation.

● STEPS

On December 15, 1997, the General Meeting of Société Européenne de Programme et de Services - STEPS - decided to liquidate the company after the waiver of the shareholders' current accounts (FF 0.6 million for TF1). TF1 held 50 shares of FF 500 each in this company.

4.7 POST BALANCE SHEET EVENTS

There have been no significant post balance sheet events.

5

Share capital

5.1 TF1 SHARE

The TF1 share price ended the year at an all-time high following a surge in value (beginning in August 1997), which resulted in a price of FF 615 at December 31 i.e. an annual growth of 24%. This performance was in line with the SBF 120 index increase (including the TF1 share), which rose nearly 27% over the year.

The number of transactions remained high with a daily average of 38,000 units traded (+ 27%). The TF1 share has provided a 17.6% annual yield before tax (including tax credit), on its issue price of FF 165 on July 24, 1987.

5.2 STOCK EXCHANGE PURCHASES

During the past year, the Board of Directors has not made use of the authorisation granted by the Annual General Meeting of June 12, 1997, to purchase shares in the market so as to stabilise the share price.

However, TF1 purchased shares as part of the stock-option plans detailed in paragraph 5-6 below.

5.3 SHARE CAPITAL

TF1's share capital is FF 210 million, fully paid up, divided into 21 million shares of FF 10.

There are no non-voting shares, preference shares or shares with double voting rights.



"TF! Jeunesse", a winning children's channel within the main channel.

"Papyrus".



5.4 ADMINISTRATION OF SHARES

TF1 handles the administration of all matters relating to share administration itself.

5.5 SHAREHOLDERS

To the Board's knowledge, the shareholding structure has evolved as follows:

	28.02.98	31.12.96	31.12.95
Bouygues	40.1%	39.0%	39.0%
Société Générale	3.0%	6.0%	6.0%
Worms & Cie	-	1.0%	1.5%
Crédit Lyonnais	-	-	0.3%
TOTAL shareholders acting together⁽¹⁾	43.1%	46.0%	46.8%
Employees	2.4%	2.0%	1.9%
French ⁽²⁾ , ⁽³⁾	21.9%	26.1%	18.8%
Foreign ⁽²⁾	32.6%	25.9%	32.5%
Total	100%	100%	100%

(1) SBF notification N°94-600.

(2) Estimates SICOVAM (December 31).

(3) Includes unidentified holders.

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

5.6 SHARE OPTION PLANS

The Extraordinary General Meeting of June 12, 1995 authorised the Board of Directors to grant options to buy or apply for shares in the company. These options are granted to employees and management of TF1 and its subsidiaries under article 208.4 of the law of July 24, 1966.

	PLAN N°1	PLAN N°2	PLAN N°3
Date of Shareholders' Meeting	June 12, 1995	June 12, 1995	June 12, 1995
Date of Board of Directors' Meeting	October 10, 1995	April 8, 1997	March 18, 1998
Total number of shares to be subscribed or purchased	170, 500 shares	227, 000 shares	230, 000 shares
Total number of shares to be subscribed or purchased by the Group's management ⁽¹⁾	132, 000 shares	165, 500 shares	178, 000 shares
Number of management concerned	27	30	32
Starting date of exercise period	at the end of the period of unavailability		
Expiry date of exercise period	7 years after the allocation date		
Subscription price	FF 481	FF 523	FF 657
Exercise terms and conditions	unavailability: 1 year, then exercisable equally over the following 4 years	unavailability: 5 years, then exercisable equally over the following 2 years	unavailability: 5 years, then exercisable equally over the following 2 years
Number of shares subscribed or purchased at February 28, 1998	144,258 shares purchased	-	-

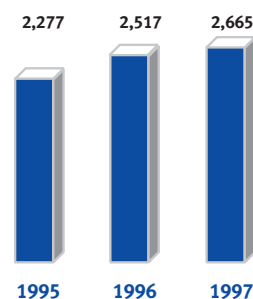
(1) Detailed on pages 8 and 9.

To the company's knowledge, there are no shares given as security or collateral as regards TF1 and its subsidiaries.



The Winter Olympics on Eurosport.

Shareholders' equity (in FF million)



TF1 Licences exploits TF1's merchandising rights.



"Un mois, une heure", a news show hosted by Anne Sinclair.

6

Allocation and distribution of TF1 profits (Parent company)

In the resolutions submitted to them, shareholders are asked to receive and approve the financial statements for the year ending December 31, 1997, which show:

- 1997 Net profit
..... FF 594,079,063.12
- Balance brought forward
..... FF 168,382,226.04

Giving a distributable profit after tax of
..... FF 762,461,289.16

The Board of Directors recommend the following:

- Allocation to Other Reserves
..... FF 250,000,000.00
- Distribution of a dividend of
..... FF 336,000,000.00
(i.e. a net dividend of FF 16 per FF 10 nominal share together with a tax credit of FF 8)
- Leaving a balance to be carried forward
..... FF 176,461,289.16

"Columbo", a classic praised by viewers.

The dividend would be payable on June 30, 1998.

Shareholders are reminded that the net dividends distributed for the three previous financial years ending 1994, 1995 and 1996 were FF15, FF16, and FF16 per share respectively. The corresponding tax credits were FF 7.50, FF 8 and FF 8.

7

Resolutions

The auditors will submit to the shareholders their report on the accounts for the 1997 financial year, and on the agreements provided for under article 101 (et seq.) of the Law of July 24, 1966.

In its resolutions, the Board of Directors proposes that shareholders:

- approve the accounts for the 1997 financial year and the distribution and allocation of profits, together with the agreements and transactions relevant to article 101 (et seq.) of the Law of July 24, 1966, as referred to in the Auditors' Special Report,

- grant the Board of Directors a discharge for its management of the company,

- take note of the consolidated accounts,

- ratify the co-option of Claude Cohen as Director, decided by the Board of Directors on October 7, 1997,

- ratify the co-option of Alain Pouyat as Director, decided by the Board of Directors on March 18, 1998,

- reappoint for a further two years, Alain Pouyat, whose term of office as Director, expires at the close of this meeting,

- confirm the election of the Directors representing the staff,

- renew the annual authorisation, which was granted at the Meeting of June 12, 1997, allowing the company to buy its own shares on the stock market so as to stabilise its share price. Such purchases would be limited to 10% of the share capital. The maximum purchase price shall be FF 850 and the minimum selling price FF 400 per share. When the company shares are quoted in Euros, these amounts will be converted into Euros and rounded to the nearest cent,

- allow your Board to issue in Euros, one or several debenture bonds as authorised in the 16th resolution of the Combined General Meeting on June 12, 1997.

Please find hereafter the five-year financial record of your company.

Shareholders are asked to vote on the resolutions submitted to them.

The Board of Directors

Five-year financial record

1 SHARE CAPITAL AT THE END OF THE ACCOUNTING PERIOD

	1997	1996	1995	1994	1993
a) Share capital*	210,000,000	210,000,000	210,000,000	210,000,000	210,000,000
b) Number of shares issued	21,000,000	21,000,000	21,000,000	21,000,000	21,000,000
c) Number of bonds convertible into shares	-	-	-	-	-

2 PROFIT AND LOSS ACCOUNT*

a) Turnover (excluding VAT)	7,296,664,591	6,951,575,847	6,897,135,313	6,610,557,695	6,131,932,600
b) Profit before income tax, employee profit sharing, depreciation, amortisation and provisions	1,131,980,593	961,089,198	924,940,975	1,148,746,840	854,259,386
c) Corporate income tax	337,017,950	228,067,835	259,827,667	258,530,966	195,393,635
d) Employee profit sharing	20,183,732	17,015,876	18,454,777	16,739,328	12,832,718
e) Profit after income tax, employee profit sharing, depreciation, amortisation and provisions	594,079,063	505,389,913	554,940,703	576,361,987	407,748,161
f) Total dividends	336,000,000 ⁽¹⁾	336,000,000	336,000,000	315,000,000	262,500,000

3 EARNINGS PER SHARE*

a) Net profit before depreciation, amortisation and provisions	36.89	34.10	30.79	41.59	30.76
b) Net profit after depreciation, amortisation and provisions	28.28	24.07	26.42	27.44	19.42
c) Dividends per share	16.00 ⁽¹⁾	16.00	16.00	15.00	12.50

4 EMPLOYEES

a) Number of employees	1,220	1,248	1,238	1,187	1,194
b) Total payroll costs*	600,641,794	619,137,339	579,333,946	530,607,926	497,997,349
c) Total of employee benefit costs*	258,880,807	270,497,532	260,523,733	231,316,495	221,477,938

* In FF.

⁽¹⁾ Submitted for approval at the General Meeting.



Youth sports are on Eurosport.



"Julie Lescaut", a popular and successful French hero.

Resolutions



SUBMITTED TO THE COMBINED GENERAL MEETING
OF MAY 12, 1998

Ordinary part

FIRST **(Approval of the financial statements)**

The General Meeting, having heard the Board of Directors' report and Statutory Auditors' report on the accounts of the company, approves them together with the financial statements for the year ended December 31, 1997 which includes the Balance Sheet, the Profit and Loss account and the Notes to the financial statements, as submitted to them.

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

SECOND **(Auditors' special report)**

The General Meeting has considered the Statutory Auditors' special report on the regulated contracts provided for in articles 101 (et seq.) of the Law of July 24, 1966 and approves the agreements and operations contained therein.

THIRD **(Allocation and distribution of profits)**

The General Meeting, after noting that the distributable profits amount to FF 762,461,289.16 including the 1997 net profit of FF 594,079,063.12 and the balance of FF 168,382,226.04 carried forward from the previous financial year, approves the following allocation and distribution of

profits recommended by the Board of Directors:

- Allocation to other reserves FF 250,000,000.00
- Distribution of a dividend FF 336,000,000.00 (corresponding to a net dividend of FF 16 per FF 10 nominal share, plus a tax credit of FF 8)
- Balance of distributable profits carried forward ... FF 176,461,289.16

The dividend will be payable as of June 30, 1998.

The General Meeting notes that the dividends paid for the three previous financial years ended December 31, 1994, December 31, 1995 and December 31, 1996 had been FF 15, FF 16 and FF 16 net per share respectively. The corresponding tax credits were FF 7.50, FF 8 and FF 8.

FOURTH **(Presentation of the consolidated financial statements)**

The General Meeting notes that the consolidated financial



statements as at December 31, 1997 were submitted to them and that the Board of Directors' report on the management of the Group is included in the Management report.

FIFTH (Ratification of the co-option of a Director)

The General Meeting ratifies the decision taken by the Board of Directors' Meeting held on October 7, 1997 to appoint Mrs Claude Cohen as Director, following Mrs Corinne Bouygues' resignation.

Her term of office will expire at the end of the General Meeting which will approve the 1998 financial statements.

SIXTH (Ratification of the co-option of a Director)

The General Meeting ratifies the decision taken by the Board of Directors' Meeting held on March 18, 1998 to appoint Mr Alain Pouyat as Director, following Mr Nicholas Clive Worms' resignation.

His term of office will expire at the end of this Meeting.

SEVENTH (Re-appointment of a Director)

The General Meeting re-appoints Mr Alain Pouyat whose term of office was to have expired at the end of this meeting, as Director for a period of two years. His term of office will expire at the end of the General Meeting which will approve the 1999 financial statements.

EIGHTH (Acknowledgment of the election of the Employee Representatives)

After having noted the names of the Employee Representatives' members elected to the Board of Directors on May, 6 1998, the General Meeting acknowledges their election and designation as Employee Representatives. The Employee Representatives' term of office is for a period of two years and will expire when the results of the next election of Employee Representatives are announced, in accordance with the provisions of article 10 of the Articles of Association.

NINTH (Autorisation to purchase and sell the Company's own shares to stabilise its share price on the market)

The General Meeting, in accordance with Article 217-2 of the Law of July 24, 1966, authorises the Company to purchase its own shares on the Stock Exchange, within a limit of 10% of the share capital, in order to stabilise the share price on the market under the conditions provided in the Law.

The maximum purchase price shall not exceed FF 850 per share, with a minimum selling price of FF 400 per share, as long as the company's shares are quoted in French Francs. When the company's shares are quoted in Euros, the maximum purchase price and the minimum selling price will be identical for those above, converted into Euros and rounded to the nearest cent.

The present authorisation is granted to the Board of Directors for a duration of eighteen months.

Consequently, the Board is granted full authority, which may be delegated, to place any stock exchange orders, conclude any agreements, especially with a view to keeping the shareholders' register, make any statements to the "Commission des Opérations de Bourse" and any other regulating body, and generally take all necessary measures regarding the above authorisation.

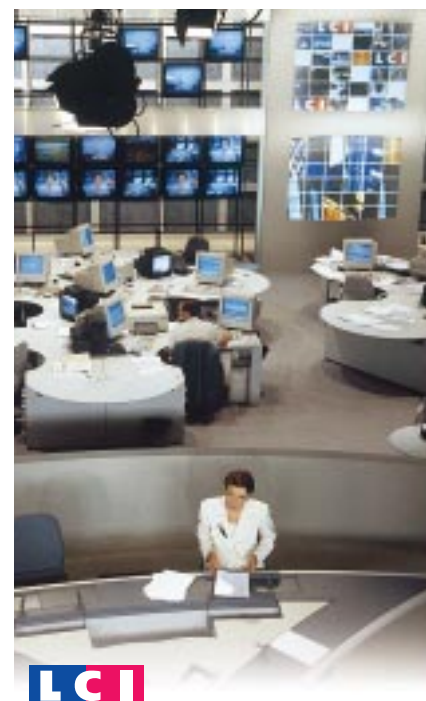
The General Meeting, in accordance with Article 217-2 of the Law n° 66-537 of July 24, 1966, notes that the Board of Directors intends to use part or all of the shares purchased to award share options to employees or to the management of the company or other subsidiaries.

TENTH (Conversion into Euros of the authorisation granted to the Board of Directors to issue bonds in French Francs)

Having heard the Board of Directors' Report, the General Meeting resolves that amounts expressed in French Francs in the sixteenth resolution adopted by the Combined General Meeting held on June 12, 1997, may be expressed in Euros, once it becomes legal tender in France.



TF1's Multimedia Studio uses its solid technical expertise in developing video-on-demand services.



LCI, a 24-hour news channel provides targeted audiences for advertisers.

