

**ANNUAL REPORT & ACCOUNTS**

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

# Chairman's



## statement

**1998 was a year  
of growth and good results  
for your Group.**

Dear shareholders,

**1998** was a year of growth and good results for your Group.

Faced with a multiplied offer of programmes and services, TF1 positioned itself as a lively, creative channel, attracting a wide audience through its general programming of quality and special events.

This strategy continued to bear fruit in 1998: **TF1 increased its share of viewers in the main populations targeted by advertisers: of the 100 programmes which attracted the largest number of viewers on all TV channels in France, 95 were shown on TF1.**

The symbol of these programming successes: **sport** with the Football World Cup and the extraordinary performance of the French team whose victory constituted one of the outstanding events of the year for TF1. More than 20 million viewers watched France win the World Cup on our channel, the highest TV audience recorded since the implementation of TV audience measurement in this country.

This success also concerned other types of programming:

- ▶ **drama** with, in particular, the remarkable success of «Le Comte de Monte Cristo», a prestige production which attracted the highest audience for any TV series since 1989,
- ▶ **children's** programmes, which still gather 50% of young viewers,
- ▶ **news**, which continue to widen its lead over its main competitors,
- ▶ **entertainment**, with special events like the broadcasting of Johnny Halliday's concert at Stade de France and the election of Miss France, which attracted more than 12 million viewers,
- ▶ **cinema**: with films which continue to achieve high viewing figures thanks to the exclusive non-encrypted broadcasting of top box-office hits.



More than ever, TF1 maintains its position as **the leading generalist channel of the future**.

Thanks to its successful viewing figures and a favourable economic environment, the advertising revenue of TF1 rose by 4.7% while our programme costs remained within forecast levels.

For the last few years, this solid position in our main business line, combined with strict cost management, has led to a considerable improvement in our operating margins, enabling us to finance high added-value diversification activities.

These business lines, which cover the entire audiovisual sector, are capitalising on our capacity to publish, produce, distribute and market products and services on all media. They also enable us to:

- ▶ enhance our offer on the basis of the leading brands developed by TF1,
- ▶ answer the public's new consumption demands,
- ▶ break into new, promising markets.

This position was illustrated by our performance in 1998:

- ▶ our **thematic channels** achieved some of the highest viewing figures for French households with access to cable or satellite TV. Eurosport, La Chaîne Info, Odysée and Shopping Avenue are references in their field,
- ▶ **TPS** confirmed its success on the French digital TV market, ending the year with a total of 615,000 subscribers, i.e. a market share of 45% of new subscribers. The subscription renewal rate was more than 90%,
- ▶ **TF1 Interactif**, which was launched recently, has developed an Internet site which, in the space of a few months, has become a reference in the field of news and the first to make the most of all the functions of Internet (sound, image, text, discussion groups, votes, etc.) using the images of TF1. With its content spread over several other media (interactive TV, mobile telephony, etc.) and thanks to data mutualisation tools developed internally, TF1 Interactif has established itself as a top-quality multimedia producer in just a few months.

In an ever-changing sector, TF1 is therefore ready to take up the challenges of the future and grasp the opportunities presented by the television of tomorrow.

In 1998, your group recorded an excellent performance. Its net profit rose by 48% to FF 716 million (€ 109 million).

TF1 has shareholders' funds of more than FF 3 billion (€ 462 M) and it has practically no debt in its balance sheet. Thanks to this healthy financial situation, TF1 can envisage ambitious developments.

In this context, and faithful to the principles which have guided the Group's growth since it was privatised, TF1's strategy is based on the following lines:

- ▶ the consolidation of our position as the leading French TV channel through the creative programming of quality event-based and general programmes which satisfy the demands of viewers and advertisers,
- ▶ the development of the Group's editorial and commercial services through new high added value themes as well as interactive products and services distributed on all types of media. These new projects will be based on the reputation of the TF1 Group's brands,
- ▶ grasping any development opportunities, on our own or through partnerships, which ensure growth for the Group and guarantee a return on investment that is compatible with our profitability targets,
- ▶ improving our margins through strict cost control and the search for productivity gains, in particular through the integration of digital technologies in production processes.

We are convinced that the combination of these objectives will enable our Group to further increase its growth and improve its profits. In this way, value will be created for our shareholders, employees and partners. In 1998, the TF1 share gained more than 60%, i.e. double the growth recorded by the French stock exchange.

Once again, we would like to thank you for your confidence in the TF1 Group.

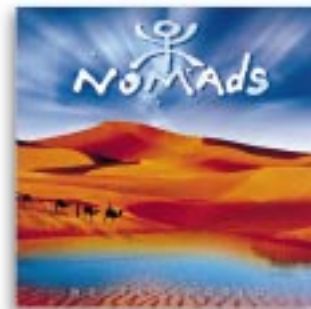
Patrick LE LAY  
Chairman and Managing Director

## TF1 maintains its position as the leading generalist channel of the future.



# Principal events in 1998

TF1 Interactif was created to develop TF1's range of Internet and Multimedia services.



Nomads, the summer hit, sold more than one million copies.

## JANUARY

- TF1 launched TF1 Interactif, under the responsibility of Anne Sinclair. Its objective is to develop a content adapted to the specific features of the following media: Internet: <http://www.tf1.fr>, interactive TV, mobile telephony, etc.

## FEBRUARY

- Une Musique celebrated its 10<sup>th</sup> anniversary.
- Eurosport, which was the only channel to broadcast the Nagano Winter Olympic Games round-the-clock, attracted more than 80 million European viewers (total audience) between February 7 and 22, 1998.
- At the 23<sup>rd</sup> Nuit des Césars, «Didier», produced by and starring Alain Chabat, was awarded the César for the best first fictional film. Christian Gasc won the César for the best costumes for «Le Bossu». These films were co-produced by TF1 Films Production.

## MARCH

- At the 12<sup>th</sup> Cérémonie des 7 d'Or, TF1 won eight awards: best news magazine, best society magazine, best entertainment programme, best musical programme and best actress and best actor in a series or serial or TV film.

## APRIL

- Since April 30, TPS has offered its subscribers an audio-thematic service: Music Choice.
- Films co-produced by TF1: «Taxi» and «Le diner de cons» respectively totalled 800,000 and 1.2 million box office sales after one week's release.

## MAY

- Télé-Shopping launched a TV shopping channel: Shopping Avenue on TPS.
- Une Musique launched its summer operation: «Nomads». More than 120,000 albums and more than 970,000 singles were sold by the end of 1998.
- TF1 Vidéo became a separate subsidiary (100% TF1 Entreprises).



## JUNE

- LCI celebrated its 4<sup>th</sup> anniversary with more than 2.3 million subscribers.



Didier: 1998 «César» award for the best first fictional film.





Richard Bohringer won the 1998 «7 d'Or» award for the best actor in a fictional film for his role in «Un homme en colère».



Odyssee strengthened its programming through co-productions.



## JULY

- On July 12, 1998, more than 20 million people watched the Final of the Football World Cup on TF1, a record since the implementation of TV audience measurement in France.
- TPS extended its range of services with the launching of Infosport: the first news channel dedicated to sport.

## AUGUST

- TF1 and the Viséa/Thorn group renewed their production and distribution agreement for digital interactive audiovisual services in hotels for a period of five years.

## SEPTEMBER

- The TF1 Group released figures showing a 6.7% increase in turnover for the first half-year.
- Each episode of «Monte Cristo», a prestigious drama series co-produced by TF1, was watched by more than 10 million viewers. It was the highest audience for a series since 1989.
- At the end of September, TPS recorded its 500,000<sup>th</sup> subscriber.
- LCI broadcast its first interactive advert with Axa Investment.

## OCTOBER

- The Fi channel was launched on TPS. It consists of three financial services: a banking service in partnership with Crédit Agricole, a savings service in partnership with Véga Finance and a general public interactive financial information service in partnership with French daily «Les Echos».

## DECEMBER

- Odyssee launched its 1<sup>st</sup> thematic evening with documentaries and a panel of guests. It will be broadcast every month.
- TF1 International acquired 100% of the Ciby DA film catalogue.
- More than a million copies of the «Les Bleus» videocassette were sold.
- On December 18, 1998, the TF1 share price reached a record high at FF 1,124 (€ 171.4).
- On December 31, 615,000 French homes were subscribing to TPS, i.e. growth of 76% compared to the end of 1997 and a market share of 45% of new subscribers,
- TF1 acquired a 15% stake in the capital of the French subsidiary of World On Line, the Dutch Internet services provider (ISP).



The Football World Cup Final hit an all-time high audience rating.



### Board of Directors

(March 1999)

- ▶ **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  
*Appointed 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*
- ▶ **SOCIÉTÉ GÉNÉRALE**  
Represented by Patrick Duverger, Managing Director  
of Société Générale since November 19, 1997  
*Appointed October 18, 1991*
- ▶ **JEAN-PIERRE PERNAUT**  
Elected February 23, 1988  
Employee Representative
- ▶ **CORINNE CHEVRETON**  
Since June 30, 1997  
Employee Representative



## AUDITORS

### Statutory auditors

- ▶ 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

The Board met on five occasions in 1998. A Remuneration Committee has been set up to make proposals concerning the annual remuneration and service arrangements of Mr Patrick LE LAY.

\*The General Meeting of May 7, 1999 will vote on their re-appointment for six years.

*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 re-appointed by General Meeting of May 12, 1998. Jean-Pierre PERNAUT and Corinne CHEVRETON were re-elected as Employee Representatives in 1998.*

### 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 annual accounts



The news programme control room.





# Group management

## Executive management



▶ **PATRICK LE LAY**  
Chairman & Managing Director



▶ **ETIENNE MOUGEOTTE**  
Vice-Chairman  
& Programming Managing Director



▶ **CLAUDE COHEN**  
Managing Director of TF1 Publicité

## General Management

- ▶ **PIERRE MARFAING**  
Technologies  
and General Services Director
- **ABDELHAMID BELDJOURI**  
Group Technical Director
- **ARNAUD BOSOM**  
TF1 Technical Director
- **CHRISTIAN GRELLIER**  
Multimedia Studio Director

- **GUY LEQUESNE**  
Facilities and Data Processing Manager
- **YVES RIPERT**  
Engineering  
and Computer Research Director
- ▶ **JEAN-PIERRE MOREL**  
Deputy General Manager  
& Chief Financial Officer
- **JEAN-LOUIS CAPRA\***  
Financial planning  
and Control 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
- **MAXIME LOMBARDINI**  
Pay Television Director
- **COLAS OVERKOTT**  
International Affairs Director
- ▶ **NONCE PAOLINI**  
Human Resources  
and Employee Communication Director
- **EMMANUEL GRADOS**  
Personnel  
and Labour Relations Director
- **PASCAL NOYRIGAT**  
Human Resources  
Development Director
- **ALAIN COUDERT**  
Payroll Director
- ▶ **XAVIER COUTURE**  
Programme, Sports  
and Special Operations Director
- ▶ **LAURENT FONNET**  
Programming and Broadcasting Director
- ▶ **CLAUDE DE GIVRAY**  
Drama Artistic 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
- ▶ **DOMINIQUE POUSSIER**  
Children's Programme Director
- ▶ **ANNE SINCLAIR**  
Deputy General Manager  
in charge of Programming
- ▶ **LAURENT STORCH**  
Acquisition Director
- ▶ **GUILLAUME DE VERGES**  
Deputy General Manager  
in charge of Broadcasting
- ▶ **FRANCIS WILLIAUME**  
Deputy General Manager  
in charge of Administration  
& Finance of the Production Department

## Programming

- ▶ **RONALD BLUNDEN**  
Communications Director
- ▶ **ÉDOUARD BOCCON-GIBOD**  
Deputy Manager in charge  
of Contractual Relations
- ▶ **XAVIER BODIN-HULLIN**  
Magazines Deputy Manager

## TF1 Publicité

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

\* Represented by *SERGE LAROYE*  
since April 1, 1999.



# Main subsidiaries →

## TF1 Entreprises

- ▶ PATRICK LE LAY  
Chairman
- ▶ ANNE SINCLAIR  
Managing Director
- ▶ THIERRY LAVAL  
Marketing and Development Director
- ▶ HUBERT TAIEB  
TF1 Licences Director
- ▶ LAURENT KRIVINE  
Editorial Director of TF1 Interactif
- ▶ CLAUDIE METAYER  
Phone-based services Director

## TF1 Vidéo

- ▶ PIERRE BROSSARD  
Chairman

## Une Musique

- ▶ NADINE LAIK-BLANCHARD  
Chairman

## Télé-Shopping

- ▶ ROBERT LENS  
Chairman

## TF1 Films Production

- ▶ ETIENNE MOUGEOTTE  
Chairman
- ▶ LAURENT STORCH  
Managing Director

## Protécréa

- ▶ JEAN-LOUIS CAPRA  
Chairman

## Groupe Glem

- ▶ JEAN-LOUIS CAPRA  
Chairman
- ▶ GÉRARD LOUVIN  
Managing Director

## Studios 107

- ▶ FRANCIS WILLIAUME  
Chairman
- ▶ JEAN ADAM  
Director

## TF1 International

- ▶ JEAN-LOUIS CAPRA  
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
- ▶ EMMANUEL FLORENT  
Managing Director

### Eurosales

- ▶ Management company: ESO

## La Chaîne Info

- ▶ Management company: TF1  
*represented by*  
ÉTIENNE MOUGEOTTE

JEAN-CLAUDE DASSIER  
Managing Director

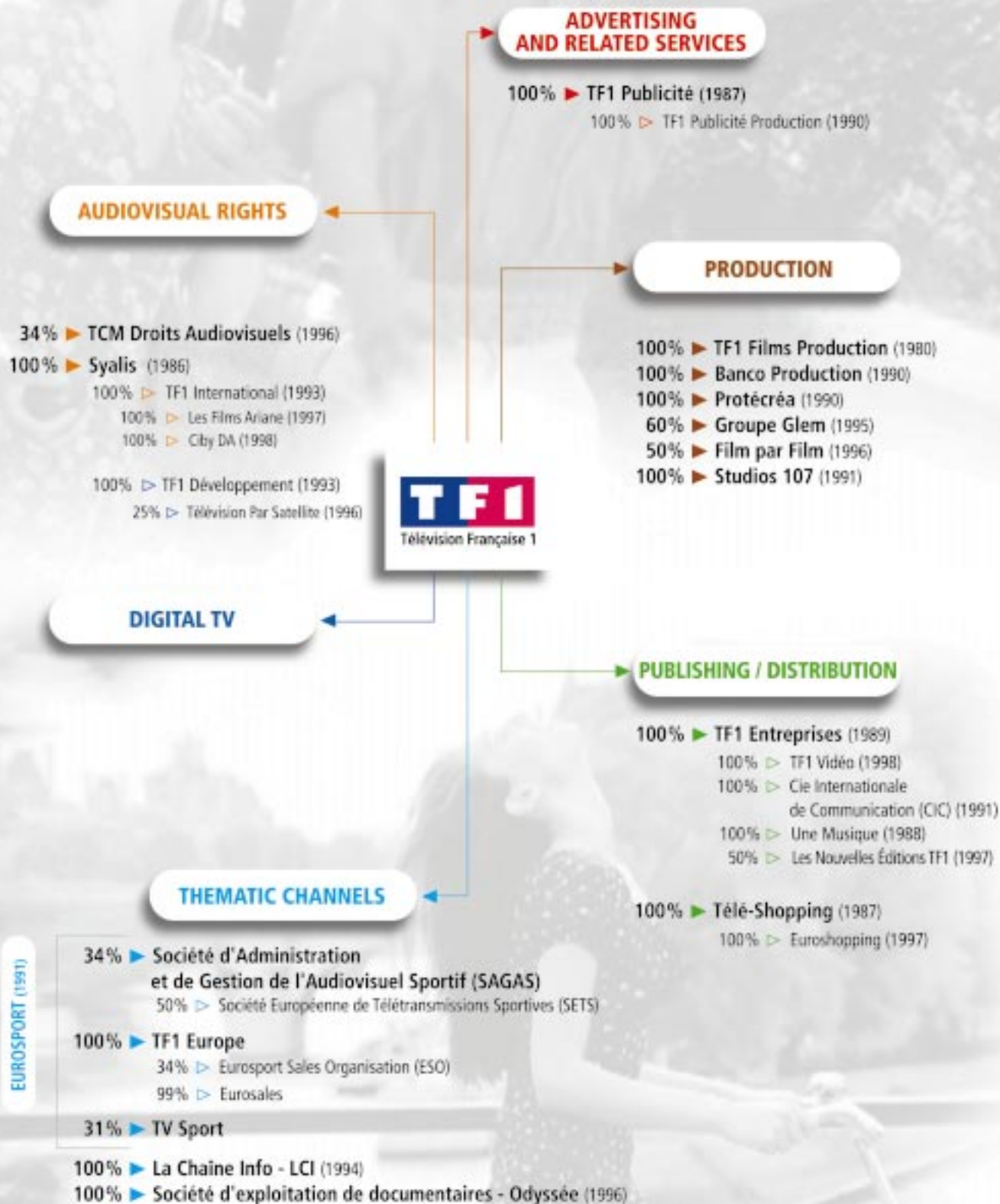
## Odyssée

- ▶ Management company: TF1  
*represented by*  
GÉRARD CARREYROU

## Télévision Par Satellite

- ▶ PATRICK LE LAY  
Chairman





(Year of creation)





TF1 (Télévision Française 1) is one of the leading generalist TV channels in Europe with an audience share of 35%.

It is also an integrated communication group with diversification activities developed around its main business line. As such, the group has developed expertise and created new added-value businesses covering the entire audiovisual sector:

- ▶ upstream, in production and in the acquisition of and sale of audiovisual rights,
- ▶ downstream, in the publishing and distribution of videocassettes and music CDs, phone-based services and the merchandising products, TV home-shopping, thematic channels and marketing of digital programmes and interactive services via cable, satellite and Internet. ...

«Marc Eliot»,  
the latest light  
drama series  
on TF1.



## The TF1 channel

Every day, TF1, as a **general public channel**, attracts a large family public around top-quality, diversified programmes. As a living medium, TF1 organises its programmes around unifying themes which correspond to the public's expectations: the top cinema films, top quality drama, sport and popular entertainment, main news bulletins and children's programmes.

As such, TF1 has a real relation of exchange and confidence with its public thanks to creative, exclusive programmes and the coverage of special events which makes **the leading French TV channel and a strong, unifying brand**.

**News programmes** on TF1 attract a large majority of prime-time viewers, with two main bulletins: one at 1 p.m. which deals with current events and local news and one at 8 p.m. which covers the leading French and international news.

These two news programmes are watched by a large, loyal public and represent the mainstays around which the day's programmes are organised. In addition, TF1 also has news magazines which provide in-depth coverage of leading events.

Other than its success in terms of audience, the news on TF1 continues to benefit from the confidence of viewers thanks to the quality of a team of more than 250 journalists and 300 technicians.

**Entertainment** is one of the strong points of TF1 with a diversified range of programmes covering variety and special events (the election of Miss France, the broadcasting of concerts given by top international artists, etc.).

Based on a convivial, family approach, entertainment on TF1 is constantly renewed with the regular development of innovative, unifying concepts.

With a special programming slot fully devoted to children, called **TF!**, TF1 shows **children's programmes** every morning and on Wednesday afternoon based on the involvement of children and interactivity. Presented by 3-D characters, they are very popular with children between the age of 4 and 14. This very modern concept is also acknowledged for the quality of the cartoons and the series shown.



«Hé Arnold»,  
the children's  
favourite.

Over the last few years, TF1 has developed a wide range of top quality **French drama series** which are very popular with the public since they regularly record the highest viewing figures for the year. They are based on:

- ▶ popular heroes, shown regularly on TF1, like Navarro, Julie Lescaut, Les Cordier or Une Femme d'honneur,
- ▶ made-for-TV movies and adaptations of French classics, starring leading French cinema stars.

TF1 offers two high-profile **cinema** evenings each week with the showing of French and foreign feature films.

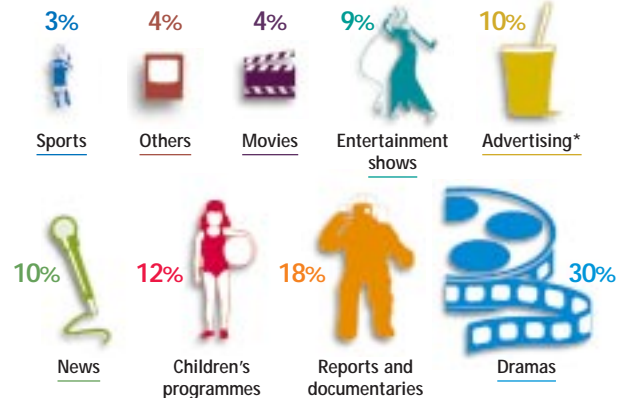
Finally, as the special events channel, TF1 concentrates its efforts in terms of **sports programmes** on the sports which are the most popular in France. Obviously football gets the widest coverage. In particular, TF1 broadcasts the international matches (qualifying and friendly matches) of the French national side, the French Cup and the Champions League. TF1 also offers its viewers the entire Formula 1 season and the Rugby World Cup. ●

## The leading French TV channel.



«Le Bigdil»,  
a success for the access  
prime-time slot.