Combined General Meeting of May 12, 1998



"Dog tracer", a new video collection for children.

Extraordinary part

AGENDA

- Consideration of Directors' report.
- Conversion of the share capital into Euros.
- Renewal of the authorisation granted to the Board of Directors by the Combined General Meeting of June 12, 1997, to increase the capital in case of takeover bid for shares of the company.
- Authorisation to grant to the Board of Directors power to issue marketable securities of all kinds after conversion of the share capital in Euros.
- Conversion of all authorisations given in French Francs into Euros.
- Authority to file documents and relevant procedures.

The Extraordinary part of the Combined General Meeting is the subject of a separate document.



"Les randonneurs",
1.4 million box office sales
in 1997.



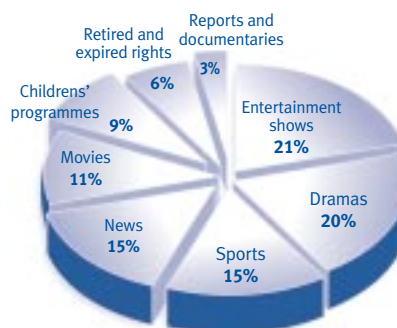
FINANCIAL STATEMENTS
AND GENERAL INFORMATION

1997



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Breakdown of 1997's programming costs.

Consolidated Profit and Loss Account

Operational breakdown

(in FF million)	1997	1996 ⁽¹⁾	1996	1995
TF1 Channel				
Advertising revenue	7,688	7,424	7,424	7,343
Advertising agency fees	(521)	(516)	(516)	(505)
NET REVENUES FROM BROADCASTING	7,167	6,908	6,908	6,838
Royalties and contributions				
Authors	(293)	(279)	(279)	(277)
CNC	(351)	(341)	(341)	(342)
TV5	-	(9)	(9)	(9)
Transmission costs				
TDF, Satellites, Transmissions	(380)	(380)	(380)	(411)
INA	(6)	(5)	(5)	(19)
Programming costs	(4,590)	(4,584)	(4,584)	(4,388)
GROSS MARGIN	1,547	1,310	1,310	1,392
Diversification revenues and other revenues	2,622	2,260	2,261	1,797
Other operating expenses	(2,480)	(2,180)	(2,212)	(1,892)
Depreciation, amortisation and provisions (net)	(529)	(447)	(449)	(365)
OPERATING PROFIT	1,160	943	910	932
FINANCIAL PROFIT	30	26	26	49
PROFIT BEFORE TAX AND EXCEPTIONAL ITEMS	1,190	969	936	981
Exceptional items	(8)	(3)	(3)	25
Goodwill amortisation	(17)	(13)	(13)	6
Tax and employee profit sharing	(413)	(337)	(337)	(408)
Share of investment consolidated under equity method	(254)	(33)	-	-
NET PROFIT OF INTEGRATED COMPANIES	498	583	583	604
Minority share of profit	(16)	(8)	(8)	(2)
NET PROFIT ATTRIBUTABLE TO THE GROUP	482	575	575	602

(1) TPS and TCM were consolidated under the proportional method in 1996. As these companies are consolidated under the equity method in 1997, the 1996 accounts have been restated.

The table above provides additional information to the notes to the consolidated accounts and identifies the group's main sources of revenues and costs:

- broadcasting of programmes,
- diversification activities.



Net revenues from broadcasting

Net revenues from broadcasting relate to net revenues invoiced to advertisers by TF1 Publicité after deduction of running costs.



Gross margin

The gross margin breaks down as follows:

Net revenues from broadcasting **Royalties and contributions**

These fees are fully or partly based on advertising revenues and include:

- fees paid to Authors,
- the contribution to the CNC (National Cinema Council).

Transmission costs:

These expenses result from the transmission of TF1's programmes as well as filing costs paid to INA (National Institute of Archives).

Programming costs:

These are the internal and external costs of programming. They include expired and retired broadcasting rights.



Operating profit

The operating profit is calculated on the basis of the gross margin. It takes into account revenues from diversification activities and other operating revenues minus operating expenses related to diversification activities and other operating expenses not directly attributable to programmes. This operating profit is the one stated in the consolidated profit and loss account.



Other items

As stated in the consolidated profit and loss account.

Statutory auditors' reports on the financial statements

FINANCIAL YEAR ENDED
DECEMBER 31, 1997



Opinion on the financial statements of the company

In compliance with the assignment entrusted to us by your shareholders' General Meeting we hereby report to you, for the year ended December 31, 1997:

- the audit of the accompanying financial statements of TF1 SA presented on pages 50 to 64,
- 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.

1.1 OPINION ON THE FINANCIAL STATEMENTS

We conducted our audit in accordance with the professional standards applied in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements give a true and fair view of the company's financial position and its assets and liabilities as of December 31, 1997, and of the results of its operations for the year then ended in accordance with accounting principles generally accepted in France.

1.2 SPECIFIC VERIFICATIONS AND INFORMATION

We also performed the specific verifications required by law in accordance with the professional standards applied in France.

We have no comment as to the fair presentation and the conformity with the financial statements of the information given in the management report of the Board of Directors, and in the documents addressed to the shareholders with respect to the financial position and the financial statements.

In accordance with the law, we verified that the management report contains the appropriate disclosure as to the acquisition of shares and controlling interests.

Paris, March 19, 1998

SALUSTRO REYDEL
Edouard SALUSTRO
Jean-Pierre CROUZET

Jacques VILLARY



Opinion on the consolidated financial statements

In compliance with the assignment entrusted to us by your shareholders' General Meeting we have audited the consolidated financial statements of the Group presented on pages 38 to 49, for the year ended December 31, 1997. 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.

We conducted our audit in accordance with the professional standards applied in France. Those standards require that we plan and

perform the audit to obtain reasonable assurance about whether 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 by management, as well as evaluating the overall consolidated financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the Group's financial position and its assets and liabilities as of December 31, 1997, and of the results of its operations for the year then ended in accordance with accounting principles generally accepted in France.

We have also carried out the verification of the information given on the management of the Group. We have no comment to make as to its fair presentation and its conformity with the consolidated financial statements.

Paris, March 19, 1998

SALUSTRO REYDEL
Edouard SALUSTRO
Jean-Pierre CROUZET

Jacques VILLARY

Statutory auditors' report on regulated contracts

FINANCIAL YEAR ENDED
DECEMBER 31, 1997

Ladies and Gentlemen,

In compliance with article 103 of the law of July 24, 1966, we have to inform you of the following contracts to which article 101 of this law applies.

1

Agreement concluded during the year and duly authorised

Agreement with BOUYGUES

TF1 and Bouygues entered into a common services agreement, which cancels and replaces the previous agreement, detailed below. New rules have been set for the allocation and re-invoicing of common service costs of the Bouygues Group to which TF1 has access. This new agreement provides for the invoicing of specific services supplied, at TF1's request, by these common services (assistance and services relating to management, human resources, company secretarial, information technology, finance and other advice) and a proportion of the residual shared service costs. This proportion, determined by the application of key allocation criteria (employees, long term capital and turnover) specific to each type of cost, cannot exceed 0.45% of TF1's consolidated turnover before tax.

This agreement was authorised by your Board of Directors on October 8, 1997 with effect from July 1, 1997. During the second half of 1997, the costs borne by TF1 amounted to FF 22 million, none of which related to specific services.

Directors concerned:

Messrs Martin Bouygues, Michel Derbesse, Patrick Le Lay, Philippe Montagner and Olivier Poupard-Lafarge.

2

Agreements concluded during past years and continuing in the year ended December 31, 1997

Agreement with BOUYGUES

On October 21, 1992, TF1 and Bouygues entered into an agreement for administrative, financial, legal and general management assistance provided by Bouygues. This agreement came to an end on June 30, 1997. In the first half of 1997, under the terms of this agreement, Bouygues invoiced TF1 a fee of FF 23.2 million, representing, as in previous years, 0.45% of TF1's consolidated turnover before tax.

Agreement with BOUYGUES RELAIS

With effect from October 21, 1996, TF1 and Bouygues Relais entered into an agreement under which TF1 can deposit its surplus cash with Bouygues Relais and block a part thereof for a period of one calendar month. Amounts blocked for one month will earn TMM + 0.125%, and the balance, computed on a day to day basis, will bear interest at the rate of TMP - 0.225% when it is positive and TMP - 0.025% when it is negative.

In 1997, under the terms of this agreement, Bouygues Relais invoiced TF1 a fee of FF 21,000.

Paris, March 19, 1997

SALUSTRO REYDEL

Edouard SALUSTRO
Jean-Pierre CROUZET

Jacques VILLARY

Charles Villeneuve,
"Le droit de savoir".



Consolidated Balance Sheet



ASSETS (in FF thousands)	Notes	31 DEC. 97			31 DEC. 96	31 DEC. 95
		Gross value	Depreciation amortisation and provisions	Net value	Net value	Net value
INTANGIBLE FIXED ASSETS		2,408,919	1,952,417	456,502	363,900	298,524
Audiovisual rights	2.3 & 3.1	2,383,212	1,929,191	454,021	356,995	295,460
Other intangible fixed assets	2.5 & 3.2	25,707	23,226	2,481	6,905	3,064
GOODWILL	2.6 & 3.3	97,823	48,708	49,115	39,200	-
TANGIBLE FIXED ASSETS	2.7 & 3.4	972,452	550,440	422,012	482,903	497,293
Land		37,163	-	37,163	37,163	37,243
Freehold buildings		108,470	37,878	70,592	74,035	78,140
Other tangible fixed assets		826,819	512,562	314,257	371,705	381,910
FINANCIAL ASSETS		59,594	19,467	40,127	22,056	79,407
Share of investment consolidated under equity method		25,853	-	25,853	8,460	-
Investments and loans to associated undertakings		25,260	19,399	5,861	4,766	72,803
Other financial assets		8,481	68	8,413	8,830	6,604
FIXED ASSETS		3,538,788	2,571,032	967,756	908,059	875,224
Programmes and film rights	2.4 & 3.5	3,351,369	404,688	2,946,681	2,758,485	2,417,290
Raw materials and supplies		53,371	25,017	28,354	41,010	38,611
Trade debtors		2,427,250	33,407	2,393,843	2,124,513	2,253,618
Other debtors	3.6 & 3.13	1,361,695	30,030	1,331,665	1,189,380	1,173,827
Marketable securities	2.8 & 3.7	462,195	-	462,195	600,055	611,823
Cash at bank and in hand		174,012	-	174,012	155,069	112,796
CURRENT ASSETS		7,829,892	493,142	7,336,750	6,868,512	6,607,965
ADJUSTMENT ACCOUNTS	3.15	287,387	-	287,387	291,964	283,866
DEFERRED TAXATION	2.11 & 3.12	201,132	-	201,132	110,129	106,868
TOTAL ASSETS		11,857,199	3,064,174	8,793,025	8,178,664	7,873,923



Animal and nature documentaries are part of Odyssee's programming offer.



LIABILITIES (in FF thousands)	Notes	31 DEC. 97	31 DEC. 96	31 DEC. 95
Share capital		210,000	210,000	210,000
Revaluation reserve		30,705	30,705	30,705
Other reserves		1,942,399	1,700,717	1,434,601
Profit attributable to the group		481,512	575,280	601,632
SHAREHOLDERS' FUNDS	3.8	2,664,616	2,516,702	2,276,938
Minority interests	3.9	25,300	16,572	3,620
Government grants for investment	2.9 & 3.10	55,097	57,841	64,899
Provisions for liabilities and charges	2.10 & 3.11	486,550	153,052	171,586
Deferred taxation	2.11 & 3.12	369,129	284,105	242,786
LONG TERM CAPITAL		3,600,692	3,028,272	2,759,829
Financial creditors and borrowings (1)	3.13	47,409	71,579	43,344
Trade creditors	3.13	2,768,208	2,839,211	2,794,215
Other creditors	3.13 & 3.14	2,320,758	2,160,994	2,217,711
CREDITORS		5,136,375	5,071,784	5,055,270
ADJUSTMENT ACCOUNTS		55,958	78,608	58,824
TOTAL SHAREHOLDERS' FUNDS AND LIABILITIES		8,793,025	8,178,664	7,873,923
(1) Including current bank overdrafts		1,454	219	1,679

Consolidated Profit and Loss account

<i>(in FF thousands)</i>	<i>Notes</i>	1997	1996	1995
TURNOVER		10,309,757	9,685,296	9,140,006
Net advertising revenue	2.12	7,895,708	7,612,059	7,479,832
incl.				
TF1		7,687,647	7,424,412	7,342,800
EUROSPORT		166,020	156,574	112,234
LCI		39,196	31,073	24,798
TÉLÉTOON		2,536	-	-
ODYSSÉE		309	-	-
Diversification revenue		2,081,318	1,754,473	1,470,758
Technical services revenue		191,859	95,046	121,669
Other revenue		140,872	223,718	67,747
OPERATING EXPENSES		(9,150,512)	(8,774,296)	(8,207,982)
External production costs		(2,477,331)	(2,182,469)	(2,408,118)
Change in stocks of in-house production		82,926	44,548	95,072
Staff costs		(1,488,042)	(1,502,281)	(1,359,799)
Other operating expense	4.1	(4,739,171)	(4,684,902)	(4,169,654)
Depreciation, amortisation and provisions (net value)				
- Depreciation and amortisation		(420,817)	(348,162)	(318,007)
- Provisions		(108,077)	(101,030)	(47,476)
OPERATING PROFIT		1,159,245	911,000	932,024
Financial revenue		91,338	74,849	75,395
Financial expense		(60,701)	(48,944)	(26,308)
FINANCIAL PROFIT	4.2	30,637	25,905	49,087
PROFIT BEFORE TAX AND EXCEPTIONAL ITEMS		1,189,882	936,905	981,111
Net exceptional income/expense	4.3	(7,542)	(3,084)	24,684
Goodwill amortisation		(17,639)	(13,067)	6,651
Employee profit sharing		(34,273)	(22,207)	(28,476)
Income tax	4.4	(378,782)	(315,057)	(379,720)
Share of investment consolidated under equity method		(254,037)	59	-
NET PROFIT BEFORE MINORITY INTEREST		497,609	583,549	604,250
Minority interest		(16,097)	(8,269)	(2,618)
NET PROFIT ATTRIBUTABLE TO THE GROUP	4.5	481,512	575,280	601,632



Consolidated Cash Flow statement

(in FF thousands)

	31 Dec. 97	31 Dec. 96	31 Dec. 95
1 Operating activities			
Net profit	751,646	583,490	604,250
Depreciation, amortisation and provisions	502,522	409,724	296,013
Investment grants released to revenue	(76,817)	(74,938)	(34,626)
Expenses to amortise	(37,193)	(31,395)	(40,892)
Capital gains (losses) on disposal of fixed assets	14,939	(795)	47,202
CASH FLOW	1,155,097	886,086	871,947
Stocks	(174,845)	(343,594)	(347,590)
Trade debtors	(472,696)	204,389	(697,349)
Trade creditors	168,757	(40,947)	634,507
Net advances from third parties	19,682	5,942	18,410
Increase (decrease) in working capital needs	(459,102)	(174,210)	(392,022)
NET CASH INFLOW FROM OPERATING ACTIVITIES	695,995	711,876	479,925
2 Investing activities			
Purchase of intangible fixed assets	(250,181)	(320,685)	(264,311)
Purchase of tangible fixed assets	(67,963)	(101,360)	(89,363)
Disposal of fixed assets	15,276	15,966	46,729
Purchase of financial asset investments	(194,600)	(20,112)	(51,972)
Increase (decrease) in fixed assets creditors	(4,101)	(11,059)	65,727
	(501,569)	(437,250)	(293,190)
Consolidation adjustments	(3,518)	5,390	(35,750)
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	(505,087)	(431,860)	(328,940)
3 Financing activities			
Increase (decrease) in shareholders' funds	74,073	67,880	78,079
Increase (decrease) in loans	(47,991)	21,667	2,976
Dividends paid	(337,142)	(337,676)	(316,800)
NET CASH OUTFLOW FROM FINANCING	(311,060)	(248,129)	(235,745)
TOTAL INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(120,152)	31,887	(84,760)
Cash at beginning of period	754,905	723,018	807,778
Net inflow (outflow)	(120,152)	31,887	(84,760)
Cash at end of period	634,753	754,905	723,018

Notes to the consolidated financial statements



The TF1 Group

1.1 PRESENTATION OF TF1

TF1 is operating under a 10-year broadcasting licence, effective from April 16, 1987, enabling it to broadcast on the frequencies previously allocated to it as a state-owned channel.

Also, article 28.1 of Law 94-88 of February 1, 1994 stipulates that licences are “renewed by the CSA (Conseil Supérieur de l’Audiovisuel), without tender offer, to a limit of twice and on each occasion for a duration of five years, (...) unless the CSA considers that the penalty(ies) imposed on the licensee or claims made against the licensee justify, by reason of their seriousness, that the licence should not be renewed without tender offer”. On March 26, 1996, the CSA renewed TF1’s licence for use of frequencies for a period of 5 years. This renewal was confirmed on September 17, 1996.

1.2 CONSOLIDATED ACCOUNTS

The consolidated accounts have been prepared on the basis of the statutory financial statements of TF1 SA and its subsidiaries and have required certain restatements. These restatements mainly concern intangible fixed assets which, in the consolidated accounts, are reclassified as current assets and charged to the Profit and Loss Account when broadcast (as detailed in note 2-4) and accelerated amortisation in TF1 SA.

Subsidiaries not consolidated

Certain subsidiaries which are not significant to the Group accounts (Médiamétrie, SETS, Luxtel, Mery Productions, Télé Achat Cable, Syalis Spops, TVRS 98, Mercury, Tricom, Technisonor, Les Nouvelles Editions TF1, Euroshopping, TF1 USA, Légende Distribution, Eurosport Sales Advertising AB, Traint) as well as the subsidiaries under liquidation - TF1 Publications and TF1 Boutiques, have not been consolidated.

Jean-Pierre Foucault,
“Les années tube”.



1.3 SCOPE OF CONSOLIDATION

COMPANY	LEGAL STRUCTURE	SHARE CAPITAL (1)	CURRENCY
Fully consolidated companies			
TF1 PUBLICITÉ	SA	15,000	FRF
TF1 FILMS PRODUCTION	SA	17,000	FRF
TELE-SHOPPING	SA	850	FRF
SYALIS SA	SA	250	FRF
UNE MUSIQUE	SA	250	FRF
TF1 EUROPE	SA	21,000	FRF
TF1 PUBLICITE PRODUCTION	SARL	50	FRF
BANCO PRODUCTION	SA	13,000	FRF
PROTECREA	SA	10,000	FRF
TF1 ENTREPRISES	SA	20,000	FRF
STUDIOS 107	SA	12,000	FRF
C.I.C.	SA	785	FRF
LA CHAINE INFO	SCS	30,000	FRF
TF1 DEVELOPPEMENT	SA	250	FRF
PARMENTIER PRODUCTIONS	SARL	3,429	FRF
TF1 INTERNATIONAL	SA	100,000	FRF
GROUPE GLEM	SA	250	FRF
GLEM	SA	100	FRF
BAXTER	SA	250	FRF
GLEM REPORTAGE	SARL	50	FRF
GLEM FILM	SA	500	FRF
MIKADO	SARL	50	FRF
SOCIÉTÉ D'EXPLOITATION DE DOCUMENTAIRES	SCS	50	FRF
COGELDA (3)	SA	64,250	FRF
LES FILMS ARIANE (3)	SA	500	FRF
REGIE CASSETTE VIDEO (3)	SA	250	FRF
Companies proportionately consolidated			
ESO	SCS	3,000	FRF
TV SPORT	SA	15,000	FRF
MT ZURICH	SA	600	CHF
MT AMSTERDAM	SA	40	NLG
MT LONDRES	SA	10	GBP
TÉLÉVISION NORDIC AB	SA	50	SEK
EUROSPORT GMBH	SA	50	DEM
SAGAS	SA	250	FRF
EUROSALES	SCS	1,500	FRF
Company consolidated under the equity method			
FILM PAR FILM	SA	10,000	FRF
TPS	SNC	12,000	FRF
TPS GESTION	SA	250	FRF
TCM DA	SNC	1,500	FRF
TCM GESTION	SA	250	FRF

(1) Local currency (in thousands).

(2) There is no significant difference between the percentage of interest held and the percentage of control exercised.

(3) Companies consolidated for the first time in 1997.

Légende Distribution, TF1 Boutiques and TF1 Publications have not been consolidated in 1997 as their activities were not significant.

TPS and TCM, which were proportionately consolidated in 1996, are consolidated under the equity method in the 1997 financial statements. This change of consolidation method is justified by TF1’s influence in the management of these companies since January 1, 1997.

The consolidation under the equity method of TPS and TCM from December 31, 1996 would not have had any major influence on the Balance Sheet and Profit and Loss Account, which consequently have not been restated. The consolidation of these companies under the equity method would have led to a FF 1 million decrease in turnover and a FF 32 million increase in operating profit for the year ended December 31, 1996.

COUNTRIES OF INCORPORATION	ACTIVITY	INTEREST HELD (%) (2)
French	Marketing of TF1 advertising airtime	99.98
French	Co-production of films	99.99
French	Home-shopping	99.95
French	Financing company	99.76
French	Music publishing	99.84
French	Financing company	99.99
French	Commercials and promos	100.00
French	Production of programmes	99.99
French	Production of programmes	99.99
French	Video, on-line services, merchandising products	99.99
French	TV production studios	99.99
French	Video distribution	99.92
French	Exploitation of "La Chaîne Info"	100.00
French	Development of digital technology	99.76
French	Audiovisual rights	100.00
French	Audiovisual rights	99.99
French	Financing company	59.88
French	Production of programmes	96.40
French	Music publishing	95.08
French	Press agency	100.00
French	Co-production of films	97.02
French	Public relation and agent services	75.20
French	Documentary thematic channel	100.00
French	Audiovisual rights	99.99
French	Audiovisual rights	99.94
French	Video distribution	99.88
French	Selling of the Eurosport channel outside France	34.00
French	Selling of the Eurosport channel in France	30.99
Swiss	Selling of the Eurosport channel in Switzerland	34.00
Dutch	Selling of the Eurosport channel in Holland	34.00
English	Selling of the Eurosport channel in the UK	34.00
Swedish	Selling of the Eurosport channel in Sweden	34.00
German	Selling of the Eurosport channel in Germany	34.00
French	ESO's management company	33.92
French	ESO's advertising agency	34.00
French	Audiovisual production	50.00
French	Selling of TPS programmes	25.00
French	TPS's management company	24.96
French	Audiovisual rights	34.00
French	TCM DA's management company	34.00

Jean Bertolino,
"52 sur la Une".



Group accounting policies

2.1 BASIS OF ACCOUNTING

The 1997 consolidated financial statements of the TF1 Group have been prepared in accordance with Generally Accepted French Accounting Standards, notably those prescribed by the French Law of January 3, 1985 and the decree of February 17, 1986.

They are prepared in accordance with the historical cost convention, modified by the revaluation of certain tangible fixed assets at December 31, 1986.

2.2 COMPARABILITY OF CONSOLIDATED FINANCIAL STATEMENTS

The financial year ending December 31, 1997 is a 12-month accounting period comparable to the previous period without restatements.

2.3 AUDIOVISUAL RIGHTS

This section refers to the shares owned in films that have been co-produced by TF1 Films Production, Glem Films, Studios 107 and Les Films Ariane, audiovisual trading and distribution rights held by TF1 International, TF1 Entreprises, RCV and Cogelda, and musical rights held by Une Musique and Baxter.

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

Date of posting	Amortisation Rate			
	Co-production Share	Audiovisual Distribution Rights	Audiovisual Trading Rights	Musical Rights
End of shooting date	in line with revenues			
Censors' certificate	straight-line rate over 3 years			
Signing of contract		straight-line rate over 3 years	straight-line rate over 5 years	
Signing of contract				2 years 75% 1 st year 25% 2 nd year

For films co-produced by TF1 Films Production, the method applied is the one which enables the film to be written off for tax purposes as quickly as possible. It can thus differ from film to film.

A provision is set up when estimated future revenues do not cover the book value, net of amortisation.

2.4 PROGRAMMES AND FILM RIGHTS

The policies used for the valuation, accounting and presentation of programmes are as follows:

[A] Programmes are reported under the title “Programmes and film rights”.

[B] The term “Programmes and film rights” covers:

- ▶ TF1 in-house productions,
- ▶ external productions, including broadcasting rights acquired by the station as well as co-productions.

[C] Elements reported under “Programmes and film rights” at the end of the financial year refer to:

- ▶ in-house productions, or co-productions ready for broadcasting that have not yet been transmitted for the first time; these are valued at their overall production cost (direct costs plus attributable production overheads) or purchase cost;
- ▶ purchased broadcasting rights once TF1 has given technical approval for the copy received from the supplier, and as long as the right has not expired. These rights 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, the copies of which have not received TF1’s technical approval. These programmes are valued according to the investment outlay at the year end.

[D] Programmes are deemed “consumed” at the moment of transmission.

[D1] *Purchased TV rights and co-produced programmes (Children (except Cartoons) - Variety - Theatre - Documentaries - News and Sport).*

Possible transmissions	1	2 or more
1 st transmission	100%	100%
2 nd transmission	-	-

Some purchases of audiovisual rights regarding children’s programmes are amortised according to the valuation of each transmission as contractually defined.

[D2] *Co-productions of a duration not exceeding 60 minutes*

Possible transmissions	1	2 or more
1 st transmission	100%	100%
2 nd transmission	-	-

[D3] *Purchased TV rights for dramas, series and delegated co-productions of a duration equal to or exceeding 60 minutes.*

Possible transmissions	1	2 or more
1 st transmission	100%	80%
2 nd transmission	-	20%

[D4] *Purchased rights for full-length feature films and cartoons.*

Possible transmissions	1	2 or more
1 st transmission	100%	50%
2 nd transmission	-	50%

[D5] 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 in the event of a given programme not being broadcast.

[E] Tax allowances for amortisation (included in “regulated provisions” in TF1 SA’s accounts) have been restated in order to eliminate their impact on the consolidated accounts; they form part of consolidated shareholders’ funds.

2.5 OTHER INTANGIBLE FIXED ASSETS

Other intangible assets relate essentially to acquisition of trade marks.

2.6 GOODWILL

Goodwill represents the difference between:

- ▶ the purchase price of the participation acquired,
- ▶ the corresponding share of shareholders’ equity (after possible valuation differences have been taken into account).

In order to take into account future development and profitability, goodwill is amortised on a straight-line basis over a period of between 4 and 6 years (Film par Film and Glem: 4 years; Télé-Shopping: 6 years). However, where the amount of goodwill is not significant, it is fully written-off during the year of acquisition.

In respect of the acquisition of the Ariane Group, goodwill has been fully allocated to the film right catalogue and to the deferred tax asset relating to the deferred element of the amortisation.

2.7 TANGIBLE FIXED ASSETS

Depreciation rates are the following:

Buildings	straight line	40 years*
Technical facilities (before 1992)	reducing balance	3 to 5 years
Technical facilities (after 1992)	straight line	5 years
Other tangible fixed assets	straight line or reducing balance	2 to 10 years

* As of the date of its becoming TF1 property (prior to Dec. 31, 1986: 12 to 20 years).

Leasing operations do not require specific restatements. See note 6-1 for information on leasing operations.

2.8 MARKETABLE SECURITIES

The value of marketable securities is calculated as of their date of acquisition. When the inventory value is lower than the acquisition cost, a provision is made.

“The Mask”.



2.9 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 by TF1 Films Production, Banco Production, Protécra, Studios 107 and Les Films Ariane 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.

2.10 PROVISIONS FOR LIABILITIES AND CHARGES

Provisions are calculated on the basis of an estimation of all existing risks at the balance sheet date.

Losses in respect of subsidiaries under liquidation are fully provided for.

2.11 DEFERRED TAXATION

Deferred taxation, as applicable to TF1 and its subsidiaries, results from:

- restatements that are made in order to eliminate the impact, on the financial statements, of entries resulting from fiscal allowances;
- differences in timing of recognition of items in the financial statements and by tax authorities.

Deferred tax has been calculated using the liability method.

2.12 ADVERTISING

Income from advertising is recorded net of rebates and commissions paid to agents.

2.13 OFF-BALANCE SHEET COMMITMENTS

The acquisition of broadcasting rights and co-productions that have given rise to firm contractual commitments by the channel, prior to the end of the accounting period, but for which technical approval has not yet been granted, are recorded as financial commitments. 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".