### Breakdown of 1998's broadcasting air time



\* Promotional spots and others



## Advertising

As a major private channel, TF1 markets powerful, high-performance commercial breaks aimed at the main groups targeted by advertisers. Thanks to the size and quality of TF1's audience, it can answer their expectations and requirements in all sectors. Advertising revenue represents **75% of consolidated turnover**.

TF1 *Publicité*, the Group's advertising arm, sells to advertisers and agencies the advertising space offered by TF1 as well as that of LCI (round-the-clock news channel), Odyssée (documentary channel), Télétoon (children's channel on TPS and cable TV), Shopping Avenue (TV shopping channel on TPS), Météo Express (interactive service on TPS) and the TF1 Group's Internet sites.

This comprehensive and coherent range of services answers the requirements of advertisers whose strategy is based on power, efficiency and a direct link with the consumer.

Innovation, service quality, competitiveness and optimisation are the daily concerns of TF1 *Publicité*. Constantly attentive to the demands of all advertisers, the advertising department is present in the traditional sectors of TV advertising (food, beauty/hygiene products, transport, etc.) while accompanying the development of new advertising sectors (banking, insurance, telephony, etc.), office automation and information technology. ●

In 1987, TF1 introduced a **diversification strategy** based on the development of high added-value business lines in total synergy with its channel. These activities, which are organized in **five complementary sectors** (audiovisual production, marketing of audiovisual rights, publishing and distribution, production of thematic channels and digital TV), constitute **new businesses which bring growth and value**.

## Production

TF1 is the leading investor in French TV production among the non-encrypted channels. Since it was privatised, TF1 has invested a total of FF 16 billion. In terms of its franchise, TF1 spends:

► **3% of its net advertising turnover** on the co-production of French-language films.

TF1 *Films Production*, which makes these investments, thus acquires co-producer shares which entitle it to the box-office revenue and broadcasting rights intended for TF1 and its subsidiaries. Since 1987, TF1 *Films Production* has invested FF 1.8 billion in the co-production of 178 films, of which 51 achieved more than one million box office sales in France.



6.2 million box office sales in 1998 for «Taxi», co-produced by TF1.

► **15% of its net advertising turnover** on the production of French-language made-for-TV movies. In 1998, TF1 co-produced 196 hours of French TV films and dramas including the prestigious production «Le Comte de Monte Cristo».

### STUDIOS 107

Located in La Plaine St Denis, these studios market their technical services to the producers of **entertainment programmes (variety, games, etc.), dramas and TV home-shopping programmes**. These modern installations, authorized by the CNC, have five stages, each of more than

500 m<sup>2</sup>, including two large stages which can accommodate the public, two editing rooms, one mixing room and more than 35 dressing rooms.

### GLEM

Glem, a 60% owned subsidiary, has developed **acknowledged know-how in the production of shows and entertainment programmes for TV**. Its great successes already include TV programmes like «Bidgil» and «Les Années Tubes» and theatrical productions like «Les Années Twist», «Les Années 80» and «Ils s'aiment».

### PROTÉCRÉA

This subsidiary is specialised in the **production of cartoons** (Paddington, Bob & Scott, etc.) and **magazines** like «52 sur la Une».

### TF1 PUBLICITÉ PRODUCTION

This entity produces trailers and advertising or sponsorship films as well as Internet sites. ●



Co-produced by TF1, «Le diner de cons» was #1 in the French box office in 1998.



## Audiovisual rights

Since 1993, on the basis of its experience as broadcaster, producer and distributor, TF1 has developed activities covering the **acquisition and distribution** of cinema and TV rights for all media (cinema, TV, video, etc.) and all territories, for the entire Group, through its subsidiary TF1 International.

With the acquisition of Les Films Ariane in 1997 then Ciby D.A. in 1998, the TF1 Group consolidated its position as the **3<sup>rd</sup> largest French catalogue** with 20,300 hours of programmes and more than 1,800 films.

The production and audiovisual rights activities represent a major strategic element which ensures that the Group receives a high-quality supply. ●



«La leçon de Piano»  
Ciby DA catalogue.

## Publishing / distribution

TF1 publishes and distributes products which benefit from the reputation of its brand and the popularity of its programmes. The Publishing / Distribution sector was the Group's first historic diversification and is the largest with around 12% of consolidated turnover. It consists of the following subsidiaries:

### TF1 ENTREPRISES

TF1 Entreprises covers phone-based services linked to the TF1's main programmes and merchandising products which use brands such as «Ushuaïa», «Salut les Toons» and «Haribo».

### TF1 VIDÉO

TF1 Vidéo became a separate subsidiary in 1998. It publishes leading popular French and foreign films and develops thematic collections in the non-film category (sport programmes, children's programmes, documentaries, entertainment and drama, etc.). In order to better answer the demands of the market and to continue its growth, over the past few years has TF1 developed a cut-price collection under the brand name «Une Vidéo» and sales through news stands. **TF1 Vidéo is the 3<sup>rd</sup> largest publisher in France, the top French distributor and leader in the «non-film» sector.** The arrival of the DVD has created new market opportunities for which TF1 Vidéo has already positioned itself by launching several films (Casino, Taxi, etc.).



### UNE MUSIQUE

Originally specialised in music publishing, Une Musique quickly developed in the field of record publishing in partnership with the leading record companies. It also produces French artists directly, thus reinforcing its reputation and its portfolio of royalties.



### TÉLÉ-SHOPPING

Télé-Shopping is the leading TV home-shopping operator in France. The activities of this subsidiary are based on several media: the programmes broadcast by TF1 every morning from Monday to Saturday, the catalogue with the distribution of more than 7.5 million copies to more than a million active clients in 1998, an Internet site with demonstration videos and the production of a thematic channel «Shopping Avenue». Télé-Shopping also offers interactive services on TPS. ●



## Thematic channels

At the heart of its diversification strategy, TF1 used the editorial and technical know-how acquired in its main business line to **launch several thematic channels** on the following popular themes: sport, news, documentaries and TV home-shopping. In the space of a few years, these channels have taken the top spot in their field. TF1 **has thus improved its editorial content** and is developing **new brands** which will enable it to respond to the increasing demand for programmes linked to the development of satellite and cable TV.

### EUROSPORT

Eurosport offers **unique coverage of the leading international sports events, many of them on an exclusive basis**, for more than 100 different sports. It is positioned as a complement to the sports programmes of the national generalist channels whose sports coverage is necessarily more limited.

Eurosport is by far **the leading sports channel in Europe with more than 81 million homes in 47 countries and 16 different language versions**. It is broadcast by most

cable operators and satellite networks in Europe, making it a unique communication medium for the leading European advertisers.

At programming level, Eurosport gives priority to the live broadcasting of international events and first broadcasts.



More than 93% of households receive Eurosport in their mother tongue.

### LCI, LA CHAÎNE INFO

LCI was launched in 1994, thanks to the expertise of TF1 in the field of news and synergies with the editorial department of TF1. In just a few years, it has become established as the **3<sup>rd</sup> thematic channel in terms of audience** in France for cable and satellite TV (source: Audicabsat) and has become a reference in matters of news with 45 bulletins per day.

The programming of LCI puts the accent on regular news bulletins and the live coverage of events, punctuated by features, debates and talk shows. It leaves considerable room for debates on major themes like the economy, show business and culture, or again political analysis. The time slot between 10 p.m. and midnight has been reorganised to offer a full panorama of news events and thus satisfy the expectations of viewers.



«Titanic», one of the main documentaries co-produced by Odysée in 1998.

### ODYSSÉE, THE DOCUMENTARY CHANNEL

Odysée, which was launched at the end of 1996, has developed top-quality programming based on original reports and documentaries from all over the world, dealing with the following themes: discovery, science, adventure, nature and ethnology. This programming is aimed at providing regular weekly programmes and co-productions. Odysée broadcasts 14 hours of programmes per day via cable and satellite.

### SHOPPING AVENUE

This channel, which was launched on TPS in May 1998, combines the editorial and commercial know-how of Télé-Shopping and the power of brand recalls. With a clearly modern positioning based on its slogan ("Pleasure on Order"), this new TV Shopping channel broadcasts round-the-clock. Like Télé-Shopping, Shopping Avenue should benefit from the promising developments of interactive TV and electronic commerce.

TV viewers can stroll through a giant shopping mall based on one the five main thematic programmes. Shopping Avenue offers more than 1,200 different products per year, of which around 50% leading brands, according to a grid of 17 themes per client family or type of product. ●

Eurosport, the only channel which broadcast the Nagano Olympic Games round-the-clock.



LCI: number of subscribers (in million)



\* over 6 months.





## Multimedia and interactive services

Since the late 1980's, TF1 joined the **interactive era** with telematics. The Minitel and Audiotel services of TF1 offer a wide range of services linked to TF1: news, TV shopping, games, weather forecasts, etc. In January 1998, the TF1 Interactif structure was created to develop the Group's Internet and multimedia services. As such, TF1 is positioned on a new high-potential market, complementary to that of TV, based on its advantages as the producer of programmes that benefit from strong brands, thus ensuring the loyalty and unification of a vast public.

As one of the first to really make full use of all the functions of the Internet medium (sound, image, text, discussion groups, votes, etc.) using the images of TF1, **in just a few months the Internet <http://www.tf1.fr> site has become a reference in the field of news and is ranked as the fifth French site in terms of reputation.** By dividing its services among several media (interactive TV, mobile telephony, etc.) using data mutualisation tools developed internally, TF1 Interactif has established itself as a producer of top quality multimedia services.

### TPS

Since it considered that digital technology offered new opportunities in France where the cable and satellite market was little developed, at the end of 1996 TF1 launched **TPS**, a package of programmes and services, digitally broadcast through the Eutelsat satellite system. TPS is a partnership with leading French partners in the television and telecommunication sectors.

TPS is both a programme distributor and a producer of thematic channels and interactive services. For an all-in price, it offers a full range of programmes with more than 70 channels, of which three are dedicated to the cinema, i.e. nearly 200 feature films per month, some of which shown for the first time on TV.

TPS also offers its subscribers a range of **innovative and convivial services** ranging from pay-per-view, weather forecast on demand, banking and stock market transactions as well as cultural, sports and financial news.

By offering a wide, varied range of programmes and services at an attractive price, TPS had attracted nearly 615,000 subscribers (in addition to which there are the

75,000 subscribers to the «TPS Cinéma» option via cable) at the end of 1998, representing around 45% of the net market growth.

TPS will continue its development by enhancing and renewing its range of interactive services and programmes.

This position on the promising market of the thematic channels and interactive services constitutes a major strategic line for the Group's development in France and in Europe. ●



The TF1 Internet site ranks # 5 in terms of top of mind in France.



Interactive financial services on TPS, launched in October 1998.



To the combined General Meeting of May 7, 1999

## Ordinary part

*In accordance with legal requirements, we have called this general meeting (ordinary part) to report on the management over the past financial year, to submit to shareholders' approval the financial statements for the year 1998 and to comment on the company's current situation and future prospects.*

*As usual, the accounts for the year 1998 are presented both for the TF1 Group (consolidated accounts) and for Télévision Française 1, (parent company).*

## **1** 1998 BUSINESS REVIEW

### **1.1** THE GROUP

In 1998, the TF1 Group's turnover was FF 10,904 billion, i.e. € 1.662 billion, a 5.7% increase on the previous year.

Once again this year, TF1 reinforced its position as the viewers' favourite channel, attracting, in particular, 35.3% of individuals aged over 4 years old as well as 37.6% of women aged under 50.

Thanks to a favourable economic environment, with higher TV advertising investments, TF1 recorded a total of FF 8,046 million (€ 1,227 million) in net advertising revenue, an increase of 4.7%.

Earnings from diversification activities were FF 2,858 million (€ 436 million), a rise of 9.5%.

In this context, the Group continued the cost control policy it initiated four years ago, in particular in the field of programming costs (see 1.2 The parent company).

The Group improved its profitability with a consolidated operating profit of FF 1,439 million (€ 219.3 million) in 1998 compared to

FF 1,160 million (€ 176.7 million) in 1997, a rise of 24%.

The consolidated financial profit was FF 55 million (€ 8.4 million) compared to FF 30 million (€ 4.6 million) in 1997.

The consolidated exceptional profit was FF 4 million (€ 0.5 million) compared to a loss of FF 8 million (€ 1.2 million) in 1997. Amortisation of goodwill was FF 11 million (€ 1.7 million) compared to FF 17 million (€ 2.7 million) last year.

Reduction of the TPS and TCM losses resulted in a share of losses of companies accounted for under the equity method totalling FF 201 million (€ 30.7 million) compared to FF 254 million (€ 38.7 million) in 1997.

Finally, the net consolidated profit (attributable to the Group) was FF 716 million (€ 109.1 million) for 1998, compared to FF 482 million (€ 73.4 million) in 1997, a rise of 48%.

At December 31, 1998, long-term capital was FF 3,953 million (€ 602.6 million), a rise of 9.8%, out of a balance sheet total of FF 9,760 million (€ 1,488 million). The Group presents a balance sheet that is practically debt-free and a net cash position of FF 1,117 million (€ 170.1 million).



*The Football World Cup, the top sporting event in 1998.*



Successful entertainment shows:  
«Le bétisier des p'tites canailles»,  
attracted more than  
11.2 million viewers.



In 1998, the contribution from Group companies to consolidated turnover and profit was as follows:

**CONTRIBUTION TO CONSOLIDATED TOTAL REVENUES \***

	1998		1997		1996	
	in FF M	in € M	in FF M	in € M	in FF M	in € M
<b>TF1 SA</b>	<b>8,169</b>	<b>1,245.1</b>	<b>7,831</b>	<b>1,193.8</b>	<b>7,494</b>	<b>1,142.5</b>
including advertising	8,046	1,226.6	7,688	1,172.0	7,424	1,131.8
<b>PUBLISHING DISTRIBUTION</b>	<b>1,269</b>	<b>193.6</b>	<b>1,209</b>	<b>184.4</b>	<b>1,083</b>	<b>165.0</b>
TF1 Entreprises**	87	13.3	591	90.1	540	82.3
TF1 Vidéo**	531	81.0	-	-	-	-
CIC	41	6.3	30	4.6	19	2.9
R.C.V.	2	0.3	5	0.8	-	-
Télé-Shopping	413	63.0	389	59.3	344	52.4
Une Musique	187	28.5	194	29.6	168	25.6
Les Nouvelles Éditions TF1	8	1.2	-	-	-	-
TF1 Publications	-	-	-	-	12	1.8
<b>THEMATIC CHANNELS</b>	<b>772</b>	<b>117.7</b>	<b>624</b>	<b>95.2</b>	<b>510</b>	<b>77.8</b>
Eurosport	508	77.4	434	66.2	375	57.2
ESO	296	45.1	259	39.5	211	32.2
TV Sport	69	10.5	59	9.0	40	6.1
Eurosales	143	21.8	116	17.7	124	18.9
LCI	235	35.8	184	28.1	135	20.6
Odyssee	24	3.7	6	0.9	-	-
EuroShopping	5	0.8	-	-	-	-
<b>DIGITAL TV</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1</b>	<b>0.2</b>
Groupe TPS	-	-	-	-	1	0.2
TF1 Développement	-	-	-	-	-	-
<b>PRODUCTION</b>	<b>431</b>	<b>65.7</b>	<b>380</b>	<b>57.9</b>	<b>372</b>	<b>56.7</b>
TF1 Films Production	125	19.1	140	21.3	96	14.6
Banco / Protécra	30	4.6	39	5.9	80	12.2
Film Par Film	79	12.0	-	-	-	-
Groupe Glem	98	14.9	120	18.3	106	16.2
TF1 Publicité Production	44	6.7	40	6.1	37	5.6
Studios 107	55	8.4	41	6.3	53	8.1
<b>AUDIOVISUAL RIGHTS</b>	<b>251</b>	<b>38.3</b>	<b>260</b>	<b>39.6</b>	<b>181</b>	<b>27.6</b>
TF1 International	207	31.6	206	31.4	181	27.6
Légende Distribution	-	-	-	-	-	-
TCM	-	-	-	-	-	-
Groupe Ariane	40	6.1	54	8.2	-	-
Ciby DA	4	0.6	-	-	-	-
<b>OTHERS</b>	<b>12</b>	<b>1.8</b>	<b>6</b>	<b>0.9</b>	<b>44</b>	<b>6.7</b>
TF1 Publicité (various)	12	1.8	6	0.9	44	6.7
Syalis	-	-	-	-	-	-
<b>TOTAL</b>	<b>10,904</b>	<b>1,662.2</b>	<b>10,310</b>	<b>1,571.8</b>	<b>9,685</b>	<b>1,476.5</b>

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

\*\* TF1 Vidéo, previously a department of TF1 Entreprises, became a subsidiary of TF1 Entreprises in 1998.

**CONTRIBUTION TO THE NET CONSOLIDATED PROFIT \***

	1998		1997		1996	
	in FF M	in € M	in FF M	in € M	in FF M	in € M
<b>TF1 SA</b>	<b>754</b>	<b>114.7</b>	<b>606</b>	<b>92.0</b>	<b>577</b>	<b>88.2</b>
<b>PUBLISHING/ DISTRIBUTION</b>	<b>79</b>	<b>12.2</b>	<b>68</b>	<b>10.5</b>	<b>57</b>	<b>8.7</b>
TF1 Entreprises**	24	3.7	38	5.8	38	5.8
TF1 Vidéo**	17	2.6	-	-	-	-
CIC	1	0.2	1	0.2	1	0.2
R.C.V.	-	-	1	0.2	-	-
Télé-Shopping	26	4.0	17	2.6	17	2.6
Une Musique	11	1.7	11	1.7	10	1.5
Les Nouvelles Éditions	-	-	-	-	-	-
TF1 Publications	-	-	-	-	(9)	(1.4)
<b>THEMATIC CHANNELS</b>	<b>(12)</b>	<b>(1.8)</b>	<b>(60)</b>	<b>(9.1)</b>	<b>(92)</b>	<b>(14.1)</b>
Eurosport	25	3.8	28	4.3	13	1.9
ESO	25	3.8	22	3.4	4	0.6
TV Sport	6	0.9	15	2.3	12	1.8
Eurosales	6	0.9	(1)	(0.2)	(2)	(0.3)
TF1 Europe	(12)	(1.8)	(8)	(1.2)	(1)	(0.2)
LCI***	(16)	(2.4)	(65)	(9.9)	(100)	(15.2)
Odyssee***	(9)	(1.4)	(23)	(3.5)	(5)	(0.8)
EuroShopping	(12)	(1.8)	-	-	-	-
<b>DIGITAL TV</b>	<b>(122)</b>	<b>(18.6)</b>	<b>(140)</b>	<b>(21.4)</b>	<b>(20)</b>	<b>(3.1)</b>
Groupe TPS	(207)	(31.6)	(236)	(36.0)	(32)	(4.9)
TF1 Développement	85	13.0	96	14.6	12	1.8
<b>PRODUCTION</b>	<b>11</b>	<b>1.7</b>	<b>6</b>	<b>1.0</b>	<b>20</b>	<b>3.0</b>
TF1 Films Production	8	1.2	-	-	4	0.6
Banco / Protécra	(10)	(1.5)	(29)	(4.4)	2	0.3
Film par Film	-	-	-	-	-	-
Groupe Glem	10	1.5	21	3.2	6	0.9
TF1 Publicité Production	1	0.2	1	0.2	-	-
Studios 107	2	0.3	13	2.0	8	1.2
<b>AUDIOVISUAL RIGHTS</b>	<b>(8)</b>	<b>(1.2)</b>	<b>-</b>	<b>-</b>	<b>26</b>	<b>3.9</b>
TF1 International	11	1.7	21	3.2	28	4.3
Légende Distribution	-	-	-	-	(1)	(0.2)
TCM	6	0.9	(18)	(2.7)	(1)	(0.2)
Groupe Ariane	(9)	(1.4)	(3)	(0.5)	-	-
Ciby DA	(16)	(2.4)	-	-	-	-
<b>OTHERS</b>	<b>14</b>	<b>2.1</b>	<b>2</b>	<b>0.4</b>	<b>7</b>	<b>1.1</b>
TF1 Publicité	10	1.5	1	0.2	13	2.0
Syalis	4	0.6	1	0.2	(6)	(0.9)
<b>TOTAL</b>	<b>716</b>	<b>109.1</b>	<b>482</b>	<b>73.4</b>	<b>575</b>	<b>87.7</b>

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

\*\* TF1 Vidéo, previously a department of TF1 Entreprises, became a subsidiary of TF1 Entreprises in 1998.