The Group's commitments regarding pension costs are covered by an insurance policy for rights accrued by personnel aged 48 and over.

2.14 FINANCIAL INSTRUMENTS

The Group protects itself from exposure to interest rate and exchange rate fluctuations with financial instruments. The Group operates on currency markets to hedge commitments linked to its economic activity only. It does not intervene 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 (charged at the outset) and gains and losses on FRA (charged at the start of the period covered).



Notes to the consolidated balance sheet

3.1 AUDIOVISUAL RIGHTS

Valued as indicated in note 2-4, the movements for the financial year can be broken down as follows:

(FF million)	01 Jan. 97	Change in the scope of consolidation ⁽¹⁾	Increase	Decrease	31 Dec. 97
Cost	1,308	871	250	(46)	2,383
Amortisation	(924)	(711)	(274)	34	(1,875)
Provisions	(27)	(14)	(28)	15	(54)
Net book value	357	146	(52)	3	454

(1) "Change in the scope of consolidation" concerns companies referred to in note 1-3, which have been consolidated for the first time in 1997.

3.2 OTHER INTANGIBLE FIXED ASSETS

(FF million)	01 Jan. 97	Change in the scope of consolidation	Increase	Decrease	31 Dec. 97
Cost	21	2	3	-	26
Amortisation	(14)	(6)	(3)	-	(23)
Net book value	7	(4)	-	-	3

3.3 GOODWILL

(FF million)	Gross value at 31 Dec. 96	Increase	Gross value at 31 Dec. 97	Amortisation at 31 Dec. 96	Increase	Amortisation at 31 Dec. 97	Net value at 31 Dec. 97
MT SPOT	5	-	5	5	-	5	-
PARMENTIER PRODUCTIONS	3	-	3	3	-	3	-
CIC	3	-	3	3	-	3	-
PROTECREA	4	-	4	4	-	4	-
SYALIS	2	-	2	2	-	2	-
GROUPE GLEM	40	-	40	10	10	20	20
FILM PAR FILM	12	11	23	3	6	9	14
TELE-SHOPPING	-	18	18	-	3	3	15
Total	69	29	98	30	19	49	49



Philippe Risoli,
"Le juste prix"
(The price is right).

3.4 TANGIBLE FIXED ASSETS

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

Cost

(FF million)	01 Jan. 97	Change in the scope of consolidation	Increase	Decrease	31 Dec. 97
Land	37	-	-	-	37
Buildings	109	-	-	-	109
Technical facilities & equipment	292	(4)	28	7	309
Other tangible assets	524	(8)	34	34	516
Assets under construction	14	(8)	6	10	2
Total	976	(20)	68	51	973

Depreciation

(FF million)	01 Jan. 97	Change in the scope of consolidation	Increase	Decrease	31 Dec. 97
Buildings	34	-	4	-	38
Technical facilities & equipment	209	-	34	7	236
Other tangible assets	250	2	64	39	277
Total	493	2	102	46	551

3.5 PROGRAMMES AND FILM RIGHTS

The following table provides a breakdown of stocks of programmes and film rights, as defined in note 2-3, after deduction of provisions and amortisation.

(FF million)	1997	1996	1995
Advances on programmes in progress	880	860	791
Programmes ready for broadcasting	1,995	1,855	1,560
Rights available for further broadcasting	477	408	359
Gross value	3,352	3,123	2,710
Provisions	(405)	(364)	(293)
Net value	2,947	2,759	2,417

3.6 OTHER DEBTORS

These amounted to FF 1,332 million, including FF 918 million of recoverable VAT and FF 215 million of TPS current account.

3.7 MARKETABLE SECURITIES

These consist of FF 395 million in money market funds (all capital gains have been taken on December 31, 1997) and of FF 67 million worth of TF1 shares bought within the share option plan. These securities were bought in order to fulfil the share option plan set up in October 1995 for several employees and management of TF1.

3.8 SHAREHOLDERS' FUNDS

Movements for the year are indicated in the following table:

(FF million)	01 Jan. 97	Dividends	Net Profit	31 Dec. 97
Share capital	210	-	-	210
Revaluation reserves	31	-	-	31
Retained earnings	2,276	(334)	482	2,424
Total	2,517	(334)	482	2,665

NB: share capital is divided into 21,000,000 shares with a face value of FF 10. Share capital is fully subscribed.

3.9 MINORITY INTERESTS

Movements for the year are indicated in the following table:

(FF million)	01 Jan. 97	Dividends	Change in the scope of consolidation	Net Profit	31 Dec. 97
Minority interests	17	(4)	(4)	16	25

3.10 GOVERNMENT GRANTS FOR INVESTMENT

These primarily consist of a grant obtained by TF1 Films Production from the National Cinema Council (CNC). In 1997, FF 53 million was credited to the profit and loss account as against FF 46 million in 1996.



A special 10th anniversary show for French pop idol Claude François.

3.11 PROVISIONS FOR LIABILITIES AND CHARGES

Provisions, as indicated in note 2-10, are as follows:

(FF million)	01 Jan. 97	Change in the scope of consolidation	Increase	Decrease	31 Dec. 97
Claims	94	3	82	55	124
Associated companies	-	-	11	1	10
Other provisions	59	8	330	44	353
Total	153	11	423	100	487

Out of a total of FF 487 million of "Provisions for liabilities and charges", FF 198 million relate to risks with private companies and individuals, FF 37 million to risks with administrations, and FF 252 million to negative shares from companies consolidated under the equity method (see note 1-3).

3.12 DEFERRED TAXATION

Deferred income tax is calculated on the liability basis at the rate of 41 2/3% at December 31, 1997.

A Deferred tax liabilities may be analysed as follows:

(FF million)	1997	1996	1995
TF1	350	264	226
Subsidiaries	19	20	17
Total	369	284	243

Deferred tax liabilities principally relate to the cancellation of accelerated amortisation.

B Deferred tax assets relate essentially to provisions for charges that only become deductible for tax purposes when paid, and provisions for amortisation of programmes.

3.13 DUE DATES FOR DEBTORS AND CREDITORS

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

(FF million)	Less than one year	Between one and five years	Over five years	Total
Other debtors	1,302	27	33	1,362
Financial creditors and loans	47	-	-	47
Trade creditors	2,768	-	-	2,768
Other creditors	2,318	3	-	2,321

3.14 OTHER CREDITORS

The breakdown of "Other creditors" is as follows:

(FF million)	1997	1996	1995
Personnel taxes and social security	1,427	1,301	1,345
Fixed assets creditors	62	99	111
Other creditors	832	761	762
Total	2,321	2,161	2,218

The increase in other creditors is due essentially to the value-added-tax collected and credit notes to be issued.

3.15 ADJUSTMENT ACCOUNTS

Adjustment accounts, which amount to FF 287 million, mainly comprise:

- expenses to be amortised over several periods (products for sale) or prepaid expenses (products to be sold) related to the video activity for FF 47 million,
- prepayments related to the broadcasting of sports events for FF 218 million.

4

Notes to the consolidated profit and loss account

4.1 OTHER OPERATING EXPENSES

Other operating expenses include the following items:

(FF million)	1997	1996	1995
Transmission costs (TDF)	441	436	498
Subcontracting and production costs	1,677	1,745	1,501
Sundry contributions	698	674	672
Taxes and levies	122	107	113
Other operating expenses	1,801	1,724	1,386
Total	4,739	4,686	4,170

4.2 FINANCIAL PROFIT

The financial profit for 1997 comprises the following:

(FF million)	1997	1996	1995
Net profits on the sale of marketable securities	16	23	35
Release of provisions for contingencies and financial investments	1	(13)	3
Interest	(4)	12	10
Other	18 ⁽¹⁾	4	1
Total	31	26	49

(1) Including FF 17 million of foreign exchange gains.

4.3 EXCEPTIONAL ITEMS

Exceptional items in 1997 comprise the following:

(FF million)	1997	1996	1995
Capital gains (losses) on disposal of fixed assets	(12)	1	(3)
Net provisions	(3)	(1)	(40)
Other	7	(3)	(12)
Total	(8)	(3)	25⁽¹⁾

(1) Restated from goodwill.

4.4 CORPORATE INCOME TAX

(FF million)	1997	1996	1995
Current taxation	342	277	344
Deferred taxation	37	38	36
Total	379	315	380

The deferred tax rate has been stated at 41 2/3% for the 1997 financial year.

The effective tax rate of 43.2% corresponds to the total taxation charge (FF 379 million) as a percentage of pre-tax profit.

Since January 1, 1989, TF1 has chosen the status of tax consolidation, an option renewed on January 1, 1994. The subsidiaries concerned are TF1 Publicité, Une Musique, TF1 Films Production, TF1 Entreprises, Protécra, TF1 Europe, Syalis, TF1 Publicité Production, TF1 Boutiques, TF1 Développement, Télé Achat Câble, Compagnie Internationale de Communication, Banco Production, Studios 107, TF1 Publications, TF1 International, Parmentier Productions, Syalis Spops and Mery Productions.

4.5 RECONCILIATION OF TF1 SA COMPANY PROFIT TO CONSOLIDATED PROFIT

(FF million)	31 Dec. 97
TF1 SA profit	594
Profit from consolidated subsidiaries	(296)
	298
Restatements	
▶ Provision for amortisation of programmes (net balance) (1)	(16)
▶ Elimination of regulated provisions	82
▶ Elimination of inter-group provisions	324
▶ Deferred taxation	(37)
▶ Dividends received from subsidiaries	(111)
▶ Other	(42)
Consolidated profit	498
Minority interests	(16)
Net profit attributable to the group	482

(1) The provision for amortisation of programmes, that are not going to be broadcast and are already written off (in accordance with note 1.7 of the notes to TF1 SA accounts) amounts to FF 140 million at 31 Dec. 97.



Note to the cash flow statement

The cash flow statement has been established according to the cash flow method advocated in recommendation 1.22 of the French National Institute of Accountants.



Other information

6.1 OFF-BALANCE SHEET COMMITMENTS

As described in note 2-13, the due dates of these commitments at December 31, 1997 are as follows:

(FF million)	Less than one year	Over one year	Total
Programmes and broadcasting rights	1,172	1,122	2,294
Sports transmission rights	784	2,373	3,157
Video exploitation rights	39	-	39
Leasing	82	1,403	1,485
Other commitments	211	681	892
Total	2,288	5,579	7,867

The heading "Programmes and broadcasting rights" includes long-term contracts relating to variety shows and children's programmes amounting to FF 1,159 million.

Due dates concerning transmission of sports events have been estimated on the basis of the foreseeable transmission date of the events concerned.

The heading "Broadcasting rights" refers to TF1's commitment to SOGEDIF for FF 98 million. TF1 is indeed committed to purchasing feature film and series rights acquired by GIE SOGEDIF at TF1's request, up to a maximum of FF 300 million.

Group's commitments regarding property leasing contracts:

In June 1994, TF1 leased the office building it has been occupying since 1992 at 1, quai du Point du Jour in Boulogne. This contract has a 15 year term and amounts to FF 1,080 million (excluding interest charges):

- ▶ land FF 300 million
- ▶ building FF 380 million
- ▶ equipment FF 400 million



"Bandiagara" is TPS's video game service.

TF1 has an option to purchase from the seventh year onwards at the net book value. This financial lease contract with GIE APHELIE replaces the commercial lease originally contracted between TF1 and GAN.

Original value	1,080
Lease payments (1)	264
▶ accumulated	202
▶ financial year	62
"Theoretical" depreciation charges (2)	196
▶ accumulated	140
▶ financial year	56
Estimated remaining future lease payments (3)	
▶ less than one year	71
▶ between one and five years	407
▶ more than five years	770

(1) Including capital repayment of FF 43 million.

(2) Depreciation charges that would have been accounted for if the building was owned by the company.

(3) Lease payments calculated using a theoretical interest rate of 6.25%.

Group's commitments regarding pension costs:

Rights accrued by personnel aged 48 and over were covered by an insurance policy and therefore no longer amount to FF 11 million.

6.2 USE OF FINANCIAL HEDGING INSTRUMENTS

6.2.1 Hedging of exchange rates

As TF1 SA and several Group subsidiaries transact business in foreign currencies, they use buy and sell forward exchange contracts and purchase of call option contracts to protect themselves from exchange rate fluctuations. These operations are made on the currency markets and cover the major part of contracts, signed before December 31, 1997, where the due dates fall between 1998 and 2001.

On December 31, 1997, the exchange value of these contracts amounted to FF 841 million:

- ▶ FF 657 million of forward purchase exchange contracts in US Dollars,
- ▶ FF 93 million of forward purchase exchange contracts in Swiss Francs,
- ▶ FF 49 million of purchase of call option contracts in Swiss Francs,
- ▶ FF 22 million of forward purchase exchange contracts in Pounds Sterling,
- ▶ FF 20 million of sell forward exchange contracts in Pounds Sterling.

6.2.2 Hedging of interest rates

During 1997, TF1 continued to hedge against interest rate changes the cost relating to the property lease of the office building it has occupied since 1992, at 1 quai du Point du Jour in Boulogne.

On December 31, 1997, TF1 has:

- ▶ FF 600 million of SWAPS, FF 600 million of FRA contracts and FF 1,840 million of CAPS contracts to hedge the 1998 payments due under this lease agreement,

- ▶ FF 100 million of SWAPS to hedge TF1's average commitment to SOGEDIF anticipated for 1998.

The financial impact of such operations on December 31, 1997, is included in financial expenses and amounts to FF 5 million.

6.3 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 follows:

	1997	1996	1995
College 1 - Workers and clerical employees	104	158	159
College 2 - Technical staff	672	652	641
College 3 - Managerial and executive staff	1,007	985	875
College 4 - Journalists	326	334	320
Total	2,109	2,129	1,995

6.4 DIRECTORS' REMUNERATION

Directors' remuneration for the year ended 31 December 1997 amounted to FF 71,084,549. Information on the 34 executive directors is set out on page 8 of this document.

On October 10, 1995, the Board of Directors granted 115,500 share purchase options to several members of the TF1 Group management. The subscription price was fixed at FF 481, representing 95% of the average of the opening prices quoted on the last twenty days preceding the Board Meeting.

As of December 31, 1997, two beneficiaries have exercised their available share option entitlement.