\*\*\* LCI and Odyssee being limited partnership companies, the corresponding tax credits (respectively FF 7 million, FF 27 million and FF 36 million in 1998, 1997 et 1996 for LCI and FF 4 million, FF 9 million and FF 2 million for 1998, 1997 and 1996 for Odyssee) are included in TF1 SA's contribution.

## ● THE TF1 CHANNEL \*

In 1998, TV consumption rose by seven minutes to 187 minutes per day for all individuals aged four years and over. This rise was even higher for women aged under 50 who, for the first time, watched for an average of more than three hours per day.

In an increasingly competitive environment, TF1 more than ever remained the European channel with the highest audience share on its market with 35.3%, ahead of ITV and BBC1 in Britain with respectively 31.7% and 29.5%.

Faced with competition which defines itself through thematic choices or age segmentation, TF1 maintained its status as a lively channel with a great capacity for innovation. Its success is still based on a clear policy of generalist, family-oriented programming which offers a wide range of identifying programmes and services. The channel gives priority to exclusive and original programmes while leaving room for special events and live broadcasts.

In this respect, 1998 was exemplary:

The **World Cup** was an unprecedented success for TF1: with a total of 17.7 million viewers for the semi-final and 20.6 million for the final, TF1 achieved its biggest audience since the implementation of TV audience measurement in France.

Exclusive coverage of the Champions League, the French Cup and the matches of the French national side, as well as Formula 1 racing give the sports programming of TF1 an exceptional and event-oriented character.

TF1 also remains the channel of great exclusives in terms of non-encrypted **cinema**. A total of 29 feature films were included in the 100 best audiences of 1998 including «Mrs Doubtfire», «Les 3 Frères», «Bodyguard» or «Pédale Douce». And TF1 will shortly be showing major films like «Golden eye», «Didier», «Hercule et Sherlock» or «Waterworld».

**Drama** remains a top value on the channel which has constantly innovated over the last 12 years. The heroes of TF1 are still just as popular with French viewers: Julie Lescaut, Navarro, Une femme d'honneur or Les Cordier. They have now been joined by new characters, like Marc Eliot.

TF1 has successfully established new Monday evening heroes in an original programming which is very popular

with the public. «Un amour de cousine», with Pierre Arditi and Véronique Genest, was watched by 12.7 million viewers and «Le Comte de Monte Cristo» was an unprecedented success. The four episodes attracted between 11.7 viewers for the first episode and 12.8 million for the fourth episode. This was the highest audience attracted by a series since 1989.

Thanks to the quality and variety of its **entertainment** and **magazines**, TF1 can alternate regular programmes like «Les années tubes», «Les enfants de la télé», «La fureur», «Drôle de jeu» or «Combien ça coûte», which are very popular with the public, and real broadcasting events like the Miss France beauty contest, La fête de la musique, or the concert given by Johnny Halliday at Le Stade de France.

TF1's innovative policy in this field has established new formats such as «Plein les yeux», «Les Spéciaux Vidéo Gag», «Les p'tites canailles» or «Sagas» which quickly became favourites with viewers.

A new packaging of **children's programmes**, using the TF1 brand, is very popular with children and has made TF1 the leading channel with this public.

With «Exclusif», the first daily «People» programme produced in France, and «Bigdil», presented by Vincent Lagaf', TF1 attracted respectively 33% and 37% of women under 50 years of age in prime time access.

Finally, **news** still plays a vital part in TF1's programming.

The one o'clock and eight o'clock news bulletins have increased their lead over competitors, attracting between seven and eight million viewers each day. This success reflects the great quality of the work of the editorial staff, which is appreciated by viewers, 38% of whom trust TF1 as a source of information (Sofres survey published in La Croix and Télérama, January 1999).

More than ever by applying a «general public» strategy based on special events, original programmes, exclusive programmes and live broadcasts and respecting strict budget imperatives, TF1 has established itself as the great generalist channel of the future.



*The most watched news bulletins in France.*

\* Sources: Médiamétrie, Eurodata TV



● **ADVERTISING**

The advertising market for all media recorded its strongest growth since 1990 due to a domestic market boosted by high household demand.

In this positive context, growth in TF1's net advertising revenue accelerated to + 4.7% compared to + 3.6% in 1997. The total amount of advertising revenue was

FF 8,046 million.

TF1 reinforced its position as the leading commercial TV channel: 73.2% of advertisers chose to advertise on TF1 in 1998 compared to 72.7% in 1997.

The high audiences achieved by TF1's advertising breaks explains this performance. TF1 is indeed the channel which recorded the highest growth in advertising break audience with a gain of 5.8% in the category of women aged under 50.

The growth of TF1 is perfectly balanced in terms of traditional sectors (Food, Hygiene-Beauty, etc.) and emerging sectors (Services, Telecommunications, Office automation and Information technology, etc.)

Finally, with a comprehensive and coherent range of programmes and services (the leading generalist channel, strong, targeted thematic channels - LCI, Odyssee, Télétoon and Shopping Avenue - advertising and interactive services on Internet sites), TF1 Publicité meets the requirements of advertisers who base their strategy on power, efficiency and a direct link with the consumer. In 1998, the advertising revenue of this complementary range rose by 42%.

● **TF1 INTERACTIF**

TF1 Interactif, which was launched barely a year ago, already has two successes to its credit:

- ▶ the TF1 Internet site has become a reference in the field of news with the support of a team of journalists and the broadcasting of images from TF1 thanks to all the functions of Internet (sound, image, text, discussion groups, votes, etc.).
- ▶ The TF1 Interactif department has become established as a quality multimedia producer on various media (interactive TV, mobile telephony) thanks to data mutualisation tools developed internally.

● **DIVERSIFICATION ACTIVITIES**

In 1998, the diversification activities of the TF1 Group recorded turnover of FF 2,858 million (€ 436 million), a rise of 9.5%.

The highlights of the year were:

- ▶ reinforcement of the audiovisual rights sector, in particular with the acquisition of the Ciby DA catalogue,
- ▶ the development of thematic channels which benefited from the expansion of cable and satellite TV in France and Europe,
- ▶ the sustained growth in subscriptions to Télévision Par Satellite (TPS).

N.B. : the activity of the TF1 subsidiaries is analysed hereafter using the company turnover (accounts in class 70 only) presented in the «Subsidiaries and financial investments» table in the notes to the company accounts and not in terms of their contribution to consolidated turnover.

● **PUBLISHING / DISTRIBUTION**

The Publishing and Distribution sector, which is the main diversification activity in terms of contribution to consolidated turnover and earnings, continued its development in 1998.

**TF1 ENTREPRISES**

In May, 1998, TF1 Vidéo became a subsidiary company, with retroactive accounting effect from January 1, 1998. TF1 Entreprises now only covers phone-based activities (Minitel, Kiosques téléphoniques and Télémessagerie) and those linked to the merchandising products with TF1 Licences.

The turnover of TF1 Entreprises was FF 121 million (€ 18.4 million), a rise of 7% on a comparable basis.

Phone-based activities achieved a 4% growth in 1998 thanks to the success of the Football World Cup section which recorded more than 2.5 million calls in one month.

The merchandising products activity, although characterised by the expiry of certain licences, launched productions based on the new heroes of young viewers such as Arnold, Fifi Brind'acier or new programmes like «Ushuaia Nature.».

**TF1 VIDÉO**

With a total of 8.5 million cassettes sold (+ 14%), the turnover of TF1 Vidéo (including CIC) grew by 8% at FF 562 million (€ 85.7 million) in line with the market. Football World Cup related cassettes, such as «Les Bleus, Champions du Monde», were a great success with 1.2 million copies sold.



*BMX : the programme for youngsters on Eurosport.*



The «Une Vidéo» (CIC) collection cassettes («De Funes», «Enfants» ...) recorded sale volumes of nearly 1.4 million, an increase of 35%.

### UNE MUSIQUE

Une Musique recorded a turnover of FF 187 million (€ 28.5 million), a 4% decline, on sales of 5.7 million units. A total of 67 new references were released, 10 of which were exclusive new issues, compared to 74 in 1997.

The summer operation with the «Nomads» group was a success with 120,000 albums and 976,000 singles sold in eight months. Finally, Une Musique was awarded a «diamond» album (more than 1 million copies sold) for the record «Era» which sold 1.6 million copies.

### TELE-SHOPPING

In a context that was favourable to mail order sales (+ 4%) and with no additional air time dedicated to TV home-shopping, Télé-Shopping recorded a 6% increase in turnover at FF 417 million (€ 63.6 million) and an 18% increase in operating profit.

This higher profitability was used to finance new developments, in particular the launching of the round-the-clock TV home-shopping channel, Shopping Avenue, which is backed by brand recalls.

### LES NOUVELLES EDITIONS TF1

The development of Les Nouvelles Editions TF1, which resulted from a partnership between TF1 Entreprises (51%) and Les Editions Robert Laffont, is based on the development of a popular editorial line, in particular linked to the channel's programmes. The company's activity really started in 1998 with seven works published and a turnover of nearly FF 8 million (€ 1.2 million).

## ● THEMATIC CHANNELS

### EUROSPORT

On December 31, 1998, the number of European homes receiving Eurosport was 81 million, a coverage up 5% as compared to the end of December 1997. The launching of the Norwegian version in January 1999 increased the total number of language versions to 16. As such, 93% of homes in 47 countries receive Eurosport in their mother tongue.

The 1998 turnover rose by 15% to FF 1,047 million (€ 159.6 million). Revenue from cable and satellite rose by 24%, mainly due to the development of satellite TV in Spain, France, and cable in Denmark and the United Kingdom. Advertising revenue rose by 10% with a very good first half-year with the Winter Olympic Games in Nagano and the Football World Cup.

The profit before tax, which has been positive since 1996, rose by 29% compared to that of 1997, to a total of

FF 143.4 million (€ 21.9 million), excluding the effect of a debt of FF 31 million on TV Sport which was written off.

An enhanced version of Eurosport for the United Kingdom was launched on January 18, 1999. The Internet site <http://eurosport.com> was also opened to the public at the start of 1999.

### LA CHAÎNE INFO - LCI

LCI is the 3<sup>rd</sup> most watched thematic channel with an audience share of 2.2% for all individuals aged 15 years and over (source: Audicabsat). 80% of cable and satellite subscribers receive the channel.

At the end of December 1998, LCI was received by 2.7 million multichannel homes, a rise of 36%.

Turnover was FF 245 million (€ 37.3 million), a 25% increase, mainly due to the effect of the increasing number of subscriptions to satellite TV and the greater number of advertisers who place their trust in the channel.



«22H-minuit» : 2 hours of in-depth news on LCI.

### ODYSSEE

At the end of December 1998, Odyssee broke through the barrier of one million subscribers, a rise of 43% compared to the same period of the previous year. Odyssee signed a large number of distribution agreements with the main cable networks in France.

Odyssee has established itself through the quality of its programming. Three evening programmes were launched: «Animaux et Nature», «Voyage et Aventure» and «Histoire et Géopolitique». They attract a regular weekly audience. In addition, in December 1998, Odyssee started a weekly magazine called «Aventure» and special monthly evening programmes dealing with a subject that is illustrated by documentaries co-produced by the channel.

The turnover was FF 24 million (€ 3.7 million).

## ● PRODUCTION

In 1998, the TF1 Group invested FF 1,668 million (€ 254.3 million) in French production in the form of French original expression works (EOF) and feature films.

The Group's production activity has five subsidiaries operational in cinema, cartoons, variety shows, show business and technical services. These subsidiaries produce quality programmes which satisfy the channel's requirements and the expectations of its public.



«Pédale Douce» attracted more than 11 million viewers.



**TF1 FILMS PRODUCTION**

In 1998, TF1 Films Production co-produced and acquired the first broadcasting rights for 17 feature films for a total of FF 208.8 million (€ 31.8 million). TF1 Films Production co-produced 6 of the 11 French films which achieved more than 500,000 box office sales in France (including «Le Diner de Cons» and «Taxi») and has a market share of 50% of French production (source: Le Film Français). The company's turnover was FF 205 million (€ 31.2 million) for the financial year.



«Taxi», the second biggest French box-office hit in 1998.

**FILM PAR FILM**

TF1 has a 50% stake in the Film Par Film company whose 1998 turnover was FF 65 million (€ 9.9 million), a rise of 11%. In 1998, Film Par Film was proportionately consolidated in the accounts of TF1, while it was consolidated under the equity method in 1997.

**PROTECREA**

1998 was a transitional year for Protécra whose activity was reorganised around two activities, cartoons and «52 sur la Une». Protécra continued to produce cartoons like «Bob et Scott» and Paddington Bear and delivered 10 «52 sur la Une» programmes to TF1. Its turnover was FF 141 million (€ 21.5 million).

**GLEM**

The turnover of the Glem group was FF 252 million (€ 38.4 million). In particular, the company produced the «Les années tubes», «Sans aucun doute» and «Intervilles» programmes for TF1 as well as numerous special shows dedicated to great stars like Claude François, Céline Dion, Madonna or Florent Pagny. As it does each year, Glem produced the «Miss France» beauty contest which recorded the year's

highest audience in the entertainment category.

**STUDIOS 107**

The turnover of Studios 107 was FF 106 million (€ 16.2 million) covering the provision of technical services and the executive production of entertainment and TV shopping programmes.

**ACQUISITION AND TRADING OF AUDIOVISUAL RIGHTS**

The Audiovisual Rights activity fully owns the rights for 9,000 hours of TV programmes and around 600 feature films.

**TF1 INTERNATIONAL**

The turnover of TF1 International was FF 239 million (€ 36.4 million) with the sale of feature films like «Le Bossu», «Taxi», «Une chance sur deux», «Charité Buziness» or «Dead Man's Curve» and cartoons such as «Papyrus» and «Barbe Rouge».

In 1998, TF1 International continued its policy of the acquisition of audiovisual rights, particularly feature films, which represent two thirds of investments.

**LES FILMS ARIANE**

The turnover of Les Films Ariane, a company acquired by TF1 International in August 1997, was FF 50 million (€ 7.6 million).

**CIBY DROITS AUDIOVISUELS - CIBY DA**

In December 1998, TF1 International acquired Ciby DA, which owns a large catalogue of films including «The Piano», «Little Buddha», «Talons Aiguilles» and «Une Epoque Formidable». The turnover of Ciby DA was nearly FF 11 million (€ 1.6 million) for the financial year.

**DIGITAL TELEVISION**

**TÉLÉVISION PAR SATELLITE - TPS**

On December 31, 1998, TPS had 615,000 DTH (Direct To Home) subscribers. Over the entire year, the market share of TPS rose to around 45% of new subscribers recruited. TPS Cinéma has 75,000 cable subscribers. A total of 89% of subscribers chose the «Tout TPS» option and the subscription renewal rate was more than 91%.

In 1998, TPS added nine new channels to its package with no extra charge for subscribers: M6 Music (100% Music), Mezzo (music-opera-dance), Régions (local news and discovery of the regions), RFO SAT (news from the French overseas territories and departments), Club Téléachat (TV shopping), Shopping Avenue (TV shopping) Infosport (non-stop sports news), Escales (travel and tourism) and MTV.

Two new options were also launched: Passions (5 channels) and Rythmes (musical option including four channels and 10 musical radio stations with no advertising). Interactive services were enhanced with the arrival of Infoscore (live sports results) and the Fi channel (home banking services and economic and financial news) and Espace Annonces.

Since the start of September 1998, TPS subscribers have enjoyed 12 evening programmes in 16/9 broadcast on national channels.

The turnover of TPS was FF 1,136.3 million (€ 173.2 million).



Catherine Deneuve, winner of the best actress award at the «Mostra de Venise» for her role in «Place Vendôme», co-produced by TF1.



## 1.2 THE PARENT COMPANY

In 1998, the turnover of TF1 was FF 7,623 million (€ 1,162 million), a rise of 4,5% divided into advertising operations totalling FF 7,507 million (€ 1,144 million) and other income totalling FF 116 million (€ 18 million). The cost of programmes was FF 4,688 million (€ 714.7 million) in 1998 compared to FF 4,590 million (€ 699.7 million) the previous year, i.e. stability in line with the objectives set, apart from exceptional events like the Football World Cup and the Winter Olympic Games. The net profit for the financial year was FF 920 million (€ 140.2 million) compared to FF 594 million (€ 90.5 million) in 1997, an increase of 55%.

## 1.3 RESEARCH AND DEVELOPMENT COSTS

Research and development costs were not significant in 1998.

## 1.4 THE SWITCH TO THE YEAR 2000

To avoid any defective operation of computers which could take place when the switch is made to the year 2000, TF1 began its preparation in March 1997 (1,000 days before the switchover date). It set up a multi-discipline team in charge of assessing the risks and taking all actions necessary to face up to them. In particular, the Year 2000 project covers the fields of financial information systems, industrial processes and telecommunications. It also includes the Group's relations with its main clients and suppliers.

This analysis identified the 30 most critical systems which mainly concern:

- ▶ the technical infrastructures of production and broadcasting,
- ▶ the computer and information system infrastructures linked to the channel's "processes",
- ▶ software solutions for administrative, financial and human resources management,
- ▶ the infrastructures linked to operation of the building.

Unit system tests were run on these systems in 1998. The switchover of these systems to the year 2000 should be completed by the end of the first quarter of 1999. At the same time, simulation operations were performed. All critical systems should be certified by the middle of 1999. Since 1997, the total amount of investments and expenditure (hardware, software, studies, etc.) relative to this action totalled around FF 7 million. Many applications were recently developed and the computer hardware was regularly renewed.



The interactive programmes guide on TPS

## 1.5 THE SWITCH TO THE EURO

The Group will keep its accounts in Euro as from January 1, 2000.

For the past two years, TF1 has prepared the conditions necessary to ensure the switch to the single currency for all the Group's budget, accounts and financial systems. Investments and external expenditure linked to this operation are currently estimated at around FF 15 million.

## 1.6 FOREIGN EXCHANGE AND INTEREST RATE HEDGING

In June 1994, TF1 leased the building it has occupied in Boulogne since 1992. This 15-year lease amounts to FF 1,080 million (€ 164.6 million) (excluding interest charges). To avoid the effect of interest rate fluctuations on its property lease instalments, TF1 performed interest rate hedging operations (caps, FRAs and swaps).

The Group also uses foreign exchange hedging instruments (currency futures) to cover foreign exchange fluctuations, mainly in relation to the purchase of audiovisual rights in foreign currency. Details of these hedging operations are given in the notes to the consolidated accounts.

## 1.7 EXCEPTIONAL EVENTS OR LITIGATION

Litigation known to date has been fully provisioned in the parent company and Group accounts. As far as the company

and the Group are aware, there is no exceptional event or litigation liable to have a serious effect on the activity, the financial situation or the assets of the company or the Group.



The team of «Combien ça coûte».





## 2 PROSPECTS FOR 1999

The strategy of the TF1 Group is based on the following principles:

► Offering of a diversified range of programmes and services through:

- consolidation of its position as the leading French TV Channel by providing top-quality programming with general public and event-based programmes which satisfy the expectations of viewers and advertisers,
- extension of its range of thematic channels and value-added services which will complement the main channel, and rely on the "brands" of the TF1 group,
- enhancement of its current products with new functions, including interactivity and new TV formats (16/9, digital stereo sound, etc.).
- coverage of the main programme and service distribution methods: analogue and digital, terrestrial and satellite, wire networks (telephone, cable and Internet).

► Expanding its presence in the fields of publishing, production and distribution by:

- developing new media for video and music (DVD, etc.),
- creating new distribution channels for TV home-shopping (thematic channels, interactive TV, Internet, etc.),
- developing the co-production of feature films and prestigious drama productions,
- extending its audiovisual rights catalogue through new acquisitions.

► Developing growth and improving the group's profitability through:

- maintaining the audience level and increasing advertising revenue while controlling programme and operating costs,
- continuing its diversification policy on main business lines while creating new assets with a high valuation potential (Eurosport, LCI, TPS, ...),

- exploring new markets and growth vectors for the future, like electronic commerce and interactive advertising,
- grasping all opportunities for internal and external growth as well as possibilities of alliances in France and abroad.

Alexandra Bronkers presents «Célébrités» the 100% glamour magazine, on TF1.



The TF1 Group should thus continue to create value for its shareholders, employees and partners.



«Exclusif», the new «people» magazine on TF1.

## 3 HUMAN RESOURCES

### 3.1 EMPLOYEES

At December 31, 1998, the TF1 Group had 2,177 permanent employees, broken down as follows: 1,209 at TF1 SA, 238 at TF1 Publicité, 158 in the Publishing and Distribution activity, 156 at LCI, 242 at Eurosport and 174 in the Production and Audiovisual Rights subsidiaries.

The total breakdown was 1,080 executives, 324 journalists, 682 supervisory staff and 91 employees.