On April 8, 1997, the Board of Directors granted 147,500 share subscription options to several members of the TF1 Group management. The subscription price was fixed at FF 523, representing 95% of the average of the opening prices quoted on the last twenty days preceding the Board Meeting, of April 8, 1997.

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.

6.5 SUBSEQUENT EVENTS

None.

7

Significant elements in the notes to the prior accounting periods

The information contained in the Notes to the accounts for 1997 is equivalent to that for the two preceding periods.

1996 and 1995 accounting periods: None

TF1 SA Balance Sheet

ASSETS (In FF thousands)	Notes	31 DEC. 97			31 DEC. 96	31 DEC. 95
		Gross value	Depreciation amortisation, and provisions	Net value	Net value	Net value
INTANGIBLE FIXED ASSETS	1.1 & 2.1	3,220,297	237,260	2,983,037	2,824,227	2,499,421
Franchises and other similar rights		889	889	-	-	-
Brand		419	419	-	-	-
Goodwill		95	-	95	95	95
Other intangible fixed assets		4,189	3,770	419	838	1,256
Programmes ready for broadcasting		1,995,177	199,118	1,796,059	1,662,347	1,466,605
Rights available for future showings		477,324	31,128	446,196	380,760	321,889
Programmes in progress		742,204	1,936	740,268	780,187	709,576
TANGIBLE FIXED ASSETS	1.2 & 2.2	836,109	480,681	355,428	396,890	434,107
Land		37,163	-	37,163	37,163	37,243
Freehold buildings		108,470	37,879	70,591	74,035	78,140
Technical facilities and equipment		288,107	227,807	60,300	70,616	90,773
Other tangible fixed assets		401,033	214,995	186,038	209,976	223,885
Tangible fixed assets under construction		1,336	-	1,336	5,100	4,066
FINANCIAL ASSETS	1.3 & 2.3	661,886	111,981	549,905	553,864	543,654
Investments		655,911	110,075	545,836	549,727	538,647
Loans to associated undertakings		1,868	1,866	2	2	2
Other investments held as fixed assets		508	-	508	508	508
Loans		1,722	-	1,722	1,778	2,175
Other financial assets		1,877	40	1,837	1,849	2,322
FIXED ASSETS		4,718,292	829,922	3,888,370	3,774,981	3,477,182
Raw materials and consumables		5,003	-	5,003	2,509	1,267
Goods held for resale		1,165	-	1,165	1,180	1,505
Prepayments and accrued income		17,874	-	17,874	26,319	19,898
Trade debtors	1.4 & 2.4	1,733,353	226	1,733,127	1,566,366	1,591,966
Other debtors	2.4	1,099,290	14,471	1,084,819	729,799	775,085
Marketable securities	1.5, 2.5 & 4.7	450,319	-	450,319	577,592	611,823
Cash at bank and in hand		62,067	-	62,067	21,707	13,836
Prepaid expenses	2.6	227,632	-	227,632	215,961	244,195
CURRENT ASSETS		3,596,703	14,697	3,582,006	3,141,433	3,259,575
UNREALISED LOSSES GAINS ON FOREIGN EXCHANGE		1,171	-	1,171	2,150	312
TOTAL ASSETS		8,316,166	844,619	7,471,547	6,918,564	6,737,069



"Elisa".

LIABILITIES (In FF thousands)	Notes	31 DEC. 97	31 DEC. 96	31 DEC. 95
Share capital		210,000	210,000	210,000
Revaluation reserve		30,705	30,705	30,705
Legal reserve		21,000	21,000	21,000
Long term capital gain reserve		163,995	163,995	163,995
Other reserves		1,150,000	900,000	650,000
Retained earnings		168,382	246,854	277,085
Net profit for the year		594,079	505,390	554,941
Government grants for investment	1.6	45	417	1,392
Regulated Provisions: Amortisation	1.7	692,591	611,749	547,870
SHAREHOLDERS' FUNDS	2.7	3,030,797	2,690,110	2,456,988
Provisions for contingencies		50,913	41,116	74,015
Provisions for charges		1,171	2,150	312
Other provisions for liabilities		156,324	132,774	154,840
PROVISIONS FOR LIABILITIES AND CHARGES 1.8 & 2.8		208,408	176,040	229,167
Bank borrowings (1)		-	-	-
Other financial creditors (2)		732,043	605,937	636,442
Trade creditors		2,023,066	2,128,042	2,092,773
Tax and social liabilities		809,745	717,329	754,487
Fixed assets creditors		10,273	26,203	42,938
Other creditors		649,809	558,112	521,136
Prepaid income		6,945	16,090	1,710
CREDITORS AND OTHER LIABILITIES	2.9	4,231,881	4,051,713	4,049,486
UNREALISED LOSSES / GAINS ON FOREIGN EXCHANGE		461	701	1,428
TOTAL SHAREHOLDERS' FUNDS AND LIABILITIES		7,471,547	6,918,564	6,737,069
(1) Including bank overdrafts		-	-	-
(2) Including current account with associated companies		732,043	605,937	636,442

TF1 SA Profit and Loss account



<i>(In FF thousands)</i>	<i>Notes</i>	1997	1996	1995
TURNOVER	1.9 & 3.1	9,510,089	9,472,701	9,185,047
Advertising revenue	3.1	7,167,138	6,908,145	6,837,961
Technical services		66,579	4,178	6,763
Other operating revenue		62,948	39,253	52,411
In-house production		1,677,007	1,932,226	1,790,774
Operating grant		1,935	352	-
Depreciation, amortisation and provisions releases		115,912	112,548	91,765
Expense transfers		391,067	445,248	384,163
Other revenue		27,503	30,751	21,210
OPERATING EXPENSES		(8,199,279)	(8,428,228)	(8,010,224)
Purchase of raw materials and consumables		(25,698)	(1,792)	(1,961)
Change in inventory		2,478	918	(464)
Other purchases and external expenses		(1,972,977)	(2,141,789)	(2,105,338)
Taxes and levies	3.2	(434,057)	(417,883)	(417,196)
Wages & salaries paid	3.3	(600,642)	(619,137)	(579,334)
Social security charges	3.4	(258,881)	(270,498)	(260,524)
Depreciation, amortisation and provisions				
• amortisation of broadcast programmes		(4,319,970)	(4,384,078)	(4,159,491)
• depreciation of other fixed assets		(81,330)	(88,919)	(85,159)
• provision for intangible assets and current assets		(91,898)	(170,565)	(40,518)
• provision for liabilities and charges		(70,914)	(10,211)	(56,975)
Other expenses	3.5	(345,390)	(324,274)	(303,264)
OPERATING PROFIT		1,310,810	1,044,473	1,174,823
NET PROFIT FROM JOINT OPERATIONS		1	-	-
Financial revenue		249,736	263,993	301,496
Financial expense		(254,648)	(280,654)	(294,794)
FINANCIAL PROFIT	3.6	(4,912)	(16,661)	6,702
PROFIT BEFORE TAX AND EXCEPTIONAL ITEMS		1,305,899	1,027,812	1,181,525
EXCEPTIONAL INCOME		244,813	307,833	455,968
Exceptional revenue on operations		17,962	3,378	24,309
Exceptional revenue on fixed assets		71,256	125,993	267,167
Provision releases		155,595	178,462	164,492
EXCEPTIONAL EXPENSES		(599,431)	(585,171)	(804,270)
Exceptional expense on operations		(15,908)	(20,871)	(17,627)
Exceptional expense on fixed assets		(347,086)	(321,958)	(562,133)
Exceptional depreciation, amortisation and provisions		(236,437)	(242,342)	(224,510)
EXCEPTIONAL LOSS	3.7	(354,618)	(277,338)	(348,302)
EMPLOYEE PROFIT SHARING		(20,184)	(17,016)	(18,455)
INCOME TAX	3.8	(337,018)	(228,068)	(259,827)
NET PROFIT		594,079	505,390	554,941

TF1 SA Cash Flow statement

(In FF thousands)

	31 Dec. 97	31 Dec. 96	31 Dec. 95
Operating activities			
Net profit	594,079	505,390	554,941
Depreciation, amortisation and provisions (1) (2)	96,881	46,339	61,368
Investment subsidies registered as income	(372)	(975)	(954)
Gain (loss) on disposal of assets	5,904	(2,876)	64,307
CASH FLOW	696,492	547,878	679,662
Purchase of programmes (2)	(4,490,056)	(4,798,456)	(4,452,279)
Depreciation, amortisation and provisions of programmes (2)	4,411,668	4,537,111	4,190,612
Stocks	(2,479)	(918)	463
Trade debtors	(532,473)	97,281	(266,604)
Trade creditors	69,752	48,740	169,215
Expenses to amortise over several periods	-	-	-
Net advances from third parties	8,445	(6,420)	14,381
Increase (decrease) in working capital needs	(535,143)	(122,662)	(344,212)
NET CASH INFLOW FROM OPERATING ACTIVITIES	161,349	425,216	335,450
INVESTING ACTIVITIES			
Purchase of fixed assets (1) (2)	(44,237)	(62,281)	(69,899)
Disposal of sale of fixed assets (1) (2)	626	12,855	443
Purchase of fixed asset investments	(28,574)	(20,794)	(148,025)
Proceeds of fixed asset investments	39,386	84	10,940
Increase (decrease) in fixed assets creditors	(15,930)	(16,734)	33,897
Increase (decrease) in other financial assets	8,223	971	703
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	(40,506)	(85,899)	(171,941)
FINANCING			
Increase (decrease) in shareholders' funds	-	-	-
Net change in loans	126,106	(30,505)	29,435
Dividends paid	(333,862)	(335,172)	(315,000)
NET CASH OUTFLOW FROM FINANCING	(207,756)	(365,677)	(285,565)
TOTAL INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(86,913)	(26,360)	(122,056)
Cash at beginning of period	599,299	625,659	747,715
Net inflow (outflow)	(86,913)	(26,360)	(122,056)
Cash at end of period	512,386	599,299	625,659

(1) Programmes not included.

(2) In the company financial statements, the purchase, consumption, sale of programmes and the expired rights are recorded under "Intangible fixed assets". In order to enable a proper comparison with the consolidated accounts, all of the above were included in "Increase (decrease) in working capital needs".

Notes to the company financial statements

Principles of accounting and presentation of the accounts for the twelve-month financial year ended December 31, 1997.

The accounts for the financial year have been prepared in accordance with the legal and statutory provisions currently in force in France.



Principal accounting policies

1.1 INTANGIBLE FIXED ASSETS

1.1.1 General principles

Film rights relating to feature-length films and cartoons are fully or 50% amortised by reduction in the purchase value at first transmission, according to whether or not rebroadcasting rights are held. The remaining 50% is amortised at second transmission.

Film rights relating to series and co-production investments lasting 60 minutes or more are fully or 80% amortised by reduction in the purchase value at first transmission, according to whether or not rebroadcasting rights are held. The remaining 20% is amortised at second transmission.

All other programmes are fully amortised at first transmission and therefore do not appear under assets, whatever the length of the rights held by TF1 as owner.

1.1.2 Programmes ready for broadcasting

The following are reported under this heading:

- all non-broadcast programmes (co-productions, in-house productions, film rights) that have not yet been transmitted for the first time, are recorded at purchase cost or their overall production cost (direct costs plus attributable production overheads),
- co-productions that have been transmitted for the first time, on the basis of their net cost.

1.1.3 Rights available for rebroadcasting (purchased rights)

Feature-length films, cartoons and series having 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.



1.1.4 PROGRAMMES IN PROGRESS

Programmes that have not been delivered or are not ready for transmission (co-productions or in-house productions) 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 "Programmes in progress". These programmes are valued as the amount of capital expenditure at the date of the end of the financial year. The remaining capital expenditure is valued in off-balance sheet commitments.

1.2 TANGIBLE FIXED ASSETS

The tangible fixed assets were restated at December 31, 1986, resulting only in the restatement of property assets in rue de l'Université, Paris.

Depreciation methods are set out in the following table:

Buildings	Straight line	40 years *
Technical facilities & equipment (before 1 Jan. 92)	Reducing balance	3 to 5 years
Technical facilities & equipment (after 1 Jan. 92)	Straight line	5 years
Other tangible fixed assets	Straight line	2 to 10 years

* As of the date of its becoming part of TF1's property (prior to December 31, 1986: 12 to 20 years).

1.3 FINANCIAL ASSETS

Financial assets are valued at their purchase cost. Provision is made for the amortisation of these assets when their current value, determined notably with respect to the proportion of equity held in the companies concerned, justifies such a provision. If necessary, a provision for liabilities and charges is made under liabilities when a risk exists for subsidiaries controlled by TF1. Provisions are evaluated according to the 1982 French Chart of Accounts.

1.4 TRADE DEBTORS

All trade debtors currently subject to claims, are fully provisioned. Moreover, 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, 1995;
- 50% of their total amount, net of tax, for accounts receivable falling due between January 1, 1995 and December 31, 1995.

1.5 MARKETABLE SECURITIES

Marketable securities are recorded on the basis of their purchase value.

Since marketable securities are systematically sold and re-purchased at the end of the year and are valued at their price of December 31, no provision is necessary.

1.6 GOVERNMENT GRANTS

If 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.

1.7 REGULATED PROVISIONS

This item essentially relates to accelerated amortisation for tax purposes of in-house productions or co-productions that have not yet been 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:

- | | |
|----------------------------------------------|-----|
| ▶ 1 st month | 20% |
| ▶ 2 nd month | 15% |
| ▶ 3 rd to 9 th month | 5% |
| ▶ 10 th to 12 th month | 2% |
| ▶ 13 th to 24 th month | 2% |

1.8 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.

1.9 ADVERTISING

Advertising revenue corresponds to the amount received from the sale by TF1 Publicité of advertising space and sponsorship, net of its fees.