	31 Dec. 98	31 Dec. 97	31 Dec. 96
TF1	1,209	1,220	1,248
Subsidiaries	968	889	833
<b>Total</b>	<b>2,177</b>	<b>2,109</b>	<b>2,081</b>

### 3.2 REMUNERATION POLICY, EMPLOYEE PROFIT SHARING AND SAVINGS PLANS

In 1998, employee profit sharing amounted to FF 40 million (€ 6.1 million) compared to FF 34 million (€ 5.2 million) in 1997. At the end of December 1998, the Company Savings Plan proposed in December 1992 had 1,756 subscribers, i.e. 80% of the group's permanent employees. The Group's contribution was FF 28 million (€ 4.3 million) compared to FF 27 million (€ 4.1 million) in 1997.

### 3.3 PROFESSIONAL TRAINING AND RELATIONS WITH SCHOOLS AND UNIVERSITIES

More than 53,000 hours of training were given in the Group, i.e. nearly 3,300 courses divided among the different structures.

In 1998, nearly 4.5% of total personnel costs was spent on professional training.

A total of 575 trainees were accepted by TF1 through its policy of partnerships with schools and universities.

### 3.4 GOALS FOR 1999

In the final quarter of 1998, the management of TF1 met the trade unions to discuss application of the 35-hour working week from January 1, 2000. This first stage will be followed by negotiations in order to reach agreement on the shorter working week which will apply from January 1, 2000.



## 4 SUBSIDIARIES AND EQUITY INVESTMENTS

### 4.1 ACQUISITION

#### ● ACQUISITION OF CIBY DROITS AUDIOVISUELS (CIBY DA)

TF1 International (a subsidiary of Syalis which is itself a subsidiary of TF1) acquired Ciby DA, which has a film catalogue. This investment totalled FF 147 million.

The operation was approved by the Board of Directors of TF1, in view of a fairness opinion given by a bank confirming the terms of the operation, in particular the price. The directors of TF1 authorised this operation while respecting the legal voting procedures for agreements which come under Article 101 of the Commercial Companies Act of July 24, 1966, meaning that directors common to the TF1 and Bouygues groups did not take part in the vote.

### 4.2 EVENTS SINCE THE END OF THE FINANCIAL YEAR

TF1 declared the following operations to the Financial Markets Council:

- ▶ on January 20, 1999, it owned 8.9% of the capital of Pathé, i.e. 7.6% of the voting rights,
- ▶ on February 15, 1999, it dropped below the 5% threshold of the capital and voting rights and, owned, indirectly through Syalis, 336,765 Pathé shares, i.e. 4.38% of the capital and 3.72% of the existing voting rights.

## 5 SHARE CAPITAL

### 5.1 THE TF1 SHARE

The TF1 share price ended 1998 at FF 995 (€ 151.7), i.e. a gain of 62% compared to its price in December 1997. This performance should be compared with a rise of 24% in the SBF 120 index over the same period. The TF1 share price hit a historic high of € 186 (FF 1,220) on January 8, 1999.

The share remained liquid with an average of around 40,000 shares traded per day. The TF1 share provided an annual yield before tax of 18.9% (including tax credit) compared to its issue price of FF 165 (€ 25.1) on July 24, 1987.



TF1's football commentators celebrate the French victory with coach Aimé Jacquet.



Business and Company news with Jean-Marc Sylvestre.

### 5.2 STOCK EXCHANGE PURCHASES

Over the financial year, the Board of Directors did not use the authorisation it obtained from the General Meeting on May 12, 1998, in order to stabilise the TF1 share price.

### 5.3 SHARE CAPITAL

The share capital of Télévision Française 1 is FF 210,000,000, fully paid up, divided into 21,000,000 shares with a nominal value of FF 10 each.

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

### 5.4 ADMINISTRATION OF SHARES

As the issuing company, TF1 handles all matters relating to share administration itself.

### 5.5 SHAREHOLDERS

As far as the Board of Directors was aware, on February 28, 1998, the shareholding structure was as follows:

	31 Dec. 98	31 Dec. 97	31 Dec. 96
Bouygues	40.1%	39.1%	39.0%
Société Générale	2.1%	3.0%	6.0%
Groupe Worms & Cie	-	1.0%	1.0%
<b>TOTAL shareholders acting together (1)</b>	<b>42.2%</b>	<b>43.1%</b>	<b>46.0%</b>
Treasury stock	0.7%	0.7%	1.2%
Others France (2) (3)	23.5%	23.6%	26.9%
of which Employees	2.5%	2.4%	2.0%
Europe (excluding France)	19.0%	20.2%	15.8%
Others (2)	14.6%	12.4%	10.1%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

(1) SBF notification number 94-600.

(2) SICOVAM data (December 31).

(3) Including unidentified holders.

The number of shareholders is estimated at more than 100,000. As far as the company is aware, no shareholder owns more than 5% of the capital of TF1.



**5.6 SHARE OPTION OR SHARE PURCHASE 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 to the employees and management of TF1 and to subsidiaries under the conditions of article 208.4 of the Commercial Companies Act of July 24, 1966.

«Sur la route des épices», one of the Travel and Adventure programmes on Odyssee



	Plan n°1	Plan n°2	Plan n°3
Date of Shareholders' Meeting	12.06.95	12.06.95	12.06.95
Date of Board of Directors' Meeting	10.10.95	08.04.97	18.03.98
Type of plan	purchase	subscription	subscription
Total number of shares to be subscribed or purchased	170,500 shares	227,000 shares	230,000 shares
Starting date of exercise period	at the end of the period of unavailability		
Expiry date	7 years after the allocation date (= date of Board Meeting)		
Subscription price	481 F	523 F	657 F
Exercise terms and conditions	unavailability: 1 year, then exercisable equally over the following four years in cumulative parts	unavailability: 5 years, then exercisable for the following two years	unavailability: 5 years, then exercisable for the following two years
Number of shares purchases or subscribed at 28.02.99	144,258	-	-

The information relative to the options granted to directors is detailed in note 6.4 «Remuneration of directors» to the consolidated accounts.

As far as the company is aware, no shares have been given as security or collateral as regards TF1 and its subsidiaries

**6 ALLOCATION AND DISTRIBUTION OF TF1 PROFITS (parent company)**

In the resolutions submitted for your approval, we ask you to approve the accounts for financial year 1998 and, after noting a distributable profit of FF 1,076,586,239.74, made up of a net profit of FF 920,123,633.58 and retained earnings from the previous year totalling FF 156,462,606.16, to approve the following allocation and distribution proposed by the Board of Directors:

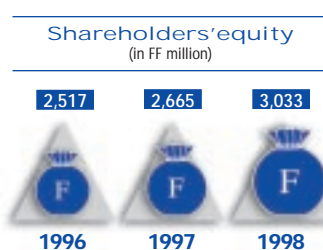
- ▶ Allocation to Other Reserves ..... FF 350,000,000.00
- ▶ Distribution of a dividend of ..... FF 462,000,000.00 (i.e. a net dividend of FF 22 per FF 10 nominal share together with a tax credit of FF 11, on the basis of a 50% tax credit)
- ▶ Leaving a balance to be carried forward of ..... FF 264,586,239.74

The dividend would be payable on June 30, 1999. In compliance with the provisions of article 217-3, paragraph 4, of the Commercial Companies Act of July 24, 1966, we ask you to approve the inclusion, in Retained

Earnings, of the amount of dividends relative to the TF1 shares which TF1 holds on its own behalf.

We remind you that the net dividends distributed for financial years 1995, 1996 and 1997 were respectively FF 16, FF 16 and FF 16 per share; the corresponding tax credits were FF 8, FF 8 and FF 8.

Please note that, in compliance with the recommendation from the National Accounting Council, for the first time it was decided that, in the second half of 1998, a provision would be made for retirement benefits relative to the rights acquired by employees aged under 48, with the rights acquired by employees aged 48 and over being covered by an insurance company. The said provision, totalling FF 22,202,811.00, was charged in full to shareholders' equity and debited to Retained Earnings.



Retained Earnings, which amounted to FF 176,461,289.16 following appropriation of the results of the 1997 accounts decided by the General Meeting of May 12, 1998, were thus:

- ▶ increased by FF 2,204,128 corresponding to the amount of dividends not paid due to the TF1 shares which TF1 holds on its own behalf,
- ▶ reduced by FF 22,202,811 for the retirement benefits provision, and thus totalled FF 156,462,606.16 as indicated in the balance sheet as at December 31, 1998.



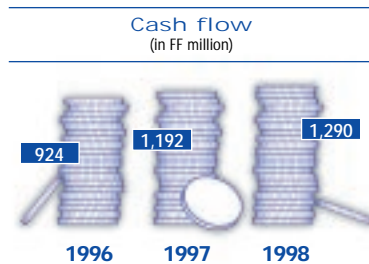
## 7 RESOLUTIONS

The auditors will submit to the shareholders their reports on the accounts for the 1998 financial year and the agreements which come under articles 101 and subsequent of the Commercial Companies Act of July 24, 1966.

In the resolutions submitted to you, the Board of Directors proposes that the shareholders:

- ▶ approve the accounts for the 1998 financial year, the distribution and allocation of profits and the agreements covered by articles 101 and subsequent of the Commercial Companies Act of July 24, 1966, mentioned in the Auditors' Special Report,
- ▶ grant the Board of Directors discharge for its management of the company,
- ▶ take note of the presentation of the consolidated accounts,
- ▶ renew, for a period of two years, the term of office as directors of Martin BOUYGUES, Claude COHEN, Michel DERBESSE, Albert FRERE, Patrick LE LAY, Philippe MONTAGNER, Etienne MOUGEOTTE, Olivier POUPART-LAFARGE and SOCIETE GENERALE, which expire at the end of this meeting,
- ▶ renew, for six financial years, the term of office as Statutory Auditor of SALUSTRO REYDEL and the term of office as Alternate Auditor of Jean-Louis MULLENBACH,

- ▶ authorise a share purchase programme which would enable your company to purchase its own shares on the stock exchange. The purpose of this would either be to stabilise the share price, or allocate shares to employees or keep shares or transfer them in the context of financial operations, or cancel them subject to adoption of the 24th resolution (extraordinary part), in particular to purchase the number of shares corresponding to those to be issued in the context of subscription option plans or one or more new share issues intended for employees. Any such acquisition would be limited to 10% of the share capital. The maximum share purchase price would be set at € 230 and the minimum share sale price would be € 90.



- ▶ cancel the authorisation (not used) given by the General Meeting of June 12, 1997, and grant your Board of Directors the authorisation, for a period of five years, to issue one or more debenture bonds up to a maximum total amount of € 500 million.

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

	€	F
Conversion		
Dividend	3.35	22.00
Tax credit	1.68	11.00
Share purchase programme		
Share purchase:		
Minimum sale price	90.00	590.36
Maximum purchase price	230.00	1,508.70
Debenture bond		
Maximum nominal amount	500,000,000.00	3,279,785,000.00



# Financial record

## five-year financial record



« Navarro »,  
a favourite with  
viewers for the  
past 10 years.

	1998	1997	1996	1995	1994
<b>1 Share capital at the end of the accounting period</b>					
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	-	-	-	-	-
<b>2 Profit and loss account*</b>					
a) Turnover (excluding VAT)	7,623,467,135	7,296,664,591	6,951,575,847	6,897,135,313	6,610,557,695
b) Profit before income tax, employee profit sharing, depreciation, amortisation and provisions	1,386,184,065	1,131,980,593	961,089,198	924,940,975	1,148,746,840
c) Corporate income tax	507,559,186	337,017,950	228,067,835	259,827,667	258,530,966
d) Employee profit sharing	26,671,485	20,183,732	17,015,876	18,454,777	16,739,328
e) Profit after income tax, employee profit sharing, depreciation, amortisation and provisions	920,123,634	594,079,063	505,389,913	554,940,703	576,361,987
f) Total dividends	462,000,000 <sup>(1)</sup>	336,000,000 <sup>(1)</sup>	336,000,000	336,000,000	315,000,000
<b>3 Earnings per share*</b>					
a) Net profit before depreciation, amortisation and provisions <sup>(1)</sup>	40.56	36.89	34.10	30.79	41.59
b) Net profit after tax depreciation, amortisation and provisions	43.81	28.28	24.07	26.42	27.44
c) Dividends per share	22.00 <sup>(2)</sup>	16.00	16.00	16.00	15.00
<b>4 Employees</b>					
a) Number of employees	1,209	1,220	1,248	1,238	1,187
b) Total payroll costs*	604,163,752	600,641,794	619,137,339	579,333,946	530,607,926
c) Total of employee benefit costs*	262,304,540	258,880,807	270,497,532	260,523,733	231,316,495

(\* in FF)

(1) The number of capital shares has remained unchanged since the privatisation in 1987 (21 million).  
The share option plans have an insignificant dilution effect.

(2) Submitted for approval at the General Meeting.

# Resolutions

Submitted to the Combined General Meeting of may 7, 1999

Ordinary part

## FIRST RESOLUTION (Approval of the accounts)

The General Meeting, having heard the Board of Directors' report and the Statutory Auditors' report on the accounts of the Company, approves them together with the financial statements for 1998 financial year including 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 RESOLUTION (Auditors' special report)

The General Meeting, having noted the Statutory Auditors' special report on the agreements covered by articles 101 and subsequent of the Commercial Companies Act of July 24, 1966, approves the agreements and the operations contained therein.

## THIRD RESOLUTION (Allocation and distribution of profits)

The General Meeting, after noting that the distributable profit amounts to FF 1,076,586,239.74, being the 1998 year net profit of FF 920,123,633.58 and FF 156,462,606.16 in retained earnings from the previous year, approves the following allocation and distribution of the profits proposed by the Board of Directors:

- ▶ Allocation to Other Reserves ..... FF 350,000,000.00
- ▶ Distribution of a dividend of ..... FF 462,000,000.00  
(i.e. a net dividend of FF 22 per FF 10 nominal share together with a tax credit of FF 11, on the basis of a 50% tax credit)
- ▶ Leaving a balance to be carried forward of ..... FF 264,586,239.74

The dividend will be payable on June 30, 1999.

In compliance with the provisions of article 217-3, paragraph 4, of the Commercial Companies Act of July 24, 1966, the General Meeting authorises the inclusion, in Retained Earnings, of the amount of dividends relative to the TF1 shares which TF1 holds on its own behalf.

The General Meeting notes



«Julie Lescaut», a police officer always on the front line.

that the net dividends distributed for financial years 1995, 1996 and 1997 were respectively FF 16, FF 16 and FF 16 per share; the corresponding tax credits were FF 8, FF 8 and FF 8.

## FOURTH RESOLUTION (Presentation of the consolidated financial statements)

The General Meeting notes that the consolidated financial statements as at December 31, 1998, were submitted to it and that the Board of Directors' report on the management of the Group is included in the management report.

## FIFTH RESOLUTION (Renewal of a Director's term of office)

The General Meeting renews, for a period of two years, the term of office as Director of Martin BOUYGUES, which expires at the end of this meeting. His term of office will expire at the end of the General Meeting called to consider the accounts for the financial year 2000.

## SIXTH RESOLUTION (Renewal of a Director's term of office)

The General Meeting renews, for a period of two years, the term of office as Director of Claude COHEN, which expires at the end of this meeting.

Her term of office will expire at the end of the General Meeting called to consider the accounts for the financial year 2000.

## SEVENTH RESOLUTION (Renewal of a Director's term of office)

The General Meeting renews, for a period of two years, the term of office as Director of Michel DERBESSE, which expires at the end of this meeting.

His term of office will expire at the end of the General Meeting called to consider the accounts for the financial year 2000.

## EIGHTH RESOLUTION (Renewal of a Director's term of office)

The General Meeting renews, for a period of two years, the term of office as Director of Albert FRERE, which expires at the end of this meeting.

His term of office will expire at the end of the General Meeting called to consider the accounts for the financial year 2000.



Fifi Brindacier, one of the TF1 heroines.



**NINTH RESOLUTION**  
*(Renewal of a Director's term of office)*

The General Meeting renews, for a period of two years, the term of office as Director of Patrick LE LAY, which expires at the end of this meeting.

His term of office will expire at the end of the General Meeting called to consider the accounts for the financial year 2000.

**TENTH RESOLUTION**  
*(Renewal of a Director's term of office)*

The General Meeting renews, for a period of two years, the term of office as Director of Philippe MONTAGNER, which expires at the end of this meeting.

His term of office will expire at the end of the General Meeting called to consider the accounts for the financial year 2000.

**ELEVENTH RESOLUTION**  
*(Renewal of a Director's term of office)*

The General Meeting renews, for a period of two years, the term of office as Director of Etienne MOUGEOTTE, which expires at the end of this meeting.

His term of office will expire at the end of the General Meeting called to consider the accounts for the financial year 2000.

**TWELFTH RESOLUTION**  
*(Renewal of a Director's term of office)*

The General Meeting renews, for a period of two years, the term of office as Director of Olivier POUPART-LAFARGE, which expires at the end of this meeting.

His term of office will expire at the end of the General Meeting called to consider the accounts for the financial year 2000.

**THIRTEENTH RESOLUTION**  
*(Renewal of a Director's term of office)*

The General Meeting renews, for a period of two years, the term of office as Director of SOCIETE GENERALE, which expires at the end of this meeting.

Its term of office will expire at the end of the General Meeting called to consider the accounts for the financial year 2000.



«Un Amour de Cousine»,  
the second largest audience for a light drama in 1998.

**FOURTEENTH RESOLUTION**  
*(Renewal of a Statutory Auditor's term of office)*

The General Meeting renews, for a period of six financial years, the term of office as Statutory Auditor of SALUSTRO REYDEL, which expires at the end of this meeting.

Its term of office will expire at the end of the General Meeting called to consider the accounts for the financial year 2004.

**FIFTEENTH RESOLUTION**  
*(Renewal of an Alternate Auditor's term of office)*

The General Meeting renews, for a period of six financial years, the term of office as Alternate Auditor of Jean-Louis MULLENBACH, which expires at the end of this meeting.

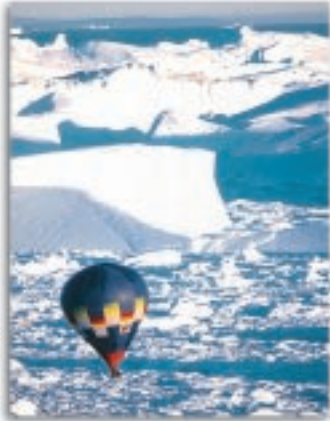
His term of office will expire at the end of the General Meeting called to consider the accounts for the financial year 2004.

**SIXTEENTH RESOLUTION**  
*(Purchase of own shares)*

The General Meeting, after hearing the report from the Board of Directors and being informed that the information note had been approved by the Commission des Opérations de Bourse, the French stock exchange authority, authorises the Board of Directors, in compliance with the provisions of article 217-2 and subsequent of the Commercial Companies Act of July 24, 1966, to purchase its own shares up to a limit of 10% of the share capital.

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

- ▶ to stabilise the share price,
- ▶ or in the context of the employee profit sharing scheme, or in the context of one or more new share issues intended for company employees or companies in its Group which have a company savings plan, or in order to allocate purchase or subscription options to the employees and management of the Group,
- ▶ or to retain the shares,
- ▶ or to cancel the shares, subject to adoption by the General Meeting of the 24<sup>th</sup> resolution hereafter authorising such a cancellation,
- ▶ or to use them in share exchanges, particularly in the context of financial operations,
- ▶ or in the context of financial and asset management,
- ▶ or to deliver shares at the time of exercise of rights attached to securities which grant entitlement, through redemption, conversion or exchange, to a warrant or any other allocation of the company's shares.



«Ushuaïa Nature»,  
high profile  
documentaries.



The General Meeting decides to set at € 230 (FF 1,508.70) the maximum unit price at which the company will be able to perform such acquisitions which should respect the rules laid down by Commission des Opérations de Bourse relative to operations performed by companies concerning their own shares.

The General Meeting authorises the Board of Directors to sell the shares so acquired with a minimum unit sale price of € 90 (FF 590,36 F).

The prices above are set subject to adjustments linked to any operations concerning the company's capital.

The General Meeting decides that the purchase, sale or transfer of shares may take any form, in particular sale on the stock exchange or over the counter, or a share swap in the context of financial operations, through the use of derivatives, including options, and may take place at any time, if necessary at the time of a public offering.

This authorisation is granted for a maximum period of 18 months as from today.

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

As a result, full powers are granted to the Board of Directors to place all orders on the stock exchange, sign all agreements necessary for the registration of share purchases and sales, make all declarations to Commission des Opérations de Bourse, Conseil des Marchés Financiers and all other authorities, execute all other formalities and, in general, take all necessary actions.

The General Meeting takes note of the Board of Directors' intention, in compliance with the provisions of article 217-2 of the Act of July 24, 1966, to use all or part of the shares acquired to grant share options to employees or the management of the company or to its subsidiaries.

### SEVENTEENTH RESOLUTION (Issue of one or more debenture bonds)

After hearing the Directors' report, the General Meeting authorises the Board of Directors to create and issue in France and/or abroad, on one or more occasions, bonds, whether subordinated or not, with a limited or unlimited duration, or bond warrants denominated in Euros or francs or foreign currencies or in any other monetary unit established by reference to several currencies. The bonds may be associated with bond warrants of the same type, up to a limit of five hundred million euros (€ 500,000,000) or an equivalent amount in any other currency, with or without a guarantee, and in the proportions, forms and at periods, interest rates and issue conditions and under amortisation conditions which it considers suitable, it being stated that the maximum nominal amount shall apply to all bonds issued directly or following the exercise of warrants.

The General Meeting grants full powers to the Board of Directors to issue the said debenture bond(s) and states that it shall be free to determine the characteristics of the bonds or warrants which, in particular, may have a variable interest rate and a fixed or variable redemption premium above par, with the said premium added to the maximum amount of five hundred million euros (€ 500,000,000) mentioned previously.

In the context of this resolution, the Board of Directors may delegate to its Chairman or one of its members, through application of article 287, paragraph 2 of Act no. 66-537 of July 24, 1966, the powers granted under this authorisation.

In addition, the Board of Directors may grant all delegations, take all steps and execute all formalities which are necessary in terms of the said issue(s).

This authorisation, granted for a period of five years, cancels and replaces the authorisation given to the Board of Directors by the 16<sup>th</sup> resolution of the Combined General Meeting of Shareholders on June 12, 1997.



*Télé-Shoping has a base of more than a million active clients.*



*Corinne Touzet, a favourite with TF1 viewers.*





# Combined General Meeting

of May 7, 1999 →

Extraordinary part

## AGENDA

- ▶ Reading of the Directors' report and the Statutory Auditors' special report.
- ▶ Authorisation to be given to the Board of Directors to issue securities providing access to the capital, with preferential subscription rights being maintained.
- ▶ Authorisation to be given to the Board of Directors to issue securities providing access to the capital, with cancellation of preferential subscription rights.
- ▶ Authorisation to be given to the Board of Directors to increase the share capital at the time of a cash takeover bid or a share-swap takeover bid concerning the Company's shares.
- ▶ Authorisation to be given to the Board of Directors to increase the share capital at the time of a share-swap takeover bid initiated by the company.
- ▶ General limit on the above mentioned operations.
- ▶ Authorisation to be given to the Board of Directors to increase the share capital through the issue of shares whose subscription will be reserved for company employees or subsidiaries which have a company savings plan.
- ▶ Authorisation to be given to the Board of Directors to reduce the share capital through the company cancelling the shares it holds on its own behalf.
- ▶ Authorisation to be given to the Board of Directors to convert the share capital into Euros.
- ▶ Powers for registration and formalities.

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

*The opening ceremony of the newly built Stade de France gathered more than 10.9 viewers on TF1.*



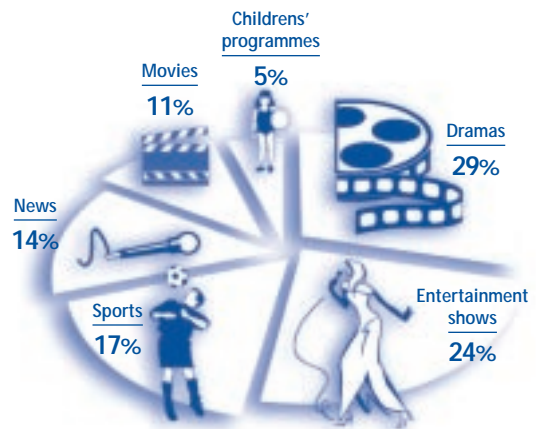
Financial

Statements  
and General  
Information  
in French Francs

FF

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Breakdown of 1998's programming costs

The following table 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.

# Consolidated Profit and loss account - Operational breakdown

(in FF million)	31 Dec. 98	31 Dec. 97	31 Dec. 96 <sup>(1)</sup>	31 Dec. 96
<b>TF1 Channel</b>				
Advertising revenue	8,046	7,688	7,424	7,424
Advertising agency fees	(539)	(521)	(516)	(516)
<b>NET REVENUES FROM BROADCASTING</b>	<b>7,507</b>	<b>7,167</b>	<b>6,908</b>	<b>6,908</b>
<b>Royalties and contributions</b>				
Authors	(308)	(293)	(279)	(279)
CNC	(400)	(351)	(341)	(341)
TV5	-	-	(9)	(9)
<b>Transmission costs</b>				
TDF, Satellites, Transmissions	(377)	(380)	(380)	(380)
INA	(4)	(6)	(5)	(5)
<b>Programming costs</b>	<b>(4,688)</b>	<b>(4,590)</b>	<b>(4,584)</b>	<b>(4,584)</b>
<b>GROSS MARGIN</b>	<b>1,730</b>	<b>1,547</b>	<b>1,310</b>	<b>1,310</b>
Diversification revenues and other revenues <sup>(2)</sup>	2,781	2,540	2,292	2,293
Other operating expenses <sup>(2)</sup>	(2,585)	(2,398)	(2,212)	(2,244)
Depreciation, amortisation and provisions (net value)	(487)	(529)	(447)	(449)
<b>OPERATING PROFIT</b>	<b>1,439</b>	<b>1,160</b>	<b>943</b>	<b>910</b>
<b>FINANCIAL PROFIT</b>	<b>55</b>	<b>30</b>	<b>26</b>	<b>26</b>
<b>PROFIT BEFORE TAX AND EXCEPTIONAL ITEMS</b>	<b>1,494</b>	<b>1,190</b>	<b>969</b>	<b>936</b>
Exceptional items	4	(8)	(3)	(3)
Goodwill amortisation	(11)	(17)	(13)	(13)
Tax and employee profit sharing	(563)	(413)	(337)	(337)
Share of investment consolidated under the equity method	(201)	(254)	(33)	-
<b>NET PROFIT OF CONSOLIDATED COMPANIES</b>	<b>723</b>	<b>498</b>	<b>583</b>	<b>583</b>
Minority share of profit	(7)	(16)	(8)	(8)
<b>NET PROFIT ATTRIBUTABLE TO THE GROUP</b>	<b>716</b>	<b>482</b>	<b>575</b>	<b>575</b>

<sup>(1)</sup> 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.

<sup>(2)</sup> Net of items not linked to the Group's direct activity.

## 1 NET REVENUES FROM BROADCASTING

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

## 2 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.

## 3 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 that stated in the consolidated profit and loss account.

## 4 OTHER ITEMS

As stated in the consolidated profit and loss account.

FF



# Statutory auditors' reports

## On the financial statements

Financial year ended December 31, 1998

### **1** OPINION ON THE FINANCIAL STATEMENTS OF THE COMPANY

In accordance with our appointment by your shareholders' General Meeting we hereby report to you, for the year ended December 31, 1998:

- ▶ 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 at December 31, 1998, and of the results of its operations for the year then ended in accordance with accounting principles generally accepted in France.

Without qualifying the above opinion, we draw your attention to the change in accounting policy relating to pension costs described in note 1-11.

### **1.2** SPECIFIC VERIFICATIONS AND INFORMATION

We have also carried out 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 annual financial statements.

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

Paris, March 31, 1999

The Statutory Auditors

**SALUSTRO REYDEL**  
Edouard SALUSTRO  
Jean-Pierre CROUZET

Jacques VILLARY

### **2** OPINION ON THE CONSOLIDATED FINANCIAL STATEMENTS

In accordance with our appointment 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, 1998. 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 at December 31, 1998, and of the results of its operations for the year then ended in accordance with accounting principles generally accepted in France.

Without qualifying the above opinion, we draw your attention to the change in accounting policy relating to pension costs described in note 2-14.

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 31, 1999

The Statutory Auditors

**SALUSTRO REYDEL**  
Edouard SALUSTRO  
Jean-Pierre CROUZET

Jacques VILLARY

# Statutory auditors' report

## On regulated contracts

### Financial year ended December 31, 1998

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

In accordance with Article 103 of the Act of July 24, 1966, we have been advised of the agreements previously authorised by your Board of Directors.

We are not required to investigate the possible existence of additional agreements but to communicate to you, on the basis of the information provided to us, the essential terms and conditions of those agreements of which we have been advised; nor are we required to comment on their appropriateness and validity. Under the terms of Article 92 of the decree of March 23, 1967, it is for you to form a view as to the purpose and benefits of the agreements entered into with a view to approving them.

Our work has been performed in accordance with French professional standards. Those standards require that we plan and perform our work in a way that enables us to verify that the information provided to us is in conformity with the source of documentation from which it is derived.

### **1** AGREEMENT CONCLUDED DURING THE YEAR AND DULY AUTHORISED

#### Agreement with FIDUCINE

Under the terms of a sale and purchase contract, signed on December 22, 1998 with Fiducine, TF1 International (a fully owned subsidiary of Syalis SA, itself a 100% subsidiary of TF1 SA) acquired, for FF 1, the whole of the share capital of Ciby DA, with an effective date of July 1, 1998.

As part of this transaction, TF1 International also acquired all of the current account debt (FF 146.9 million) held by Fiducine in respect of Ciby DA.

The principle of this transaction was authorised by your Board of Directors on March 18, 1998. The final terms were approved on December 21, 1998, in particular on the basis of a fairness opinion issued by a merchant bank.

Directors concerned:

Messrs Martin BOUYGUES, Michel DERBESSE, Patrick LE LAY, Philippe MONTAGNER, Olivier POUPART-LAFARGE and Alain POUYAT, all directors of Bouygues, which itself held almost all the share capital of Fiducine.

### **2** AGREEMENTS CONCLUDED DURING PAST YEARS AND CONTINUING IN THE YEAR ENDED DECEMBER 31, 1998

In addition, in conformity with the decree of March 23, 1967, we have been informed that the following agreements, concluded during past years, continued during 1998.

#### Agreement with BOUYGUES

The common services agreement entered into by TF1 and Bouygues on October 8, 1997 (relating to management, human resources, company secretarial, information technology, finance and other advice), provides for the invoicing of specific services supplied, at TF1's request, by these common services 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.

During 1998, the amount invoiced by Bouygues amounted to FF 31.3 million, none of which related to specific services.

#### Agreement with BOUYGUES RELAIS

With effect from December 31, 1997, TF1 and Bouygues Relais entered into an agreement (under the same conditions as the agreement signed on October 21, 1996) under which TF1 can deposit its surplus cash with Bouygues Relais, and block a part thereof, for a period of a calendar month. The consideration due under this agreement is in conformity with market conditions.

In 1998, under the terms of this agreement, TF1 received FF 33,000.

Paris, March 31, 1999

The Statutory Auditors

**SALUSTRO REYDEL**  
Edouard SALUSTRO  
Jean-Pierre CROUZET

Jacques VILLARY

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# Consolidated Balance sheet

ASSETS (in FF thousands)	Notes	31 Dec. 98			31 Dec. 97	31 Dec. 96
		Gross value	Depreciation amortisation and provisions	Net value	Net value	Net value
<b>INTANGIBLE FIXED ASSETS</b>		<b>3,081,822</b>	<b>2,494,992</b>	<b>586,830</b>	<b>456,502</b>	<b>363,900</b>
Audiovisual rights	2.3 & 3.1	3,047,808	2,464,128	583,680	454,021	356,995
Other intangible fixed assets	2.5 & 3.2	34,014	30,864	3,150	2,481	6,905
<b>GOODWILL</b>	2.6 & 3.3	<b>97,822</b>	<b>67,463</b>	<b>30,359</b>	<b>49,115</b>	<b>39,200</b>
<b>TANGIBLE FIXED ASSETS</b>	2.7 & 3.4	<b>856,239</b>	<b>573,456</b>	<b>282,783</b>	<b>422,012</b>	<b>482,903</b>
Land		37	-	37	37,163	37,163
Freehold buildings		87	29	58	70,592	74,035
Other tangible fixed assets		856,115	573,427	282,688	314,257	371,705
<b>FINANCIAL ASSETS</b>	3.5	<b>244,784</b>	<b>19,218</b>	<b>225,566</b>	<b>40,127</b>	<b>22,056</b>
Share of investment consolidated under equity method		85	-	85	25,853	8,460
Investments and loans to associated undertakings		26,634	19,150	7,484	5,861	4,766
Other financial assets		218,065	68	217,997	8,413	8,830
<b>FIXED ASSETS</b>		<b>4,280,667</b>	<b>3,155,129</b>	<b>1,125,538</b>	<b>967,756</b>	<b>908,059</b>
Programmes and film rights	2.4 & 3.6	3,387,871	397,587	2,990,284	2,946,681	2,758,485
Raw materials and supplies		62,557	24,447	38,110	28,354	41,010
Trade debtors		2,434,814	35,949	2,398,865	2,393,843	2,124,513
Other debtors	3.7 & 3.14	1,624,318	27,774	1,596,544	1,331,665	1,189,380
Marketable securities	2.8 & 3.8	823,853	-	823,853	462,195	600,055
Cash at bank and in hand		292,765	-	292,765	174,012	155,069
<b>CURRENT ASSETS</b>		<b>8,626,178</b>	<b>485,757</b>	<b>8,140,421</b>	<b>7,336,750</b>	<b>6,868,512</b>
<b>ADJUSTMENT ACCOUNTS</b>	3.16	<b>284,566</b>	<b>-</b>	<b>284,566</b>	<b>287,387</b>	<b>291,964</b>
<b>DEFERRED TAXATION</b>	2.11 & 3.13	<b>209,348</b>	<b>-</b>	<b>209,348</b>	<b>201,132</b>	<b>110,129</b>
<b>TOTAL ASSETS</b>		<b>13,400,759</b>	<b>3,640,886</b>	<b>9,759,873</b>	<b>8,793,025</b>	<b>8,178,664</b>



The French national football team.

<b>LIABILITIES</b> (in FF thousands)	<i>Notes</i>	<b>31 Dec. 98</b>	<b>31 Dec. 97</b>	<b>31 Dec. 96</b>
Share capital		210,000	210,000	210,000
Revaluation reserve		30,705	30,705	30,705
Other reserves		2,076,538	1,942,399	1,700,717
Profit attributable to the group		715,804	481,512	575,280
<b>SHAREHOLDERS' FUNDS</b>	<b>3.9</b>	<b>3,033,047</b>	<b>2,664,616</b>	<b>2,516,702</b>
Minority interest	3.10	15,828	25,300	16,572
Government grants for investment	2.9 & 3.11	37,630	55,097	57,841
Provisions for liabilities and charges	2.10 & 3.12	491,524	486,550	153,052
Deferred taxation	2.11 & 3.13	374,896	369,129	284,105
<b>LONG TERM CAPITAL</b>		<b>3,952,925</b>	<b>3,600,692</b>	<b>3,028,272</b>
Financial creditors and borrowings <sup>(1)</sup>	3.14	114,880	47,409	71,579
Trade creditors	3.14	2,899,060	2,768,208	2,839,211
Other creditors	3.14 & 3.15	2,748,873	2,320,758	2,160,994
<b>CREDITORS</b>		<b>5,762,813</b>	<b>5,136,375</b>	<b>5,071,784</b>
Adjustment accounts	3.16	44,135	55,958	78,608
<b>TOTAL SHAREHOLDERS' FUNDS AND LIABILITIES</b>		<b>9,759,873</b>	<b>8,793,025</b>	<b>8,178,664</b>
<sup>(1)</sup> Including current bank overdrafts		635	1,454	219

FF







# Consolidated Profit and loss account

<i>(in FF thousands)</i>	<i>Notes</i>	<b>31 Dec. 98</b>	<b>31 Dec. 97</b>	<b>31 Dec. 96</b>
<b>TURNOVER</b>		<b>10,903,880</b>	<b>10,309,757</b>	<b>9,685,296</b>
Net advertising revenue	2.12	8,287,852	7,895,708	7,612,059
<i>incl.</i>				
<i>TF1</i>		8,045,996	7,687,647	7,424,412
<i>EUROSPORT</i>		180,973	166,020	156,574
<i>LCI</i>		51,928	39,196	31,073
<i>Télétoon</i>		6,877	2,536	-
<i>Odyssee</i>		1,120	309	-
<i>Other</i>		958		
Diversification revenue		2,230,473	2,081,318	1,754,473
Technical services revenue		185,282	191,859	95,046
Other revenue		200,273	140,872	223,718
<b>OPERATING EXPENSES</b>		<b>(9,465,071)</b>	<b>(9,150,512)</b>	<b>(8,774,296)</b>
External production costs		(2,597,990)	(2,477,331)	(2,182,469)
Change in stocks of in-house production		(117,474)	82,926	44,548
Staff costs		(1,387,446)	(1,488,042)	(1,502,281)
Other operating expense	4.1	(4,874,535)	(4,739,171)	(4,684,902)
Depreciation, amortisation and provisions (net value)				
▶ Depreciation		(438,173)	(420,817)	(348,162)
▶ Provisions		(49,453)	(108,077)	(101,030)
<b>OPERATING PROFIT</b>		<b>1,438,809</b>	<b>1,159,245</b>	<b>911,000</b>
Financial revenue		81,278	91,338	74,849
Financial expense		(26,438)	(60,701)	(48,944)
<b>FINANCIAL PROFIT</b>	4.2	<b>54,840</b>	<b>30,637</b>	<b>25,905</b>
<b>PROFIT BEFORE TAX AND EXCEPTIONAL ITEMS</b>		<b>1,493,649</b>	<b>1,189,882</b>	<b>936,905</b>
Net exceptional income/expense	4.3	3,819	(7,542)	(3,084)
Goodwill amortisation		(11,037)	(17,639)	(13,067)
Employee profit sharing		(40,225)	(34,273)	(22,207)
Income tax	4.4	(522,350)	(378,782)	(315,057)
Share of investment consolidated under the equity method	4.5	(201,181)	(254,037)	59
<b>NET PROFIT BEFORE MINORITY INTEREST</b>		<b>722,675</b>	<b>497,609</b>	<b>583,549</b>
Minority interest		(6,871)	(16,097)	(8,269)
<b>NET PROFIT ATTRIBUTABLE TO THE GROUP</b>	4.6	<b>715,804</b>	<b>481,512</b>	<b>575,280</b>

# Consolidated Cash flow statement

<i>(in FF thousands)</i>	<i>Notes</i>	<b>31 Dec. 98</b>	<b>31 Dec. 97</b>	<b>31 Dec. 96</b>
<b>1 Operating activities</b>				
Net profit <sup>(1)</sup>		722,675	497,609	583,549
Depreciation, amortisation and provisions		493,363	502,522	409,724
▶ Intangible fixed assets	3.1 & 3.2	300,110	286,289	263,247
▶ Tangible fixed assets	3.4	97,118	100,428	113,284
▶ Financial assets	3.5	(250)	(17,463)	16,768
▶ Expenses to amortise		58,493	43,576	31,052
▶ Goodwill		11,037	17,639	13,067
▶ Provisions for liabilities and charges	3.12	26,855	72,053	(27,694)
Investment grants released to revenue		(80,454)	(76,817)	(74,938)
Expenses to amortise		(56,988)	(37,193)	(31,395)
Capital gains (losses) on disposal of fixed assets	4.3	3,439	14,939	(795)
Change in deferred taxation <sup>(2)</sup>	4.6	6,654	36,910	38,058
Share of investment consolidated under the equity method <sup>(2)</sup>		201,181	254,037	(59)
<b>CASH FLOW</b>		<b>1,289,870</b>	<b>1,192,007</b>	<b>924,144</b>
Stocks <sup>(2)</sup>		(40,070)	(174,847)	(340,333)
Trade debtors <sup>(2)</sup>		(475,327)	(424,581)	163,070
Trade creditors <sup>(2)</sup>		525,118	83,734	(40,947)
Net advances from third parties		13,934	19,682	5,942
<b>Increase (decrease) in working capital needs</b>		<b>23,655</b>	<b>(496,012)</b>	<b>(212,268)</b>
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>		<b>1,313,525</b>	<b>695,995</b>	<b>711,876</b>
<b>2 Investing activities</b>				
Purchase of intangible fixed assets	3.1 & 3.2	(247,869)	(250,181)	(320,685)
Purchase of tangible fixed assets	3.4	(66,797)	(67,963)	(101,360)
Disposal of fixed assets		124,417	15,276	15,966
Purchase of financial asset investments	3.5	(11,411)	(194,600)	(20,112)
Increase (decrease) in other financial assets	3.5	(209,328)	8,994	521
Increase (decrease) in fixed assets creditors		(18,344)	(13,095)	(11,580)
		<b>(429,332)</b>	<b>(501,569)</b>	<b>(437,250)</b>
Consolidation adjustments		14,906	(3,518)	5,390
<b>NET CASH OUTFLOW FROM INVESTING ACTIVITIES</b>		<b>(414,426)</b>	<b>(505,087)</b>	<b>(431,860)</b>
<b>3 Financing activities</b>				
Increase in shareholders' funds		62,987	74,073	67,880
Increase (decrease) in loans		(131,892)	(47,991)	21,667
Dividends paid	3.9 & 3.10	(348,964)	(337,142)	(337,676)
<b>NET CASH OUTFLOW FROM FINANCING</b>		<b>(417,869)</b>	<b>(311,060)</b>	<b>(248,129)</b>
<b>TOTAL INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>481,230</b>	<b>(120,152)</b>	<b>31,887</b>
Cash at beginning of period		634,753	754,905	723,018
Net inflow (outflow)		481,230	(120,152)	31,887
Cash at end of period		1,115,983	634,753	754,905

<sup>(1)</sup> Net profit is disclosed after share in investment consolidated under the equity method, which is disclosed as a specific item.