1.10 OFF-BALANCE SHEET COMMITMENTS

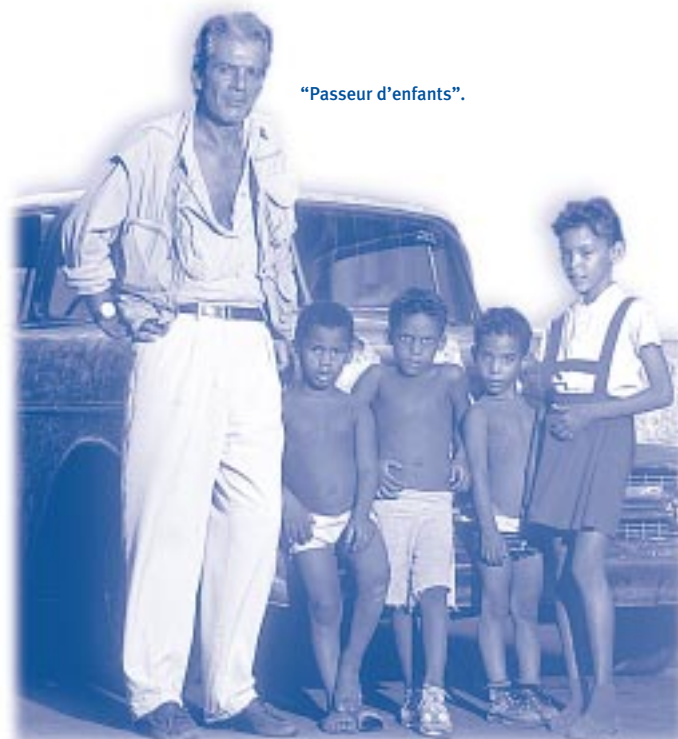
Purchased broadcasting rights and co-productions to which the station was firmly and contractually committed prior to the end of the accounting period, but for which technical approval has not yet been granted, are reported as off-balance sheet commitments.

The Group's commitments regarding pension costs are covered by an insurance policy for rights accrued by personnel aged 48 and over.

1.11 FINANCIAL INSTRUMENTS

The Group protects itself from exposure to interest rate and exchange rate fluctuations with financial instruments. The Group operates on currency markets to hedge commitments linked to its economic activity only. It does not intervene 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 (charged at the outset) and gains and losses on FRA (charged at the start of the period covered).



“Passeur d'enfants”.



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 programme movements

(FF million)	1997			1996
	External Production	In-house Production	Total Production	
Programmes in progress	775	7	782	712
Programmes ready for broadcasting	1,846	9	1,855	1,559
Rights available for rebroadcasting	407	-	407	359
VALUE OF PROGRAMMES AT 1 JAN.	3,028	16	3,044	2,630
Add:				
INVESTMENTS				
1 JAN. TO 31 DEC.	3,114	1,677	4,791	5,110
Subtract:				
DISINVESTMENTS				
1 JAN. TO 31 DEC.	(2,583)	(1,628)	(4,211)	(4,288)
Cost 1 st transmission	(109)	-	(109)	(96)
Cost 2 nd transmission	(2,692)	(1,628)	(4,320)	(4,384)
Total cost of broadcast	(99)	-	(99)	(106)
Rights expired	(129)	(42)	(171)	(94)
Rights retired	(30)	-	(30)	(112)
Rights sold (residual book value)				
TOTAL DISINVESTMENTS	(2,950)	(1,670)	(4,620)	(4,696)
VALUE OF PROGRAMMES AT 31 DEC.	3,192	23	3,215	3,044
BREAKDOWN				
Programmes in progress	731	11	742	782
Programmes ready for broadcasting	1,984	12	1,996	1,855
Rights available for rebroadcasting	477	-	477	407
Total	3,192	23	3,215	3,044

NB: As at December 31, 1997, the total provision for amortisation of programmes ready for transmission amounted to FF 230 million after an increase of FF 91 million and release of FF 80 million in 1997.



Quality tennis is on Eurosport.

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

(FF million)	1 Jan. 97	Increase	Decrease	31 Dec. 97
Land	37	-	-	37
Buildings	109	-	-	109
Technical facilities and equipment	274	21	7	288
Other	395	27	21	401
Assets under construction	5	1	5	1
Total	820	49	33	836

Depreciation

(FF million)	1 Jan. 97	Increase	Decrease	31 Dec. 97
Buildings	35	3	-	38
Technical facilities and equipment	203	31	6	228
Other	185	47	17	215
Total	423	81	23	481

2.3 FINANCIAL ASSETS

Financial investments

- TF1 subscribed principally to 13.6% of Film par Film's share capital for FF 28.2 million;
- TF1 sold to TPS its share in Telcarte for FF 6.3 million;
- TF1 sold to TDF its share in Télé Europe for FF 0.4 million;
- TF1 sold to TF1 Entreprises its own shares for FF 32 million, in order to reduce the share capital from FF 52 million to FF 20 million;
- TF1's shares in Publications Hachettes Filipacchi for FF 2.5 million and in TF01 for FF 0.5 million have been written off, following the liquidation of these companies.

At December 31, 1997, the total value of the shares reported in the balance sheet of TF1 SA amounts to FF 656 million, with provisions amounting to FF 110 million.

2.4 DEBTORS

2.4.1 Accounts receivable from TF1 PUBLICITÉ

Since January 1, 1989, TF1 Publicité has bought advertising slots from TF1 SA, and sold them to advertising agencies. The difference between the purchase and selling prices allows TF1 Publicité to cover its operating costs.

The balance payable by TF1 Publicité to TF1 SA in respect of such purchases was FF 1,018 million at December 31, 1997, against FF 932 million at December 31, 1996. This balance is net of sales rebates which have yet to be granted and which are included in "Other Creditors".

2.4.2 Due dates for debtors

The debtors linked to fixed assets and current assets, totalling FF 3,368 million, essentially fall due within one year.

A proportion of the debtors carried under fixed assets (FF 5 million) and current assets (FF 5 million) fall due between one and five years. A proportion of the debtors carried under current assets (FF 4 million) fall due after five years.

2.5 MARKETABLE SECURITIES

These consist of money market fund trusts amounting to FF 384 million (all capital gains have been taken on December 31, 1997) and of FF 67 million worth of TF1 shares bought within the share option plan. These securities were bought in order to fulfil the share option plan set up in October 1995 for several employees and management of TF1.

2.6 PREPAID EXPENSES

Prepaid expenses account for FF 228 million including FF 218 million relating to prepaid sports transmissions.

2.7 SHARE CAPITAL

The share capital is divided into 21,000,000 fully paid ordinary shares each with a face value of FF 10.

The movements for the financial year are as shown in the following table:

(FF million)	1 Jan. 97	Allocation of profit (General Meeting of June 12, 97)	Other movements	31 Dec. 97
Share capital	210	-	-	210
Revaluation reserve	31	-	-	31
Legal reserve	21	-	-	21
Long term capital gain reserve	164	-	-	164
Retained earnings	247	(79)	-	168
Other reserves	900	250	-	1,150
Net profit for the year	505	(505)	594	594
Sub-total	2,078	(334)	594	2,338
Investment grants	-	-	-	-
Regulated provisions	612	-	81 (2)	693
Total	2,690	(334) (1)	675	3,031

(1) Dividends paid on June 30, 1997.

(2) Net movements of the year.



"Mrs Doubtfire".

2.8 PROVISIONS FOR LIABILITIES AND CHARGES

Defined as stated in note 1-8, these provisions break down as shown in the following table:

(FF million)	1 Jan. 97	Increase	Decrease	31 Dec. 97
Claims	41	37	(27)	51
Associated companies	115	96	(105)	106
Bad debts	18	1	-	19
Other	2	32	(2)	32
Total	176	166	134	208

The provision for bad debts includes TF1's share in the risk of non-collection of accounts receivable relating to TF1 Publicité.

The provisions relating to associated companies correspond to TF1's share of the losses of general partnership subsidiaries.

The other provisions concern potential risks relating to certain public authorities.

2.9 CREDITORS

2.9.1 Bank borrowings

There are no bank overdrafts as of December 31, 1997.

The Company still has the possibility to draw up to FF 850 million on credit facilities in several banks. This was not used on December 31, 1997.

2.9.2 Other financial creditors

Cash put at TF1's disposal by its subsidiaries in accordance with cash management agreements is recorded under this heading amounting to FF 612 million (FF 555 million in 1996).

2.9.3 Tax and social liabilities

Pension costs: Rights accrued by personnel aged 48 and over were covered by an insurance policy and therefore no longer appear under this heading.

2.9.4 Other creditors

This heading includes credit notes and rebates on tariffs to be granted by TF1, amounting to FF 599 million in 1997 (FF 521 million in 1996).

2.9.5 Due dates for creditors

The creditors, totalling FF 4,225 million, fall due within one year.

"Les Cordiers, juge et flic".





Notes to the Profit and Loss account

3.1 BREAKDOWN OF TURNOVER

Advertising revenues amount to FF 7,167 million and correspond to advertising space and sponsorship sold by TF1 Publicité, less the fees enabling TF1 Publicité to cover operating costs i.e. FF 520 million.

Other revenues refer to various sales and services amounting to FF 130 million.

3.2 TAXES AND LEVIES

This heading essentially records TF1's contribution to the French National Cinema Council, business tax and a tax levied by a Social Security agency (ORGANIC) for an amount of FF 396 million (FF 381 million in 1996).

3.3 WAGES AND SALARIES

This heading includes FF 56 million of wages paid to freelance employees as against FF 81 million in 1996.

3.4 SOCIAL SECURITY CHARGES & EMPLOYMENT EXPENSES

This heading includes FF 16 million of personnel benefits, relating to the employer's contribution to the Company Savings Plan.

3.5 OTHER EXPENSES

This item covers payments to authors amounting to of FF 293 million (FF 279 million in 1996).

3.6 FINANCIAL EXPENSES AND REVENUES

Financial expenses and revenues for 1997 break down as follows:

(in FF million)	1997	1996
Dividends	71	81
Net interests paid	(19)	(19)
Provisions for liabilities	(77)	(100)
Exchange differences	4	(1)
Profits on sales of marketable securities	16	22
Net	(5)	(47)

Financial expenses with respect to associated companies amount to FF 24 million. Financial revenues amount to FF 16 million (FF 24 million and FF 15 million respectively in 1996).

3.7 EXCEPTIONAL ITEMS

The exceptional items for 1997 break down as follows:

(in FF million)	1997	1996
Capital losses on disposal and retirement of programmes	(270)	(200)
Net provisions (including accelerated amortisation for tax purposes)	(81)	(64)
Capital losses on disposal of financial assets (1)	(2)	-
Other	(1)	(13)
Net loss	(354)	(277)

(1) Offset by release of provisions in financial revenues.

3.8 CORPORATE INCOME TAX

Income tax also takes into account the net losses recorded by GIE APHELIE (FF 37 million) and the limited partnership La Chaîne Info (FF 65 million), Société d'Exploitation de Documentaires Odyssee (FF 23 million) and TCM DA (FF 18 million).

The difference between the theoretical income tax rate, stated at 41 2/3% and the actual income tax rate also results from a deduction of dividends (FF 70 million).

The tax savings arising due to the tax losses of group companies are reimbursed to those subsidiaries.

Since January 1, 1989, TF1 has chosen the status of tax consolidation, an option renewed on January 1, 1994. The subsidiaries considered within the scope of tax consolidation at December 31, 1997 are TF1 Publicité, Une Musique, TF1 Films Production, TF1 Entreprises, Protécra, TF1 Europe, Syalis, TF1 Publicité Production, TF1 Boutiques, TF1 Développement, Télé Achat Câble, Compagnie Internationale de Communication, Banco Production, Syalis Spops, TF1 International, Parmentier Productions, TF1 Publications, Studios 107 and Mery Productions.



Other information

4.1 OFF-BALANCE SHEET COMMITMENTS

On December 31, 1997, the various types of commitments and their due dates are as follows:

(FF million)	Within less than one year	Over one year	Total
Programmes and broadcasting rights	1,172	1,121	2,293
Sports broadcasting rights	594	2,135	2,729
Real-estate leasing	71	1,395	1,466
Other commitments	266	458	724
Total	2,103	5,109	7,212

“Programmes” includes FF 778 million of long-term contracts relating to variety shows and children programmes.

“Broadcasting rights” includes TF1’s FF 98 million commitment to SOGEDIF. TF1 is committed to purchasing from GIE SOGEDIF, feature film rights acquired by GIE SOGEDIF at TF1’s request, up to a maximum of FF 300 million.

Due dates concerning transmission of sports events have been calculated using the foreseeable transmission date of the given event.

Group’s commitments regarding real-estate leasing contracts

In June 1994, TF1 leased its office building, 1 quai du Point du Jour in Boulogne, that it had been occupied since 1992. This contract has a 15 year term and amounts to FF 1,080 million (excluding interest charges):

- ▶ land: FF 300 million
- ▶ building: FF 380 million
- ▶ technical facilities: FF 400 million



“Les rendez vous de l'Entreprise”, a business affairs show hosted by Jean-Marc Sylvestre.

TF1 has an option to purchase from the seventh year onwards at net book value. This financial lease contract with GIE Aphélie replaces the commercial lease originally contracted between TF1 and GAN.

Original value	1,080
Lease payments (1)	264
▶ accumulated	202
▶ financial year	62
“Theoretical” depreciation charges (2)	196
▶ accumulated	140
▶ financial year	56
Estimated remaining future lease payments (3)	
▶ less than one year	71
▶ between one and five years	407
▶ more than five years	770

(1) Including capital repayment of FF 43 million.

(2) Depreciation charges that would have been accounted for if the building was owned by the company.

(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

As TF1 SA and several Group’s subsidiaries transact in foreign currencies, they use buy and sell forward exchange contracts and purchase of call option contracts to protect themselves from exchange rate fluctuations. These operations are made on the currency markets and cover the major part of contracts, signed before December 31, 1997, where the due dates fall between 1998 and 2001.

On December 31, 1997, the exchange value of these contracts amounted to FF 820 million:

- ▶ FF 656 million of forward purchase exchange contracts in US Dollars,
- ▶ FF 93 million of forward purchase exchange contracts in Swiss Francs,
- ▶ FF 49 million of purchase of call option contracts in Swiss Francs,
- ▶ FF 22 million of forward purchase exchange contracts in Pounds Sterling.

4.2.2 Hedging of interest rates

During 1997, TF1 continued to hedge against interest rate changes the cost relating to the property lease of the office building it has occupied since 1992, at 1 quai du Point du Jour in Boulogne.

The financial impact of such operations on December 31, 1997, is included in financial expenses and amounts to FF 5 million.

On December 31, 1997, TF1 has:

- FF 600 million of SWAPS, FF 600 million of FRA contracts and FF 1,840 million of CAPS contracts to hedge the 1998 payments due under this lease agreement,
- FF 100 million of SWAPS to hedge TF1's average commitment to SOGEDIF anticipated in 1998.