<sup>(2)</sup> At 31 Dec. 98, change in deferred taxation is included under the «cash flow», even though it was previously included under «working capital needs».



# Notes to the consolidated financial statements

## 1 THE TF1 GROUP

### 1.1 PRESENTATION OF TF1

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

Also, article 28.1 of Law 94-88 of February 1, 1994 stipulates that licences are «renewed by the CSA (Conseil Supérieur de l'Audiovisuel), without tender offer, 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 licences 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.

#### Subsidiaries not consolidated

Certain subsidiaries which are not significant to the Group accounts (Médiamétrie, SETS, Luxtel, Mery Productions, Télé Achat Cable, TVRS 98, Mercury, Tricom, Technisonor, TF1 USA, Légende Distribution, Eurosport Sales Advertising AB, Traint, World On Line France, Société d'Exploitation de Bases de Données) as well as the subsidiary in liquidation, TF1 Publications, have not been consolidated.



Julien Courbet,  
«Sans aucun doute».

## 1.3 SCOPE OF CONSOLIDATION

COMPANY	LEGAL STRUCTURE	SHARE CAPITAL(1)	CURRENCY
<b>Fully consolidated companies</b>			
TF1 PUBLICITE	SA	15,000	FRF
TF1 FILMS PRODUCTION	SA	17,000	FRF
TÉLÉ-SHOPPING	SA	850	FRF
SYALIS SA	SA	250	FRF
UNE MUSIQUE	SA	250	FRF
TF1 EUROPE	SA	21,000	FRF
TF1 PUB 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
EUROSHOPPING (3)	SCS	500	FRF
LA CHAINE INFO	SCS	30,000	FRF
TF1 DEVELOPPEMENT	SA	250	FRF
TF1 VIDEO (3)	SA	20,635	FRF
PARMENTIER PRODUCTIONS	SARL	3,429	FRF
TF1 INTERNATIONAL	SA	100,000	FRF
GROUPE GLEM	SA	250	FRF
GLEM	SA	1,000	FRF
BAXTER	SA	250	FRF
GLEM REPORTAGES	SARL	50	FRF
GLEM FILM	SA	500	FRF
MIKADO	SARL	50	FRF
LES NOUVELLES ÉDITIONS TF1 (3)	SAS	250	FRF
STE D'EXPLOITATION DE DOCUMENTAIRES	SCS	50	FRF
COGELDA	SA	64,250	FRF
LES FILMS ARIANE	SA	500	FRF
RÉGIE CASSETTE VIDÉO	SA	250	FRF
CIBY DA (3)	SA	28,446	FRF
<b>Companies proportionately consolidated</b>			
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
TELEVISION NORDIC AB	SA	50	SEK
EUROSPORT GMBH	SA	50	DEM
SAGAS	SA	250	FRF
EUROSALES	SCS	1,500	FRF
FILM PAR FILM	SA	10,000	FRF
<b>Company consolidated under the equity method</b>			
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 1998.

TF1 Video results from the affiliation of the video activity that was previously part of TF1 Entreprises.

Euroshopping and Les Nouvelles Editions TF1 were created in 1998 or late 1997. Ciby DA was acquired at the end of 1998 with effect from July 1, 1998. Their turnover and the results of these 3 companies do not have any significant impact on the group's financial position.

## 2 GROUP ACCOUNTING POLICIES

### 2.1 BASIS OF ACCOUNTING

The 1998 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 have been prepared in accordance with the historical cost convention, modified by the revaluation of certain tangible fixed assets at December 31, 1986.

NATIONALITY	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	Home shopping theme channel	100.00
French	Exploitation of «La Chaîne Info»	100.00
French	Development of digital technology	99.76
French	Video distribution	99.99
French	Audiovisual rights	100.00
French	Audiovisual rights	99.99
French	Financing company	59.88
French	Production of programmes	96.80
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	Publishing	51.00
French	Documentary thematic channel	100.00
French	Audiovisual rights	99.99
French	Audiovisual rights	99.94
French	Video distribution	99.88
French	Audiovisual rights	99.99
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	Production of feature films	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

## 2.2 COMPARABILITY OF CONSOLIDATED FINANCIAL STATEMENTS

The financial year ended December 31, 1998 is a 12-month accounting period comparable to the previous period without restatements except for the change in accounting policy relating to pension costs described in note 2-14.

## 2.3 AUDIOVISUAL RIGHTS

This note refers to the shares owned in films that have been co-produced by TF1 Films Production, Glem Films, Studios 107, Film par Film and Les Films Ariane, audiovisual trading and distribution rights held by TF1 International, TF1 Entreprises, RCV, Ciby DA 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	2 years 75% 1 <sup>st</sup> year 25% 2 <sup>nd</sup> year

For films co-produced by TF1 Films Production and Film par Film, the method applied is 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 FILMS RIGHTS

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

[A Programmes are reported under «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 valued at their overall production cost (direct costs plus attributable production overheads) and co-productions valued at their 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 <sup>st</sup> transmission	100%	100%
2 <sup>nd</sup> 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 52 minutes*

Possible transmissions	1	2 or more
1 <sup>st</sup> transmission	100%	100%
2 <sup>nd</sup> transmission	-	-

D3] *Co-productions of a duration equal to or exceeding 52 minutes.*

Possible transmissions	1	2 or more
1 <sup>st</sup> transmission	100%	80%
2 <sup>nd</sup> transmission	-	20%

D4] *Purchased rights for full-length feature films, TV dramas, series and cartoons.*

Possible transmissions	1	2 or more
1 <sup>st</sup> transmission	100%	50%
2 <sup>nd</sup> 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 companies in 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 rate are as follows:

Buildings	straight line	20 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	2 to
	or reducing balance	10 years

Leasing operations do not require specific restatements. See not 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.

## 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 Film par Film 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 in 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 COMMITMENTS AND CONTINGENCIES

The acquisition of broadcasting rights and co-productions that have given rise to firm contractual commitments by the group, 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».

## 2.14 PENSION COSTS

The pension costs accrued by employees aged 48 and over are covered by an insurance policy.

The pension costs accrued by employees below 48 are covered by a provision for liabilities and charges, from 1998 onwards.

## 2.15 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 (Forward Rate Agreement) (charged at the start of the period covered).

## 3 NOTES TO THE CONSOLIDATED BALANCE SHEET

### 3.1 AUDIOVISUAL RIGHTS

Valued as indicated in note 2-3, the movements for the financial year can be broken down as follow:

(FF million)	01 Jan. 98	Change in the scope of consolidation (1)	Increase	Decrease	31 Dec. 98
Cost	2,383	470	239	(44)	3,048
Amortisation	(1,875)	(265)	(275)	22	(2,393)
Provisions	(54)	-	(39)	22	(71)
<b>Net book value</b>	<b>454</b>	<b>205</b>	<b>(75)</b>	<b>0</b>	<b>584</b>

(1) «Change in the scope of consolidation» concerns companies referred to in note 1-3, which have been consolidated for the first time in 1998.



The «Y'a pas photo» team.

### 3.2 OTHER INTANGIBLE FIXED ASSETS

(FF million)	01 Jan. 98	Change in the scope of consolidation	Increase	Decrease	31 Dec. 98
Cost	26	-	9	(1)	34
Amortisation	(23)	-	(8)	-	(31)
<b>Net book value</b>	<b>3</b>	<b>-</b>	<b>1</b>	<b>(1)</b>	<b>3</b>

### 3.3 GOODWILL

(FF million)	Gross value at 01 Jan. 98	Amortisation at 01 Jan. 98	Increase	Amortisation at 31 Dec. 98	Net value at 31 Dec. 98
MT SPOT	5	5	-	5	-
PARMENTIER PRODUCTIONS	3	3	-	3	-
CIC	3	3	-	3	-
PROTECREA	4	4	-	4	-
SYALIS	2	2	-	2	-
GROUPE GLEM	40	20	10	30	10
FILM PAR FILM	23	9	6	15	8
TELE-SHOPPING	18	3	3	6	12
<b>Total</b>	<b>98</b>	<b>49</b>	<b>19</b>	<b>68</b>	<b>30</b>

### 3.4 TANGIBLE FIXED ASSETS

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

(FF million)	01 Jan. 98	Change in the scope of consolidation	Increase	Decrease	31 Dec. 98
Land	37	-	-	37	-
Buildings	109	-	-	109	-
Technical facilities & equipment	309	-	33	16	326
Other tangible assets	516	1	34	22	529
Assets under construction	2	-	-	1	1
<b>Total</b>	<b>973</b>	<b>1</b>	<b>67</b>	<b>185</b>	<b>856</b>

FF



**Depreciation**

(FF million)	01 Jan. 98	Change in the scope of consolidation	Increase	Decrease	31 Dec. 98
Buildings	38	-	1	39	-
Technical facilities & equipment	236	-	30	14	252
Other tangible assets	277	-	66	22	321
<b>Total</b>	<b>551</b>	<b>-</b>	<b>97</b>	<b>75</b>	<b>573</b>

**3.5 FINANCIAL ASSETS**

(FF million)	01 Jan. 98	Change in the scope of consolidation	Increase	Decrease	31 Dec. 98
Share of investment consolidated under the equity method	26	(26)	-	-	-
Investments and loans to associated undertakings	25	-	11	(9)	27
Other financial assets	8	1	211	(2)	218
<b>Total gross value</b>	<b>59</b>	<b>(25)</b>	<b>222</b>	<b>(11)</b>	<b>245</b>
Provisions	(19)	-	-	-	(19)
<b>Total net value</b>	<b>40</b>	<b>(25)</b>	<b>222</b>	<b>(11)</b>	<b>226</b>

Other financial assets mainly comprise an equity loan of FF 210 million (FF 203 million nominal value) granted to GIE APHELIE. This loan, including rolled-up interest, would enable the exercise of the purchase option on the leased building in 2009, under the terms and conditions stated in note 6-1.

**3.6 PROGRAMMES AND FILM RIGHTS**

The following table provides a breakdown of stocks of programmes and film rights, as defined in note 2-4, after deduction of provisions.

(FF million)	1998	1997	1996
Advances on programmes in progress	1,066	880	860
Programmes ready for broadcasting	1,687	1,995	1,855
Rights available for further broadcasting	635	477	408
Gross value	3,388	3,352	3,123
Provision	(398)	(405)	(364)
<b>Net value</b>	<b>2,990</b>	<b>2,947</b>	<b>2,759</b>

**3.7 OTHER DEBTORS**

These amounted to FF 1,596 million, including FF 997 million of VAT receivable, FF 82 million of TPS current account and FF 350 million of current account with GIE APHELIE.

**3.8 MARKETABLE SECURITIES**

Marketable securities consist of FF 758 million in money market funds (all capital gains have been taken on December 31, 1998) and of FF 66 million

worth of TF1 shares bought within the stock option plan. These securities were bought in order to fulfil the stock option plan set up in October 1995 for several employees and management of TF1.

The BOUYGUES RELAIS current account (FF 150 million) is accounted for under this heading due to its liquid nature.

**3.9 SHAREHOLDERS' FUNDS**

Movement of shareholders' funds is indicated in the following table:

(FF million)	Share capital	Revaluation reserves	Retained earnings	Shareholders' funds
<b>Shareholders' funds at 31 Dec. 95</b>	<b>210</b>	<b>31</b>	<b>2,036</b>	<b>2,277</b>
Dividends	-	-	(335)	(335)
1996 net profit	-	-	575	575
<b>Shareholders' funds at 31 Dec. 96</b>	<b>210</b>	<b>31</b>	<b>2,276</b>	<b>2,517</b>
Dividends	-	-	(334)	(334)
1997 net profit	-	-	482	482
<b>Shareholders' funds at 31 Dec. 97</b>	<b>210</b>	<b>31</b>	<b>2,424</b>	<b>2,665</b>
Change in accounting policy	-	-	(14)	(14)
Dividends	-	-	(334)	(334)
1998 net profit	-	-	716	716
<b>Shareholders' funds at 31 Dec. 98</b>	<b>210</b>	<b>31</b>	<b>2,792</b>	<b>3,033</b>

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

The change in accounting policy relates to the method of providing for pension costs (net of deferred taxation) as described in note 2.14..

**3.10 MINORITY INTEREST**

Movements in minority interest are indicated in the following table:

(FF million)	
<b>Minority interest at 31 Dec. 95</b>	<b>4</b>
Change in the scope of consolidation	7
Dividends	(2)
1996 net profit	8
<b>Minority interest at 31 Dec. 96</b>	<b>17</b>
Change in the scope of consolidation	(4)
Dividends	(4)
1997 net profit	16
<b>Minority interest at 31 Dec. 97</b>	<b>25</b>
Change in the scope of consolidation	(1)
Dividends	(15)
1998 net profit	7
<b>Minority interest at 31 Dec. 98</b>	<b>16</b>

**3.11 GOVERNMENT GRANTS FOR INVESTMENT**

These primarily consist of a grant obtained by TF1 Films Production from the National Cinema Council (CNC). In 1998, FF 57 million was credited to the profit and loss account as against FF 53 million in 1997.

Jean-Pierre Foucault hosts  
«Les années tubes».



### 3.12 PROVISIONS FOR LIABILITIES AND CHARGES

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

(FF million)	01 Jan. 98	Change in the scope of consolidation	Increase	Decrease	Change in accounting policy	31 Dec. 98
Claims	124	-	44	28	-	140
Associated companies	10	-	-	9	-	1
Pension costs	-	-	-	-	23	23
Other provisions(1)	100	2	98	78	-	122
<b>Sous-total (2)</b>	<b>234</b>	<b>2</b>	<b>142</b>	<b>115</b>	<b>23</b>	<b>286</b>
Equity method (3)	253	-	194	241	-	206
<b>Total</b>	<b>487</b>	<b>2</b>	<b>336</b>	<b>356</b>	<b>23</b>	<b>492</b>

(1) The FF 122 million of other provisions cover mainly operating risks (FF 59 million) and provisions for unsold goods from the editing and publishing activities (FF 40 million)

(2) The FF 286 million of provision for liabilities and charges comprise of FF 232 million for risk relating to private companies and individuals and of FF 54 million for risk with administrations.

(3) The increase in provisions for liabilities relates to shares of losses from companies consolidated under the equity method (TPS and TCM). These losses will be allocated to the related current accounts during the following year. Decrease in provisions relates to the allocation of profits from previous years.

### 3.13 DEFERRED TAXATION

Deferred tax is calculated on the liability basis at the rate of 40 % at December 31, 1998.

[A] Deferred tax liabilities may be analysed as follows:

(FF million)	1998	1997	1996
TF1	354	350	264
Subsidiaries	21	19	20
<b>Total</b>	<b>375</b>	<b>369</b>	<b>284</b>

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.

### 3.14 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	1,576	22	26	1,624
Financial creditors and loans	115	-	-	115
Trade creditors	2,899	-	-	2,899
Other creditors	2,749	-	-	2,749

### 3.15 OTHER CREDITORS

The breakdown of "Other creditors" is as follows:

(FF million)	1998	1997	1996
Employee taxes and social security	1,659	1,427	1,301
Fixed assets creditors	44	62	99
Other creditors	1,046	832	761
<b>Total</b>	<b>2,749</b>	<b>2,321</b>	<b>2,161</b>

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

### 3.16 ADJUSTMENT ACCOUNTS

Adjustment accounts, which amount to FF 285 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 51 million,
- prepayments related to the broadcasting of sports events for FF 196 million.

## 4 NOTES TO THE CONSOLIDATED PROFIT AND LOSS ACCOUNT

### 4.1 OTHER OPERATING EXPENSES

Other operating expenses include the following items:

(FF million)	1998	1997	1996
Transmission costs (TDF)	439	441	436
Subcontracting and production costs	1,799	1,677	1,745
Sundry contributions	763	698	674
Taxes and levies	152	122	107
Other operating expenses	1,722	1,801	1,724
<b>Total</b>	<b>4,875</b>	<b>4,739</b>	<b>4,686</b>

### 4.2 FINANCIAL PROFIT

The financial profit for 1998 comprises the following:

(FF million)	1998	1997	1996
Net profits on the sale of marketable securities	23	16	23
Release of provisions for contingencies and financial investments	9	1	(13)
Interest	20	(4)	12
Other (1)	3	18	4
<b>Total</b>	<b>55</b>	<b>31</b>	<b>26</b>

(1) Including FF 3 million of foreign exchange gains.

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#### 4.3 EXCEPTIONAL ITEMS

Exceptional items in 1998 comprise the following:

(FF million)	1998	1997	1996
Capital gains / (losses) on disposal of fixed assets	(3)	(12)	1
Net provisions	2	(3)	(1)
Other	5	7	(3)
<b>Total</b>	<b>4</b>	<b>(8)</b>	<b>(3)</b>

#### 4.4 CORPORATE INCOME TAX

(FF million)	1998	1997	1996
Current taxation	516	342	277
Deferred taxation	7	37	38
<b>Total</b>	<b>523</b>	<b>379</b>	<b>315</b>

The deferred tax rate used in 1998 was 40%.

The effective tax rate of 41.9% corresponds to the total taxation charge (FF 523 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 and on January 1, 1999. The subsidiaries concerned are TF1 Publicité, Une Musique, TF1 Films Production, TF1 Entreprises, Protécra, TF1 Europe, Syalis, TF1 Publicité Production, TF1 Développement, Télé Achat Câble, Compagnie Internationale de Communication, Banco Production, Studios 107, TF1 Publications, TF1 International, Parmentier Productions, Télé-Shopping, TF1 Vidéo, Cogelda, les Films Ariane, Régie Cassette Vidéo and Mery Productions.

#### 4.5 COMPANIES CONSOLIDATED UNDER THE EQUITY METHOD

Significant figures (FF million)	TPS	TCM
Consolidated turnover	1,136	71
Consolidated net (loss) profit	(830)	19
Net fixed assets	1,281	580
Financial debt	1,754	66
Total net assets	1,998	618

#### 4.6 RECONCILIATION OF TF1 SA COMPANY PROFIT TO CONSOLIDATED PROFIT AT DECEMBER 31, 1998

(FF million)		
TF1 SA profit		920
Loss from consolidated subsidiaries		(39)
		881
Restatements		
▶ Provision for amortisation of programmes (net balance) (1)		(7)
▶ Elimination of regulated provisions		24
▶ Elimination of inter-group provisions		37
▶ Deferred taxation		(7)
▶ Dividends received from subsidiaries		(184)
▶ Other		(21)
<b>Consolidated profit</b>		<b>723</b>
Minority interest		(7)
<b>Net profit attributable to the group</b>		<b>716</b>

(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 147 million at December 31, 1998.

#### 5 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.

#### 6 OTHER INFORMATION

##### 6.1 COMMITMENTS AND CONTINGENCIES

As described in note 2-13, the due dates of these commitments at December 31, 1998 are as follows:

(FF million)	Less than one year	Over one year	Total
Programmes and broadcasting rights	1,431	1,225	2,656
Sports transmission rights	545	1,526	2,071
Video exploitation rights	42	-	42
Leasing	76	1,056	1,132
Other commitments	321	330	651
<b>Total</b>	<b>2,415</b>	<b>4,137</b>	<b>6,552</b>

The heading "Programmes and broadcasting rights" includes long-term contracts relating to variety shows and children's programmes amounting to FF 601 million.

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

##### 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 (exc. interest charges):

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

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

Original value		1,080
Lease payments (1)		334
▶ accumulated	264	
▶ financial year	70	
«Theoretical» depreciation charges (2)		252
▶ accumulated	196	
▶ financial year	56	
Estimated remaining future lease payments (3)		
▶ less than one year	71	
▶ between one and five years	394	
▶ more than five years	660	
Purchase option on the building in 2009		440

(1) Including capital repayment of FF 64 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%.

## 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, 1998, where the due dates fall between 1999 and 2001.

On December 31, 1998, the exchange value of these contracts amounted to FF 480 million:

- FF 462 million of forward purchase exchange contracts in US Dollars,
- FF 18 million of forward purchase exchange contracts in Swiss Francs.

### 6•2•2 Hedging of interest rates

During 1998, 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, 1998, TF1 has FF 1,100 million of SWAPS, FF 780 million of FRA contracts and FF 300 million of CAPS contracts to hedge the 1999 and 2000 payments due under this lease agreement.