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:

	1997	1996	1995
College 1 - Workers and clerical employees	58	101	120
College 2 - Technical staff	464	438	440
College 3 - Managerial and executive staff	469	467	437
College 4 - Journalists	229	242	241
Total	1,220	1,248	1,238

4.4 DIRECTORS' REMUNERATION

Directors' remuneration for the year ended 31 December 1997 amounted to FF 71,084,549. Details of the 34 executive directors are given on page 8 of this document.

On October 10, 1995, the Board of Directors granted 115,500 share purchase options to several directors of the TF1 Group. The subscription price was fixed at FF 481, representing 95% of the average of the opening prices quoted on the last twenty days preceding the Board Meeting.

As of December 31, 1997, two beneficiaries have exercised their available share option entitlement.

On April 8, 1997, the Board of Directors granted 147,500 share subscription options to several directors of the TF1 Group. The subscription price was fixed at FF 523, representing 95% of the average of the opening prices quoted on the last twenty days preceding the Board Meeting.

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 DIRECTORS' EMOLUMENTS

Directors' remuneration paid in 1997 amounted to FF 1,200,000.

4.6 MOVEMENTS IN PROVISIONS

(FF million)	1 Jan. 97	Increase	Decrease	31 Dec. 97
Regulated provision				
In respect of intangible fixed assets (programmes)	612	236	155	693
Provision for liabilities and charges	176	167	135	208
Provisions for depreciation of fixed assets	224	92	80	236
Provision on financial assets				
Long-term investments	119	-	9	110
Related loans	10	-	8	2
Deposits and warranties	-	-	-	-
Provisions for depreciation of current assets	22	-	8	14
Total	1,163	495	395	1,263



"Le Pari",
a film co-produced by TF1.



Une Musique co-produces Cds in partnership with major labels.

4.7 FINANCIAL AND SHORT TERM INVESTMENTS HELD AT DECEMBER 31, 1997

Financial investments	Number of shares	%	Shareholders' funds in FF
SYALIS	2,494	99.76	284,073,527
TF1 FILMS PRODUCTION	169,992	100.00	99,081,327
TF1 ENTREPRISES	199,988	99.99	71,285,917
STUDIOS 107	119,994	100.00	33,029,324
GROUPE GLEM	1,497	59.88	26,370,344
FILM PAR FILM	9,998	49.99	25,762,023
TELE-SHOPPING	8,494	99.93	21,460,677
TV SPORT	46,499	31.00	18,144,877
TF1 PUBLICITE	29,994	99.98	18,088,435
BANCO PRODUCTION	129,994	100.00	13,240,230
TF1 EUROPE	209,993	100.00	6,747,336
MEDIAMETRIE	1,000	10.75	2,626,289
TRICOM SA	9,998	33.33	1,059,192
TECHNISONOR	5,632	6.85	875,784
MERY PRODUCTIONS	4,994	99.88	499,400
TF1 US	2,800	100.00	352,212
TVRS 98	225	22.50	250,222
TELE ACHAT CABLE	2,494	99.76	240,402
SAGAS	848	33.92	194,862
TCM GESTION	849	33.96	85,453
UNE MUSIQUE	1	0.04	4,629
LES NOUVELLES EDITIONS TF1	25	1.00	3,694
LES FILMS ARIANE	1	0.02	2,729
RCV	1	0.04	1,004
CIC	1	0.01	602
EUROSHOPPING	1	0.02	100
SYALIS SPOPS	1	0.04	97
COGELDA	1	0.01	82
Total financial investments			623,480,770

Short term investments	Number of shares	Unit value as of 31 Dec. 97	Market value in FF
IENA PERF	7,935	12,633.66	100,248,092
BAREP	1,241	80,750.75	100,211,681
BIP	419	120,001.53	50,280,641
FIMASECU	2,668	18,776.69	50,096,209
CPR CASH	488	99,730.49	48,668,479
CENTRALES MONETAIRES	1,356	25,202.87	34,175,092
Total short term investments			383,680,194

TF1 SA shares	137,758	483.73 (1)	66,638,930
Total investments			1,073,799,894

(1) Average buying price.

4 • 8 SUBSIDIARIES AND FINANCIAL INVESTMENTS (in thousands of FF or foreign currency units if indicated)

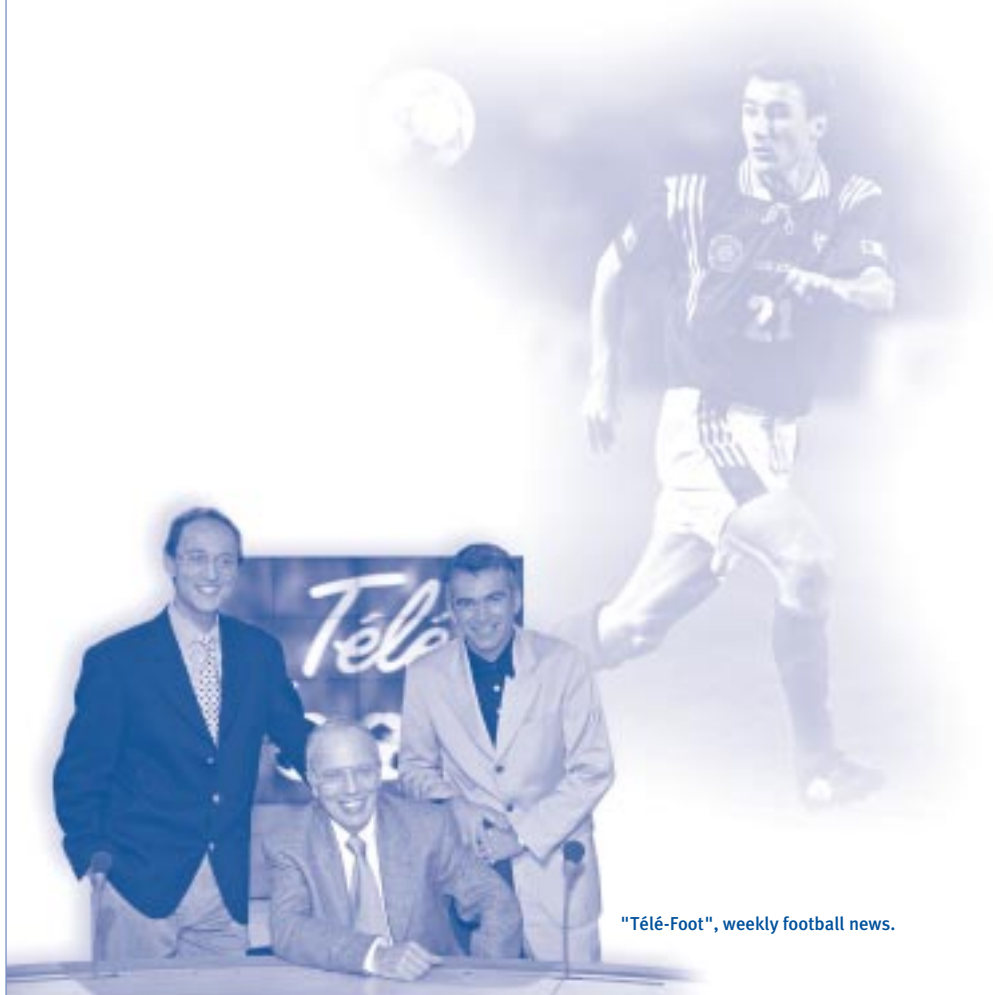
Companies or groups of companies	Currency	Share Capital	Reserves	Interest held	Gross book value of shares held	Net book value of shares held	Loans and credits granted but not yet repaid	Guarantees & pledges granted	Turnover in last accounting period	Net result in last accounting period	Dividends received during the period
🏢 SUBSIDIARIES (holding of at least 50% of shares)											
TF1 PUBLICITE		15,000	1,833	99.98 %	19,925	19,925	-	-	7,757,232	1,259	15,600
TF1 FILMS PRODUCTION		17,000	78,410	100.00%	11,599	11,599	-	-	216,807	3,672	-
TELE-SHOPPING		850	4,346	99.93%	850	850	-	-	391,646	16,280	-
TF1 PUBLICATIONS		500	(10,432)	99.88%	3,406	-	-	-	673	(50)	-
TF1 ENTREPRISES		20,000	5,227	99.99%	20,002	20,002	-	-	609,865	46,066	50,700
SYALIS		250	268,045	99.76%	273,402	273,402	-	-	-	16,462	-
BANCO PRODUCTION		13,000	6,613	100.00%	12,999	12,999	-	-	61,608	(6,373)	-
TF1 EUROPE		21,000	(19,702)	100.00%	127,999	39,000	-	-	-	5,449	-
PROTECREA		10,000	1,187	99.99%	14,699	14,699	-	-	139,572	(38,922)	-
LUXTEL 1	LUF	1,350	-	99.99%	404	404	-	-	-	-	-
STUDIOS 107		12,000	5,397	100.00%	30,699	14,012	-	-	83,559	15,632	-
TELE ACHAT CABLE		250	-	99.76%	249	249	-	-	-	-	-
MERY PRODUCTIONS		500	-	99.88%	499	499	-	-	-	-	-
LA CHAINE INFO		30,000	(112)	99.95%	29,985	29,985	-	-	195,687	(64,946)	-
TF1 BOUTIQUES		250	(9,847)	99.76%	249	-	-	-	12	827	-
GROUPE GLEM		250	29,087	59.88%	50,898	50,898	-	-	5,786	14,701	4,200
SED ODYSSEE		50	(47)	99.00%	49	49	-	-	5,673	(23,359)	-
TF1 US	USD	28	-	100.00%	157	157	-	-	205	30	-
🏢 FINANCIAL INVESTMENTS (holding 10% to 50% of shares)											
MEDIAMETRIE		930	20,653	10.75%	100	100	-	-	167,019	2,848	56
FMI		1,000	-	13.33%	133	-	1,867	-	-	-	-
MERCURY INTERN. FILM	DEM	1,000	-	50.00%	1,674	1,674	-	-	-	-	-
TRICOM SA		3,000	(6,062)	33.32%	1,000	1,000	-	-	-	6,215	-
TV SPORT		15,000	(5,302)	31.00%	4,650	4,650	-	-	233,808	48,834	-
SAGAS		250	158	33.92%	85	85	-	-	1,347	166	-
TVRS 98		1,000	3	22.50%	225	225	-	-	16,220	49	-
FILM PAR FILM		10,000	41,450	49.99%	48,182	48,182	-	-	58,181	84	-
TCM GESTION		250	(40)	33.69%	85	85	-	-	580	42	-
TCM DROITS AUDIOVISUELS		1,500	(2,766)	34.00%	510	510	-	-	63,902	(20,620)	-
🏢 FINANCIAL INVESTMENTS (holding less than 10% of shares)											
TECHNISONOR		8,225	2,423	6.84%	563	563	-	-	54,524	2,137	56
TF1 PUBLICITE PRODUCTION		50	9	1.00%	1	1	-	-	82,038	428	3
GIE GIC		500	-	0.02%	-	-	-	-	-	-	-
GIE CHALLENGER		750	-	0.67%	5	5	-	-	-	-	-
CIC		785	4,218	0.01%	1	1	-	-	29,848	1,018	-
MEDIAMETRIE EXPANSION		12,000	(12,442)	5.00%	600	-	-	-	-	(1,953)	-
UNE MUSIQUE		250	67	0.04%	-	-	-	-	194,791	11,255	4
SYALIS SPOPS		250	(4)	0.04%	-	-	-	-	-	(3)	-
TPS GESTION		250	-	0.04%	-	-	-	-	5,992	(308)	-
COGELDA		64,250	(13,948)	0.01%	-	-	-	-	9,343	2,175	-
LES FILMS ARIANE		500	(250)	0.02%	23	23	-	-	51,052	13,397	-
RCV		250	1,169	0.04%	-	-	-	-	4,891	1,092	-
LES NOUVELLES EDITIONS TF1		250	-	1.00%	2	2	-	-	3,018	119	-
EUROSHOPPING		500	-	0.02%	-	-	-	-	-	-	-
TOTAL					655,909	545,835					



Significant elements in the notes to the prior accounting periods

The information contained in the Notes to the accounts for 1997 is equivalent to that for the two preceding periods.

1996 and 1995 accounting periods: None.



"Télé-Foot", weekly football news.

Information concerning TF1 SA

General information

Name:

Télévision Française 1 - TF1

Registered office:

33, rue Vaugelas. 75015 Paris

Trade register: 326 300 159 RCS PARIS

INSEE N°: 326 300 15 900 075

APE Code: 922C

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 objects

(art. 2 of the corporate charter)

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, notably:

- to study, to produce, to acquire, to sell, to rent and to use any recorded images and/or sound tracks, reports, 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 stocks 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 charter and the standards and legal provisions in force.

Statutory appropriation of income

(art. 26 of the corporate charter)

5% of the income of a financial year as reduced by previous losses, if the situation arises, 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 statutes,
- 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

(art. 7 and 21 of the corporate charter)

All shareholders may participate in the General Meetings, irrespective of the number of shares they own.

Any person, acting alone or with others, who attains a holding of at least 0.5%, 1%, 2%, 3% and 4% of capital or of voting rights, shall, within five days of registration of the shares enabling him to reach or to exceed this threshold, declare to the Company by return-receipted registered mail, to the registered office, the total number of shares and voting rights he/she possesses.

This declaration must be made within the conditions above 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

(art. 6 of the corporate charter)

On March 18, 1998, the capital of TF1 amounted to FF 210,000,000, fully paid, divided into 21,000,000 shares each of FF 10 nominal value.

The issued shares represent 100% of the share capital and existing voting rights.

There are no founder shares, dividend-right certificates, convertible or exchangeable bonds, nor voting rights certificates, or 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 SICOVAM ("Société Interprofessionnelle pour la Compensation des Valeurs Mobilières").

Issue operations

In accordance with the resolutions of the General Meeting of June 12, 1997, the company is authorised to issue one or more bond debentures for a maximum amount of FF 2,000,000,000 valid for a duration of five years.

The table below details the different issues of securities that can be made by the company. The authorisation to increase capital during take over bid or tender offer periods will be renewed by the Combined General Meeting of May 12, 1998, for one year if authorised.

The maximum nominal amount authorised for capital increases is FF 200,000,000. The maximum nominal amount authorised for bond issues is FF 3,000,000,000.