The financial impact of such operations on December 31, 1998, is included in financial expenses and amounts to FF 1 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:

	1998	1997	1996
College 1 - Workers and clerical employees	91	104	158
College 2 - Technical staff	682	672	652
College 3 - Managerial and executive staff	1,080	1,007	985
College 4 - Journalists	324	326	334
<b>Total</b>	<b>2,177</b>	<b>2,109</b>	<b>2,129</b>

## 6•4 DIRECTORS' REMUNERATION

Directors' remuneration for the year ended December 31, 1998 amounted to FF 76,065,105. Information on the 38 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, 1998, four 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.

On March 18, 1998, the Board of Directors granted 162,000 share subscription options to several members of the TF1 Group management. The subscription price was fixed at FF 657, representing 95% of the average of the opening prices quoted on the last twenty days preceding the Board Meeting, of March 18, 1998.

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 EURO AND YEAR 2000

Over the past two years, the Group has been making arrangements to ensure a smooth transition to the single currency and to avoid potential difficulties relating to the year 2000. The action plans prepared by the Group are currently being implemented.

In 1998, no significant external costs were incurred in this regard.

## 6•6 RISKS IN EMERGING COUNTRIES

TF1's activity and profit were not impacted by the emerging countries' crisis.

## 6•7 SUBSEQUENT EVENTS

The TF1 Group acquired around 9% of the share capital of Pathé, at a cost of FF 1,140 million.

TF1 informed the Conseil des Marchés Financiers that its holding had fallen below the 5% threshold, with a shareholding of 4.4% at February 9, 1999. The related disposal of shares did not have any significant financial impact

## 7 SIGNIFICANT ELEMENTS IN THE NOTES TO THE PRIOR ACCOUNTING PERIODS

The information contained in the Notes to the accounts for 1998 is equivalent to that for the two preceding periods.

1997 and 1996 accounting periods: None



The new «Téléfoot» team.

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# TF1 SA

## Balance sheet

ASSETS (in FF thousands)	Notes	31 Dec. 98			31 Dec. 97	31 Dec. 96
		Gross value	Depreciation amortisation, and provisions	Net value	Net value	Net value
<b>INTANGIBLE FIXED ASSETS</b>	<b>1.1 &amp; 2.1</b>	<b>3,278,687</b>	<b>192,749</b>	<b>3,085,938</b>	<b>2,983,037</b>	<b>2,824,227</b>
Franchises and other similar rights		889	889	-	-	-
Brand		419	419	-	-	-
Goodwill		95	-	95	95	95
Other intangible fixed assets		4,189	4,189	-	419	838
Programmes ready for broadcasting		1,687,440	139,118	1,548,322	1,796,059	1,662,347
Rights available for future showings		634,950	47,692	587,258	446,196	380,760
Programmes in progress		950,705	442	950,263	740,268	780,187
<b>TANGIBLE FIXED ASSETS</b>	<b>1.2 &amp; 2.2</b>	<b>713,452</b>	<b>492,125</b>	<b>221,327</b>	<b>355,428</b>	<b>396,890</b>
Land		-	-	-	37,163	37,163
Freehold buildings		-	-	-	70,591	74,035
Technical facilities and equipment		301,278	240,112	61,166	60,300	70,616
Other tangible fixed assets		411,620	252,013	159,607	186,038	209,976
Tangible fixed assets under construction		554	-	554	1,336	5,100
<b>FINANCIAL ASSETS</b>	<b>1.3 &amp; 2.3</b>	<b>873,762</b>	<b>22,733</b>	<b>851,029</b>	<b>549,905</b>	<b>553,864</b>
Investments		657,914	20,826	637,088	545,836	549,727
Loans to associated undertakings		1,868	1,867	1	2	2
Other investments held as fixed assets		508	-	508	508	508
Loans		212,128	-	212,128	1,722	1,778
Other financial assets		1,344	40	1,304	1,837	1,849
<b>FIXED ASSETS</b>		<b>4,865,901</b>	<b>707,607</b>	<b>4,158,294</b>	<b>3,888,370</b>	<b>3,774,981</b>
Raw materials and consumables		7,184	-	7,184	5,003	2,509
Goods held for resale		947	-	947	1,165	1,180
Prepayments and accrued income		12,879	-	12,879	17,874	26,319
Trade debtors	1.4 & 2.4	1,751,467	226	1,751,241	1,733,127	1,566,366
Other debtors	2.4	1,478,280	13,119	1,465,161	1,084,819	729,799
Marketable securities	1.5, 2.5 & 4.7	770,244	-	770,244	450,319	577,592
Cash at bank and in hand		193,456	-	193,456	62,067	21,707
Prepaid expenses	2.6	210,452	-	210,452	227,632	215,961
<b>CURRENT ASSETS</b>		<b>4,424,909</b>	<b>13,345</b>	<b>4,411,564</b>	<b>3,582,006</b>	<b>3,141,433</b>
<b>UNREALISED LOSSES / GAINS ON FOREIGN EXCHANGE</b>		<b>216</b>	<b>-</b>	<b>216</b>	<b>1,171</b>	<b>2,150</b>
<b>TOTAL ASSETS</b>		<b>9,291,026</b>	<b>720,952</b>	<b>8,570,074</b>	<b>7,471,547</b>	<b>6,918,564</b>

«L'envers du décor».



<b>LIABILITIES</b> (in FF thousands)	<i>Notes</i>	<b>31 Dec. 98</b>	<b>31 Dec. 97</b>	<b>31 Dec. 96</b>
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		1,400,000	1,150,000	900,000
Retained earnings		156,462	168,382	246,854
Net profit for the year		920,124	594,079	505,390
Government grants for investment	1.6	-	45	417
Regulated Provisions : Amortisation	1.7	704,605	692,591	611,749
<b>SHAREHOLDERS' FUNDS</b>	2.7	<b>3,606,891</b>	<b>3,030,797</b>	<b>2,690,110</b>
Provisions for contingencies		72,491	50,913	41,116
Provisions for charges		216	1,171	2,150
Other provisions for liabilities		137,829	156,324	132,774
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	1.8 & 2.8	<b>210,536</b>	<b>208,408</b>	<b>176,040</b>
Bank borrowings <sup>(1)</sup>		-	-	-
Other financial creditors <sup>(2)</sup>		975,658	732,043	605,937
Trade creditors		2,004,659	2,023,066	2,128,042
Tax and social liabilities		1,030,591	809,745	717,329
Fixed assets creditors		7,928	10,273	26,203
Other creditors		719,359	649,809	558,112
Prepaid income		11,918	6,945	16,090
<b>CREDITORS AND OTHER LIABILITIES</b>	2.9	<b>4,750,113</b>	<b>4,231,881</b>	<b>4,051,713</b>
<b>UNREALISED LOSSES / GAINS ON FOREIGN EXCHANGE</b>		<b>2,534</b>	<b>461</b>	<b>701</b>
<b>TOTAL SHAREHOLDERS' FUNDS AND LIABILITIES</b>		<b>8,570,074</b>	<b>7,471,547</b>	<b>6,918,564</b>
<sup>(1)</sup> Including bank overdrafts		-	-	-
<sup>(2)</sup> Including current account with associated companies		975,658	732,043	605,937

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# TF1 SA

## Profit and loss account

<i>(in FF thousands)</i>	<i>Notes</i>	<b>31 Dec. 98</b>	<b>31 Dec. 97</b>	<b>31 Dec. 96</b>
<b>TURNOVER</b>	<b>1.9 &amp; 3.1</b>	<b>9,856,083</b>	<b>9,510,089</b>	<b>9,472,701</b>
Advertising revenue	3.1	7,507,122	7,167,138	6,908,145
Technical services		22,853	66,579	4,178
Other operating revenue		93,492	62,948	39,253
In-house production		1,715,530	1,677,007	1,932,226
Operating grant		376	1,935	352
Depreciation, amortisation and provisions releases		118,899	115,912	112,548
Expense transfers		377,518	391,067	445,248
Other revenue		20,293	27,503	30,751
<b>OPERATING EXPENSES</b>		<b>(8,382,757)</b>	<b>(8,199,279)</b>	<b>(8,428,228)</b>
Purchase of raw materials and consumables		(44,025)	(25,698)	(1,792)
Change in inventory		1,963	2,478	918
Other purchases and external expenses		(1,967,196)	(1,972,977)	(2,141,789)
Taxes and levies	3.2	(489,290)	(434,057)	(417,883)
Wages & salaries paid	3.3	(604,164)	(600,642)	(619,137)
Social security charges	3.4	(262,304)	(258,881)	(270,498)
Depreciation, amortisation and provisions				
▶ Amortisation of broadcast programmes		(4,465,413)	(4,319,970)	(4,384,078)
▶ Depreciation of other fixed assets		(74,652)	(81,330)	(88,919)
▶ Provision for intangible assets and current assets		(60,938)	(91,898)	(170,565)
▶ Provision for liabilities and charges		(65,360)	(70,914)	(10,211)
Other expenses	3.5	(351,378)	(345,390)	(324,274)
<b>OPERATING PROFIT</b>		<b>1,473,326</b>	<b>1,310,810</b>	<b>1,044,473</b>
<b>Net profit from joint operations</b>		<b>-</b>	<b>1</b>	<b>-</b>
Financial revenue		361,032	249,736	263,993
Financial expense		(166,629)	(254,648)	(280,654)
<b>FINANCIAL PROFIT/LOSS</b>	<b>3.6</b>	<b>194,403</b>	<b>(4,912)</b>	<b>(16,661)</b>
<b>PROFIT BEFORE TAX AND EXCEPTIONAL ITEMS</b>		<b>1,667,729</b>	<b>1,305,899</b>	<b>1,027,812</b>
<b>EXCEPTIONAL INCOME</b>		<b>379,749</b>	<b>244,813</b>	<b>307,833</b>
Exceptional revenue on operations		48,118	17,962	3,378
Exceptional revenue on fixed assets		110,583	71,256	125,993
Provision releases		221,048	155,595	178,462
<b>EXCEPTIONAL EXPENSES</b>		<b>(593,124)</b>	<b>(599,431)</b>	<b>(585,171)</b>
Exceptional expense on operations		(21,143)	(15,908)	(20,871)
Exceptional expense on fixed assets		(338,919)	(347,086)	(321,958)
Exceptional depreciation, amortisation and provisions		(233,062)	(236,437)	(242,342)
<b>EXCEPTIONAL LOSS</b>	<b>3.7</b>	<b>(213,375)</b>	<b>(354,618)</b>	<b>(277,338)</b>
<b>EMPLOYEE PROFIT SHARING</b>		<b>(26,671)</b>	<b>(20,184)</b>	<b>(17,016)</b>
<b>INCOME TAX</b>	<b>3.8 &amp; 3.9</b>	<b>(507,559)</b>	<b>(337,018)</b>	<b>(228,068)</b>
<b>NET PROFIT</b>		<b>920,124</b>	<b>594,079</b>	<b>505,390</b>

# TF1 SA

## Cash flow statement

(in FF thousands)

	31 Dec. 98	31 Dec. 97	31 Dec. 96
<b>1 Operating activities</b>			
Net profit	920,124	594,079	505,390
Depreciation, amortisation and provisions <sup>(1) (2)</sup>	(33,903)	96,881	46,339
Investment grants realised to revenue	(45)	(372)	(975)
Capital gain (loss) on disposal of fixed assets	6,007	5,904	(2,876)
<b>CASH FLOW</b>	<b>892,183</b>	<b>696,492</b>	<b>547,878</b>
Purchase of programmes <sup>(2)</sup>	(4,523,803)	(4,490,056)	(4,798,456)
Depreciation, amortisation and provisions of programmes <sup>(2)</sup>	4,432,497	4,411,668	4,537,111
Stocks	(1,963)	(2,479)	(918)
Trade debtors	(380,320)	(532,473)	97,281
Trade creditors	279,035	69,752	48,740
Expenses to amortise over several periods	-	-	-
Net advances from third parties	4,995	8,445	(6,420)
<b>Increase (decrease) in working capital needs</b>	<b>(189,559)</b>	<b>(535,143)</b>	<b>(122,662)</b>
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>	<b>702,624</b>	<b>161,349</b>	<b>425,216</b>
<b>2 Investing activities</b>			
Purchase of fixed assets <sup>(1) (2)</sup>	(48,243)	(44,237)	(62,281)
Disposal of fixed assets <sup>(1) (2)</sup>	110,355	626	12,855
Purchase of fixed asset investments	(11,023)	(28,574)	(20,794)
Disposal of fixed asset investments	-	39,386	84
Increase (decrease) in fixed assets creditors	(2,345)	(15,930)	(16,734)
Increase (decrease) in other financial assets	(209,873)	8,223	971
<b>NET CASH OUTFLOW FROM INVESTING ACTIVITIES</b>	<b>(161,129)</b>	<b>(40,506)</b>	<b>(85,899)</b>
<b>3 Financing</b>			
Increase (decrease) in shareholders' funds	-	-	-
Net change in loans	243,615	126,106	(30,505)
Dividends paid	(333,796)	(333,862)	(335,172)
<b>NET CASH OUTFLOW FROM FINANCING</b>	<b>(90,181)</b>	<b>(207,756)</b>	<b>(365,677)</b>
<b>TOTAL INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>451,314</b>	<b>(86,913)</b>	<b>(26,360)</b>
Cash at beginning of period	512,386	599,299	625,659
Net inflow (outflow)	451,314	(86,913)	(26,360)
Cash at end of period	963,700	512,386	599,299

(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".

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# Notes to the Company

## financial statements

Principles of accounting and presentation of the accounts for the twelve-month financial period ended December 31, 1998.

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

### 1 PRINCIPAL ACCOUNTING POLICIES

#### 1.1 INTANGIBLE FIXED ASSETS

##### 1.1.1 General principles

Programmes are amortised when they are transmitted according to the following amortisation methods :

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

Possible transmissions	1	2 or more
1 <sup>st</sup> transmission	100%	100%
2 <sup>nd</sup> transmission	-	-

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

[B] *Delegated co-productions of a duration not exceeding 52 minutes*

Possible transmissions	1	2 or more
1 <sup>st</sup> transmission	100%	100%
2 <sup>nd</sup> transmission	-	-

[C] *Delegated co-productions of a duration of 52 minutes or over*

Possible transmissions	1	2 or more
1 <sup>st</sup> transmission	100%	80%
2 <sup>nd</sup> transmission	-	20%

[D] *Purchased TV rights for full-length feature film, dramas, series and cartoons*

Possible transmissions	1	2 or more
1 <sup>st</sup> transmission	100%	50%
2 <sup>nd</sup> transmission	-	50%

[E] *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.

##### 1.1.2 Programmes ready for broadcasting

The items reported under this heading are all non-broadcast programmes (co-productions, in-house productions, film rights) that have not yet been transmitted for the first time. They are accounted for at their purchase cost or overall production cost (direct costs plus attributable production overheads).

##### 1.1.3 Rights available for rebroadcasting

Programmes 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 commitments and contingencies.

#### 1.2 TANGIBLE FIXED ASSETS

Depreciation methods are set out in the following table:

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

#### 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. Provisions are evaluated according to the 1982 French Chart of Accounts.



Special entertainment show starring pop singer Florent Pagny.



The 1998 Miss France beauty contest.

#### 1.4 TRADE DEBTORS

All trade debtors currently subject to claims are fully provided. 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, 1996;
- 50% of their total amount, net of tax, for accounts receivable falling due between January 1, 1996 and December 31, 1996.

Risks on receivables originating after December 31, 1996 and not yet collected at December 31, 1998 are non significant.

#### 1.5 MARKETABLE SECURITIES

Marketable securities are valued on the basis of their purchase cost. When the inventory value is lower than the acquisition cost, a provision is made.

#### 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 <sup>st</sup> month	20%
▶ 2 <sup>nd</sup> month	15%
▶ 3 <sup>rd</sup> to 9 <sup>th</sup> month	5%
▶ 10 <sup>th</sup> to 12 <sup>th</sup> month	2%
▶ 13 <sup>th</sup> to 24 <sup>th</sup> 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 PUBLICITE of advertising space and sponsorship, net of its fees.

#### 1.10 COMMITMENTS AND CONTINGENCIES

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

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

#### 1.11 PENSION COSTS

The pension costs accrued by employees aged 48 and over are covered by an insurance policy.

The pension costs accrued by employees below 48 are covered by a provision for liabilities and charges, from 1998 onwards.

#### 1.12 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 hedges 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).

#### 1.13 CHANGE IN COMPANY ACCOUNTING POLICY

The 12-month accounting period, ended December 31, 1998 is comparable to the previous one, without restatement except for the change in accounting for pension costs as detailed in note 1-11.





## 2 NOTES TO THE BALANCE SHEET

### 2.1 INTANGIBLE FIXED ASSETS

Intangible fixed assets essentially refer to programmes and film rights; the following table provides a detailed breakdown of their movements:

#### Summary of programme movements

(FF million)	1998			1997
	External production	In-house production	Total production	
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
<b>VALUE OF PROGRAMMES AT 1 JAN.</b>	<b>3,192</b>	<b>23</b>	<b>3,215</b>	<b>3,044</b>
<i>Add:</i>				
INVESTMENTS 1 Jan. to 31 Dec.	3,030	1,716	4,746	4,791
<i>Subtract:</i>				
DISINVESTMENTS 1 Jan. to 31 Dec.				
Cost 1 <sup>st</sup> transmission	(2,665)	(1,667)	(4,332)	(4,211)
Cost 2 <sup>nd</sup> transmission	(134)	-	(134)	(109)
Total cost of broadcast	(2,799)	(1,667)	(4,466)	(4,320)
Rights expired	(82)	-	(82)	(99)
Rights retired	(91)	(49)	(140)	(171)
Rights sold (residual book value)	-	-	-	(30)
<b>TOTAL DISINVESTMENTS 1 Jan. to 31 Dec.</b>	<b>(2,972)</b>	<b>(1,716)</b>	<b>(4,688)</b>	<b>(4,620)</b>
<b>VALUE OF PROGRAMMES AT 31 DEC.</b>	<b>3,250</b>	<b>23</b>	<b>3,273</b>	<b>3,215</b>
<b>BREAKDOWN</b>				
Programmes in progress	940	11	951	742
Programmes ready for broadcasting	1,675	12	1,687	1,996
Rights available for rebroadcasting	635	-	635	477
<b>Total</b>	<b>3,250</b>	<b>23</b>	<b>3,273</b>	<b>3,215</b>

NB: As at December 31, 1998, the provision for risk of non-transmission of programmes amounted to FF 334 million, of which FF 187 million in provisions for the depreciation of assets and FF 147 million in existing regulated provisions made as described in paragraph 1.7.

### 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)	01 Jan. 98	Increase	Decrease	31 Dec. 98
Land	37	-	37	-
Buildings	109	-	109	-
Technical facilities and equipment	288	26	13	301
Other	401	21	11	411
Assets under construction	1	1	1	1
<b>Total</b>	<b>836</b>	<b>48</b>	<b>171</b>	<b>713</b>

#### Depreciation

(FF million)	01 Jan. 98	Increase	Decrease	31 Dec. 98
Buildings	38	1	39	-
Technical facilities and equipment	228	24	12	240
Other	215	49	12	252
<b>Total</b>	<b>481</b>	<b>74</b>	<b>63</b>	<b>492</b>

### 2.3 FINANCIAL ASSETS

#### Financial investments

- TF1 subscribed principally to 15% of World On Line France's share capital for FF 2.2 million;
- Provision for depreciation of TF1 Europe shares previously provided for (FF 89 million) released in full.

At December 31, 1998, the total value of the shares reported in the balance sheet of TF1 SA amounts to FF 658 million, with provisions amounting to FF 21 million.

#### Loans

This heading essentially relates to an equity loan of FF 210 million (FF 203 million nominal value) granted to GIE APHELIE. This loan, including rolled-up interest, would enable the exercise of the purchase option on the leased building in 2009, under the terms and conditions stated in note 4-1.



The City DA catalogue.

## 2.4 DEBTORS

### 2.4.1 Accounts receivable

TF1 Publicité, agent of TF1 SA, sells advertising slots to advertising agencies. For this, TF1 Publicité receives fees indexed on turnover generated.

The balance payable by TF1 Publicité to TF1 SA in respect of such purchases was FF 967 million at December 31, 1998, against FF 1,018 million at December 31, 1997. This balance is net of sales rebates which have yet to be granted and which are included in « Other Creditors ».

### 2.4.2 Other debtors

This heading essentially relates to VAT receivable for FF 404 million, to loans granted to subsidiaries under cash management agreements for FF 655 million, and to the current account with GIE APHELIE for FF 350 million.

### 2.4.3 Due dates for debtors

The debtors linked to fixed assets and current assets, totalling FF 4,422 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 fixed assets (FF 210 million) and current assets (FF 3 million) fall due after five years.