The amounts denominated in Francs in the table below may be converted into Euros when this currency becomes legal tender in France. In this respect, several resolutions (n°. 10, 13, 14) are being proposed at the Combined General Meeting of May 12, 1998.

	Maximum nominal amount for capital increases (in FF million)	Maximum nominal amount for bond issues (in FF million)	Duration	Remaining duration ⁽¹⁾	General Meeting	Resolution n°.
Bond debentures	-	2,000	5 years	4 years	Combined General Meeting June 12, 97	16
Issues of shares and composite securities (including equity warrants), with PSR ⁽²⁾	200	3,000	26 months	15 months	Combined General Meeting June 12, 97	17
Issues of shares and composite securities (including equity warrants), without PSR ⁽²⁾	200	3,000	26 months	15 months	Combined General Meeting June 12, 97	18
Issues of shares and composite securities (including equity warrants) in take over bid or tender offer periods, with or without PSR ⁽²⁾	200	3,000	1 year	1 year	Combined General Meeting May 12, 98	12
Issues of shares and composite securities, paying shares brought in a tender offer	200	3,000	26 months	15 months	Combined General Meeting June 12, 97	20
Issues of shares reserved to employees subscribing to an Employees Savings Plan, without PSR ⁽²⁾	⁽³⁾	-	5 years	1 year	Extraordinary General Meeting June 14, 94	15
Issues of shares for stock options plans without PSR ⁽²⁾	⁽³⁾	-	5 years	2 years	Extraordinary General Meeting June 12, 95	5

⁽¹⁾ From the General Meeting of May 12, 1998.

⁽²⁾ PSR: Preferential Subscription Right.

⁽³⁾ Within a maximum limit of 10% of share capital.

Legal framework

SHAREHOLDING

Under the terms of article 14 of law n° 94-88 of February 1, 1994 amending article 39 of law n° 86-1067 of September 30, 1986, an individual or entity, acting alone or with others, shall not hold, directly or indirectly, more than 49% of capital or voting rights of a company licenced to operate a national television service by terrestrial hertzian route.

LICENSING CONDITIONS

TF1 is an audiovisual communications service subject to licence. The initial period of licence for use of frequencies, for a duration of 10 years subsequent to April 4, 1987 (Law of September 30, 1986), expired in 1997.

According to article 28.1 of the law of February 1, 1994 and given the absence of serious breaches leading to penalties imposed on the licensee over the ten past years, the CSA (“Conseil Supérieur de l’Audiovisuel”) renewed the initial licence without tender offer.

This renewal holds for five years and was definitely granted with the signature of a convention between TF1 and the CSA on July 31, 1996 (note II of Decision n° 96-614 of September 17, 1996 on the renewal of the authorisation granted to Télévision Française 1 - “Journal Officiel” of October 10, 1996).

This convention applies from January 1, 1997 to 2002. It defines the new legal framework of the channel’s exploitation and cancels all the dispositions of Decision 87-26 of April 4, 1987, designating the cessionary group of 50% of the capital of “Société nationale de programme de Télévision Française 1” and concerning the licence for use of frequencies to “Télévision Française 1”.

MAIN LEGAL PROVISIONS AND OBLIGATIONS

Texts:

- Contract conditions set forth by Decree n° 87-43 of January 30, 1987 and the Decision regarding licencing use of frequencies n° 96-614 of

September 17, 1996, given to Télévision Française 1,

- Law n° 86-1067 of September 30, 1986 as amended,

- Law n° 94-88 of February 1, 1994,

- E.C. Directive on Transnational Television of October 3, 1989,

- Decree n° 90-67 of January 17, 1990, as amended by Decree n° 92-281 of March 27, 1992 and Decree n° 95-1162 of November 6, 1995 (production obligations),

- Decree n° 90-66 of January 17, 1990, as amended by Decree n° 92-279 of March 27, 1992 (broadcasting obligations),

- Decree n° 92-280 of March 27, 1992, repealing the decree of January 26, 1987 (obligations relating to advertising and sponsorship).

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, Sunday before 8.30 p.m.,

- broadcasting quotas apply for the whole broadcasting time and to 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 air-time 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 15% of the previous year’s net annual turnover for the commissioning of French-speaking audiovisual works, of which 10%

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 previous year’s net annual turnover for the commissioning of French-speaking and European cartoons (obligation included in the previous 15%). Two thirds of the acquired broadcasting rights cannot exceed four years,

- prohibited use of own means of production for fiction programmes ; authorised use of own means of production for news and for up to 50% of annual volume of other programmes,

- obligation to invest 3% of the previous year’s net annual turnover, with at least 2.5% dedicated to French-speaking cinema works, in the coproduction of European cinema works. This investment is to be achieved through a subsidiary of the broadcaster (TF1 Films Production) operating as a minority. Its co-production part in its investment has to remain smaller than the prepurchase part of the broadcasting right.

The 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 committed itself to adopt a 5-category sign code assessing the accessibility of broadcast programmes.

LEGISLATION IN PROGRESS

A draft bill modifying the Law of September 30, 1986, is currently under preparation. As of today, this project concerns both the adaptation of the existing law to encompass satellite broadcasting and the reorganisation of the audiovisual public sector.

TF1 Share: Market and yield



Dividend and yield

Since privatisation in 1987, the number of shares has remained constant at 21,000,000.

Year	Dividend paid (FF)			Share price (FF)			Yield (base: closing price)
	Net	Tax Credit	Total	High	Low	Close	
1987	-	-	-	210	149	170	-
1988	3.0	1.5	4.5	411	165	410	1.1%
1989	5.0	2.5	7.5	448	278	300	2.5%
1990	7.0	3.5	10.5	358	220	290	3.6%
1991	8.0	4.0	12.0	383	260	300	4.0%
1992	10.0	5.0	15.0	542	300	367	4.1%
1993	12.5	6.25	18.75	583	361	491	3.8%
1994	15.0	7.5	22.5	572	437	484	4.6%
1995	16.0	8.0	24.0	549	410	525	4.6%
1996	16.0	8.0	24.0	639	475	496	4.8%
1997	16.0 (1)	8.0	24.0	615	486	615	3.9%

(1) Submitted for approval at the General Meeting.



Tax status

Under the present French Law, the tax status for shares applies to:

* Individual shareholders, French residents:

Dividends from French shares are taken into account as part of revenue from securities in order to determine the taxpayer's global income.

They will consequently be liable to income tax and will incur:

- CSG of 7.5%, up to 5.1% being deductible from taxable income,
- social levy of 2%, non deductible,
- CRDS of 0.5%, non deductible.

These dividends will also benefit from the same annual allowance as bonds' revenues: FF 16,000 for married couples and FF 8,000 for unmarried, widowed or divorced people.

* Legal entities liable to corporation tax and French residents:

Dividends paid are liable to common law conditions.

Shareholders are likely to benefit from the parent companies' status if they hold more than 10% of the share capital of the distributing company or if the value of their stake is higher than FF 150 million.

* Shareholders from foreign countries:

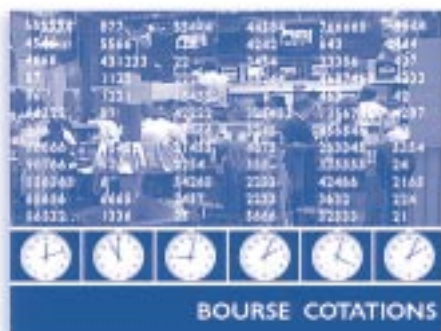
Dividends distributed by companies registered in France are liable to a 25% withholding tax if the recipient company is based in a country outside of France. The withholding tax may be reduced or eliminated in accordance with double tax conventions.

The TF1 share is listed on the "Second Marché" of the Paris Stock Exchange and is part of the SBF 120 index.

TF1's market capitalisation amounted to FF 12.9 billion on December 31, 1997.

No application for admission to quotation on another market is under way.

Dividends are at the disposal of shareholders from the date they are payable, either at TF1 for nominal securities, or at the financial institutions for bearer and registered securities. Dividends not claimed after five years are paid to the French State.



Updated stock exchange reports on LCI.



Share price and trading volumes

TF1's share price and trading volumes for the last 3 years and the current financial year:

Year	Month	High (FF) (1)	Low (FF) (1)	Close (FF)	Shares traded (2)
1995	January	503	430	452	572,113
	February	478.5	410	427.5	429,113
	March	490	421.5	432	795,896
	April	479	430	449	441,783
	May	493	437	462	511,917
	June	500	451.5	477.5	902,931
	July	505	479	495.5	510,441
	August	549	493	512	819,158
	September	530	486	486	672,090
	October	514	460	505	736,075
	November	519	475	493	571,825
	December	531	456	525	374,004
1996	January	555	475	535	593,684
	February	553	510	539	555,632
	March	558	484	515	475,528
	April	573	491	560	1,333,713
	May	607	537	603	935,904
	June	639	585	588	483,785
	July	590	530	587	1,133,800
	August	615	559	578	809,564
	September	610	550	573	504,667
	October	591	538	544	949,387
	November	564	504	515	1,037,237
	December	526	478.1	496	944,957
1997	January	535	480	488.5	1,130,732
	February	563	488	528	1,125,166
	March	594	518	563	1,045,285
	April	597	542	563	790,825
	May	605	548	552	1,503,174
	June	574	500	525	1,206,799
	July	571	500	535	1,365,284
	August	543	487	495	402,283
	September	518	491.1	513	236,712
	October	550	487	537	613,215
	November	550	510	521	323,880
	December	618	520	615	704,922
1998	January	699	606	657	1,121,969
	February	682	641	660	680,794
	March	794	635	770	945,096

Data: "Société des Bourses Françaises - Bourse de Paris".

(1) Highs and lows are those recorded during Bourse sessions.

(2) Traded volumes represent transactions recorded both on and off the central CAC system.



TF1 Share price / SBF 120 index

From December 31, 1996 to March 31, 1998.



People responsible for financial information

People assuming the responsibility for the annual report

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 the investors to make their judgement on assets, activity, financial situation, results and perspectives of TF1; there are no omissions liable to alter the significance of those statements.

Patrick LE LAY
Chairman & Managing Director

STATUTORY AUDITORS

We have audited the financial statements reported in this document in accordance with generally accepted auditing standards by applying such auditing procedures as we considered necessary in the circumstances.

We have also audited the company accounts and consolidated accounts of the 1995 to 1997 accounting periods.

We have no comments on the accuracy of the financial information provided in this document.

Paris, April 8, 1998

Statutory Auditors

SALUSTRO REYDEL

represented by Edouard Salustro and Jean-Pierre Cruzet.

Jacques VILLARY

Information and investor relations

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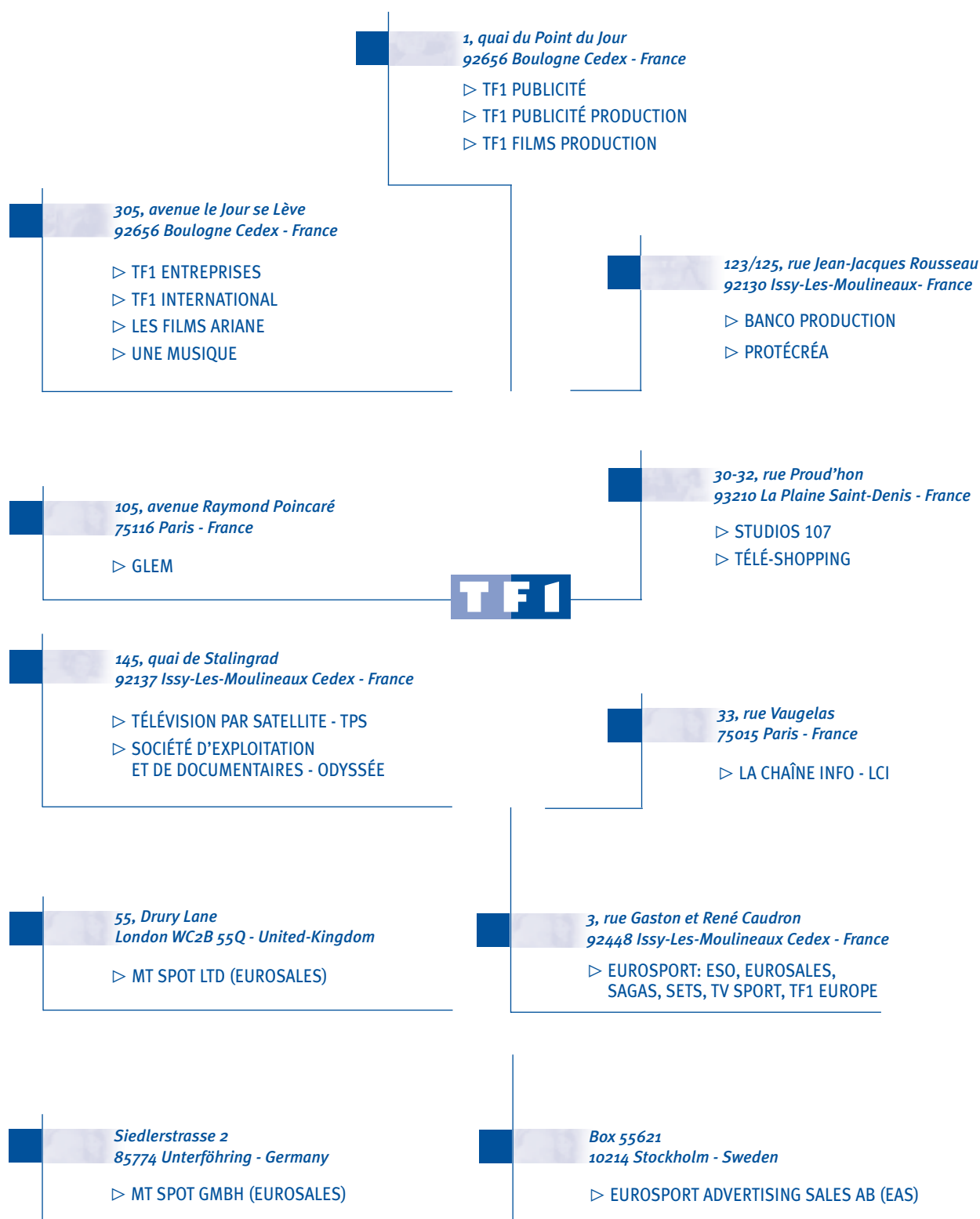
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“Vérité oblige”.

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APRIL 1998



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Télévision Française 1

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