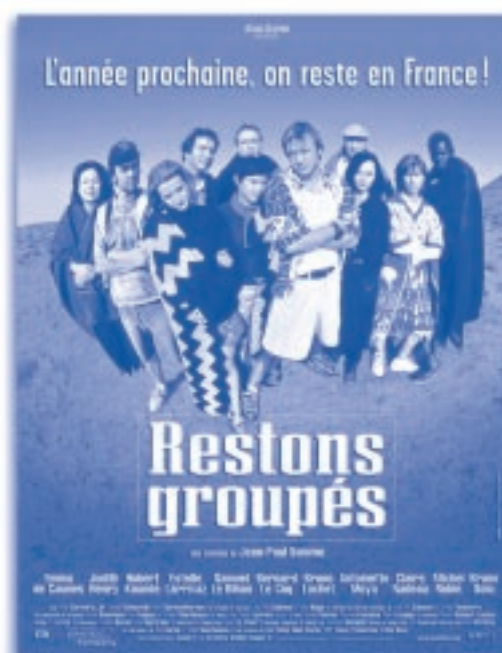
## 2.5 CASH AND MARKETABLE SECURITIES

Marketable securities consist of money market fund trusts amounting to FF 509 million, and assimilated debtors amounting to FF 195 million, (all capital gains have been taken on December 31, 1998) and of FF 66 million worth of TF1 shares bought within the stock options plan. These securities were bought in order to fulfil the stock option plan set up in October 1995 for several employees and management of TF1.

The BOUYGUES RELAIS current account (FF 150 million) is accounted for under this heading due to its liquid nature.

## 2.6 PREPAID EXPENSES

Prepaid expenses account for FF 211 million including FF 198 million relating to prepaid sports transmissions.



«Restons groupés».

## 2.7 SHAREHOLDERS' FUNDS

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

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

(FF million)	1 Jan. 98	Allocation of profit (General Meeting of May 12, 98)	Other movements	Change in accounting policy	31 Dec. 98
Share capital	210	-	-	-	210
Revaluation reserve	31	-	-	-	31
Legal reserve	21	-	-	-	21
Long term capital gain reserve	164	-	-	-	164
Retained earnings	168	10	-	(22)	156
Other reserves	1,150	250	-	-	1,400
Net profit for the year	594	(594)	920	-	920
<b>Sub-total</b>	<b>2,338</b>	<b>(334)</b>	<b>920</b>	<b>(22)</b>	<b>2,902</b>
Investment grants	-	-	-	-	-
Regulated provisions	693	-	12 (2)	-	705
<b>Total</b>	<b>3,031</b>	<b>(334) (1)</b>	<b>932</b>	<b>(22) (3)</b>	<b>3,301</b>

(1) Dividends paid on June 30, 1998.

(2) Net movements of the year.

(3) Provision for pension cost.

FF



**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.98	Increase	Decrease	Change in 31 Dec. 98 accounting policy	
Claims	51	29	7	-	73
Associated companies	106	33	105	-	34
Bad debts	19	-	-	-	19
Pension costs	-	-	-	22	22
Other	32	36	6	-	62
<b>Total</b>	<b>208</b>	<b>98</b>	<b>118</b>	<b>22</b>	<b>210</b>

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.



«Mrs Doubtfire».

**2.9 CREDITORS**

**2.9.1 Bank borrowings**

There are no bank overdrafts at December 31, 1998.

The Company still has the possibility to draw up to FF 900 million on credit facilities in several banks. This was not used on December 31, 1998.

**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 863 million (FF 612 million in 1997).

**2.9.3 Other creditors**

This heading includes credit notes and rebates on tariffs to be granted by TF1, amounting to FF 686 million in 1998 (FF 599 million in 1997).

**2.9.4 Due dates for creditors**

The creditors, totalling FF 4,738 million, fall due within one year.



### 3 NOTES TO THE PROFIT AND LOSS ACCOUNT

#### 3.1 BREAKDOWN OF TURNOVER

Advertising revenues amount to FF 7,507 million and correspond to TF1 Publicité's revenues, less the fees enabling TF1 Publicité to cover operating costs i.e. FF 539 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 448 million (FF 396 million in 1997).

#### 3.3 WAGES AND SALARIES

This heading includes FF 50 million of wages paid to freelance employees as against FF 56 million in 1997.

#### 3.4 SOCIAL SECURITY CHARGES & EMPLOYMENT EXPENSES

This heading includes FF 18 million of employee benefits, relating to the employer's contribution to the Company Savings Plan.

#### 3.5 OTHER EXPENSES

This item covers payments to authors amounting to FF 308 million (FF 293 million in 1997).

#### 3.6 FINANCIAL PROFIT

Financial profit for 1998 breaks down as follows:

(in FF million)	1998	1997
Dividends	91	71
Net interests paid	7	(19)
Provisions for liabilities	66	(77)
Exchange differences	8	4
Profits on sales of marketable securities	22	16
<b>Net</b>	<b>194</b>	<b>(5)</b>

Financial expenses with respect to associated companies amount to FF 29 million. Financial revenues amount to FF 32 million (FF 24 million and FF 16 million respectively in 1997).

The movement in provisions for liabilities results from a release of the provision on TF1 Europe shares for FF 89 million and to the improvement in profit from limited partnership subsidiaries.

#### 3.7 EXCEPTIONAL ITEMS

The exceptional items for 1998 break down as follows:

(in FF million)	1998	1997
Capital losses on disposal and retirement of programmes	(222)	(270)
Net provisions (including accelerated amortisation for tax purposes)	(12)	(81)
Capital losses on disposal of financial assets (1)	(9)	(2)
Other	30	(1)
<b>Net loss</b>	<b>(213)</b>	<b>(354)</b>

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

#### 3.8 CORPORATE INCOME TAX

Income tax takes into account the net losses recorded by GIE APHELIE (FF 34 million) and the limited partnership La Chaîne Info (FF 14 million), Société d'Exploitation de Documentaires Odysée (FF 9 million) and the profit recorded by TCM DA (FF 6 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 91 million).

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

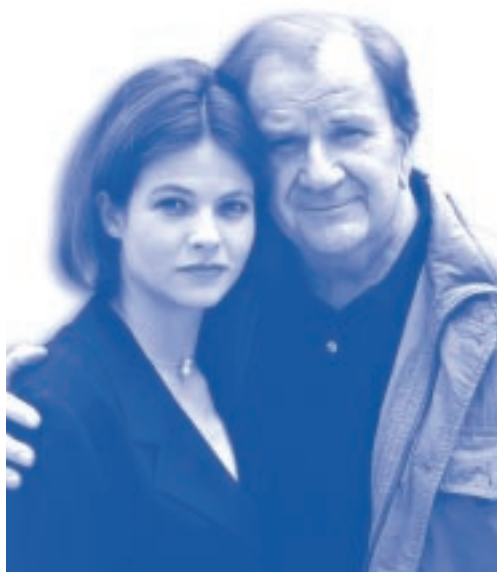
Since January 1, 1989, TF1 has chosen the status of tax consolidation, an option renewed on January 1, 1994 and on January 1, 1999. The subsidiaries considered within the scope of tax consolidation at December 31, 1998 are TF1 Publicité, Une Musique, TF1 Films Production, TF1 Entreprises, Protécra, TF1 Europe, Syalis, TF1 Publicité Production, TF1 Boutiques, TF1 Développement, Télé Achat Câble, Compagnie Internationale de Communication, Banco Production, TF1 Vidéo, TF1 International, Parmentier Productions, TF1 Publications, Studios 107, Mery Productions, Télé-Shopping, Cogelda, Les Films Ariane et Régie Cassette Vidéo.

#### 3.9 DEFERRED TAXATION

(in FF million)	Future increase in tax	Future decrease in tax
Regulated provision	282	-
Employee profit sharing, paid vacation, Organic tax...	-	33

FF





«Les Cordier».

## 4 OTHER INFORMATION

### 4.1 COMMITMENTS AND CONTINGENCIES

On December 31, 1998, 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	1,429	1,225	2,654
Sports broadcasting rights	479	1,476	1,955
Real-estate leasing	71	1,055	1,126
Other commitments	228	320	548
<b>Total</b>	<b>2,207</b>	<b>4,076</b>	<b>6,283</b>

«Programmes» includes FF 601 million of long-term contracts relating to variety shows and children's programmes.

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 has been occupied since 1992. This contract has a 15 years' term and amounts to FF 1,080 million (excl. interest charges):

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

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

Original value	1,080
Lease payments (1)	334
▶ accumulated	264
▶ financial year	70
«Theoretical» depreciation charges (2)	252
▶ accumulated	196
▶ financial year	56
Estimated remaining future lease payments (3)	
▶ less than one year	71
▶ between one and five years	394
▶ more than five years	660
Purchase option on the building in 2009	440

(1) Including capital repayment of FF 64 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 some commercial payments are stated in foreign currencies, TF1 uses 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, 1998, where the due dates fall between 1999 and 2001.

On December 31, 1998, the exchange value of these contracts amounted to FF 480 million:

- ▶ FF 462 million of forward purchase exchange contracts in US Dollars,
- ▶ FF 18 million of forward purchase exchange contracts in Swiss Francs.

#### 4.2.2 Hedging of interest rates

During 1998, 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, 1998, TF1 has FF 1,100 million of SWAPS, FF 780 million of FRA contracts and FF 300 million of CAPS contracts to hedge the 1999 and 2000 payments due under this lease agreement.

The financial impact of such operations on December 31, 1998, is included in financial expenses and amounts to FF 1 million.

#### 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:

	1998	1997	1996
College 1 - Workers and clerical employees	42	58	101
College 2 - Technical staff	463	464	438
College 3 - Managerial and executive staff	483	469	467
College 4 - Journalists	221	229	242
<b>Total</b>	<b>1,209</b>	<b>1,220</b>	<b>1,248</b>

#### 4.4 DIRECTORS' REMUNERATION

Directors' remuneration for the year ended December 31, 1998 amounted to FF 76,065,105. Details of the 38 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, 1998, four 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.

On March 18, 1998, the Board of Directors granted 162,000 share subscription options to several directors of the TF1 Group. The subscription price was fixed at FF 657, 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' FEES

Directors' fees paid in 1998 amounted to FF 1,200,000.

#### 4.6 MOVEMENTS IN PROVISIONS

(FF million)	1 Jan. 98	Increase	Decrease	Change in accounting policy	31 Dec. 98
<b>Regulated provision</b>					
In respect of intangible fixed assets (programmes)	693	233	221	-	705
<b>Provision for liabilities and charges</b>	208	98	118	22	210
<b>Provision for depreciation of fixed assets</b>	236	59	102	-	193
<b>Provision on financial assets</b>					
Long-term investments	110	-	89	-	21
Related loans	2	-	-	-	2
<b>Provision for depreciation of current assets</b>	14	2	3	-	13
<b>Total</b>	<b>1,263</b>	<b>392</b>	<b>533</b>	<b>22 (1)</b>	<b>1,144</b>

(1) Provision for pension costs.



Tennis on Eurosport.



Ruth Elkrief,  
LCI political  
interviewer.



#### 4.7 FINANCIAL AND SHORT TERM INVESTMENTS HELD AT DECEMBER 31, 1998

Financial investments	Number of shares	%	Shareholders' funds in FF
SYALIS	2,494	99.76	324,857,008
TF1 EUROPE	209,993	100.00	123,441,989
TF1 FILMS PRODUCTION	169,994	100.00	98,528,134
TF1 ENTREPRISES	199,988	99.99	59,132,500
STUDIOS 107	119,994	100.00	33,016,967
GROUPE GLEM	1,497	59.88	27,625,385
FILM PAR FILM	9,998	49.99	25,762,022
TV SPORT	46,499	31.00	23,727,837
TF1 PUBLICITÉ	29,994	99.98	23,713,517
TÉLÉ-SHOPPING	8,494	99.93	15,135,940
BANCO PRODUCTION	129,994	100.00	3,586,832
MÉDIAMÉTRIE	1,000	10.75	2,954,905
WORLD ON LINE FRANCE	22,501	15.00	2,250,000
TRICOM SA	9,998	33.33	1,050,850
TECHNISONOR	5,632	6.85	727,048
MERY PRODUCTIONS	4,994	99.88	499,400
TF1 US	2,800	100.00	330,579
MÉDIAMÉTRIE EXPANSION	600	5.00	306,236
TÉLÉ ACHAT CÂBLE	2,494	99.76	236,323
TVRS 98	225	22.50	228,637
SAGAS	848	33.92	214,371
TCM GESTION	849	33.96	84,386
LES FILMS ARIANE	1	0.02	6,220
UNE MUSIQUE	1	0.04	4,595
LES NOUVELLES ÉDITIONS TF1	25	1.00	3,600
RCV	1	0.04	606
CIC	1	0.01	548
TF1 VIDÉO	1	0.01	169
SÉBADO	1	0.04	100
COGELDA	1	0.01	81
<b>Total financial investments</b>			<b>767,426,785</b>

The book value corresponds to the share of net equity held by TF1 SA.

Short term investments	Number of shares	Unit value as of 31 Dec. 98	Market value in FF
OBC SECU	20,851	19,155.07	399,402,461
CENTRALES MONETAIRES USD	956	63,224.48	60,442,610
CENTRALES MONETAIRES PIBOR	3,268	15,153.63	49,522,063
<b>Total short term investments</b>			<b>509,367,134</b>
TF1 SA shares <i>(held as part of the Stock Option Plan)</i>	136,633	483.74	66,094,724
<b>Total investments</b>			<b>1,342,888,643</b>

Companies or group 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
<b>■ SUBSIDIARIES (holding of at least 50% of shares)</b>											
TF1 PUBLICITÉ		15,000	1,742	99.98%	19,925	19,925	-	-	8,126,899	6,976	1,350
TF1 FILMS PRODUCTION		17,000	81,276	100.00%	11,599	11,599	-	-	205,413	252	-
TÉLÉ-SHOPPING		850	990	99.93%	850	850	-	-	417,146	13,306	19,545
TF1 PUBLICATIONS		500	(10,483)	99.88%	3,406	-	-	-	-	-	-
TF1 ENTREPRISES		20,000	2,093	99.99%	20,002	20,002	-	-	121,339	37,045	49,200
SYALIS		250	284,506	99.76%	273,402	273,402	-	-	-	40,882	-
BANCO PRODUCTION		13,000	(3,354)	100.00%	12,999	12,999	-	-	35,664	(6,058)	-
TF1 EUROPE		21,000	(14,252)	100.00%	127,999	127,999	-	-	-	116,695	-
PROTECREA		10,000	(37,734)	99.99%	14,699	14,699	-	-	59,977	(4,596)	-
LUXTEL 1	LUF	1,350	-	99.99%	404	404	-	-	-	-	-
STUDIOS 107		12,000	19,487	100.00%	30,699	14,012	-	-	70,286	1,530	-
TÉLÉ ACHAT CABLE		250	-	99.76%	249	249	-	-	-	-	-
MERY PRODUCTIONS		500	-	99.88%	499	499	-	-	-	-	-
LA CHAINE INFO		30,000	(144)	99.95%	29,985	29,985	-	-	244,673	(15,796)	-
GROUPE GLEM		250	8,788	59.88%	50,898	50,898	-	-	6,512	37,096	21,000
SED ODYSSEE		50	(280)	99.00%	49	49	-	-	24,284	(9,128)	-
TF1 US	USD	28	-	100.00%	157	157	-	-	1,968	-	-
<b>■ FINANCIAL INVESTMENTS (holding 10% to 50% of shares)</b>											
MEDIAMETRIE		930	21,629	10.75%	100	100	-	-	173,145	3,235	64
FMI		1,000	-	13.33%	133	-	1,867	-	-	-	-
MERCURY INTERN. FILM	DEM	1,000	-	50.00%	1,674	1,674	-	-	-	-	-
TRICOM SA		3,000	153	33.32%	1,000	1,000	-	-	-	-	-
TV SPORT		15,000	43,532	31.00%	4,650	4,650	-	-	278,928	18,009	-
SAGAS		250	324	33.92%	85	85	-	-	1,679	58	-
TVRS 98		1,000	112	22.50%	225	225	-	-	33,695	(100)	-
FILM PAR FILM		10,000	41,534	49.99%	48,182	48,182	-	-	64,603	-	-
TCM GESTION		250	1	33.96%	85	85	-	-	655	(2)	-
TCM DROITS AUDIOVISUELS		1,500	-	34.00%	510	510	-	-	70,055	(23,253)	-
WORLD ON LINE FRANCE		15,000	-	15.00%	2,250	2,250	-	-	-	-	-
<b>■ FINANCIAL INVESTMENTS (holding less than 10% of shares)</b>											
TECHNISONOR		8,225	3,738	6.84%	563	563	-	-	41,114	(1,799)	-
TF1 PUBLICITE PRODUCTION		50	8	1.00%	1	1	-	-	81,354	1,188	4
GIE GIC		500	-	0.02%	-	-	-	-	-	-	-
GIE CHALLENGER		750	-	0.67%	5	5	-	-	-	-	-
CIC		785	4,215	0.01%	1	1	-	-	37,851	479	-
MEDIAMETRIE EXPANSION		12,000	(14,396)	5.00%	600	-	-	-	-	8,520	-
UNE MUSIQUE		250	72	0.04%	-	-	-	-	187,389	11,165	4
TPS GESTION		250	(481)	0.04%	-	-	-	-	6,928	(291)	-
COGELDA		64,250	(11,772)	0.01%	-	-	-	-	7,766	(550)	-
LES FILMS ARIANE		500	13,148	0.02%	23	23	-	-	50,144	17,451	-
RCV		250	1,631	0.04%	2	2	-	-	1,590	(366)	-
LES NOUVELLES EDITIONS TF1		250	111	1.00%	2	2	-	-	8,212	436	-
EUROSHOPPING		500	-	0.02%	-	-	-	-	4,729	(12,450)	-
TF1 VIDEO		20,635	(7)	0.01%	-	-	-	-	528,027	14,240	-
SEBADO		250	-	0.01%	-	-	-	-	-	-	-
<b>Total</b>					<b>657,912</b>	<b>637,086</b>					



**4.9 EURO AND YEAR 2000**

Over the past two years, the Group has been making arrangements to ensure a smooth transition to the single currency and to avoid potential difficulties relating to the year 2000. The action plans prepared by the Group are currently being implemented.

In 1998, no significant external costs were incurred in this regard.

**4.10 POST BALANCE SHEET EVENTS**

The TF1 Group acquired around 9% of the share capital of the Pathé Group, for an amount of FF 1,140 million.

The Group notified the CMF (Conseil des Marchés Financiers) on February 9, 1999, that it had gone under the 5% threshold, holding 4.4% of the share capital. The shares sold did not result in a significant profit.

**5 SIGNIFICANT ELEMENTS IN THE NOTES TO THE PRIOR ACCOUNTING PERIODS**

The information contained in the Notes to the accounts for 1998 is equivalent to that for the two preceding periods. 1997 and 1996 accounting periods: None.



*Fabien Barthez,  
goalkeeper of the French  
national side.*

# Information concerning TF1 SA

## GENERAL INFORMATION

**Name:** TELEVISION FRANCAISE 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 stock or rights, merger, alliance, association in hidden partnerships or management or in-kind exchange of all assets, entitlements or otherwise.

Its activity is to comply with its 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/her 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 17, 1999, the capital of TF1 amounted to FF 210,000,000, fully paid, divided into 21,000,000 shares each of FF 10 nominal value.

FF



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 or other securities giving access to the capital, 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»).

The Board of Directors will be authorised to convert the share capital into Euros following the agreement of the Combined General Meeting of May 7, 1999. This conversion would be take place before January 1, 2000.

## ISSUE OPERATIONS

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

Following the General Meeting of May 7, 1999, and if agreement is given to the Board of Directors, it will have the ability to issue one or several bond debentures for a nominal amount of € 500,000,000.

The table below details the different issues of securities that can be made by the company, if the General Meeting of May 7, 1999 gives its authorisation. All the former authorisations are cancelled, except those concerning employees (subscription option or purchase shares option).

The maximum nominal amount authorised for capital increases is € 50,000,000. The maximum nominal amount authorised for bond issues is € 500,000,000.

## AUTHORISED OPERATIONS ON TF1'S SHARE CAPITAL

	Maximum nominal amount for capital increases (1)	Maximum nominal amount for bond issues (1)	Duration	Remaining duration (2)	General Meeting	Resolution #
Bond debentures	-	M€ 500	5 years	5 years	CGM* May 7, 99	17
Issues of shares and composite securities (including equity warrants), with PSR (3)	M€ 50	M€ 500	26 months	26 months	CGM May 7, 99	18
Issues of shares and composite securities (including equity warrants), without PSR (3)	M€ 50	M€ 500	26 months	26 months	CGM May 7, 99	19
Issues of shares and composite securities (including equity warrants) in take over bid or tender offer periods, with or without PSR (3)	M€ 50	M€ 500	1 year	1 year	CGM May 7, 99	20
Issues of shares and composite securities, paying shares brought in a tender offer	M€ 50	M€ 500	26 months	26 months	CGM May 7, 99	21
Issues of shares reserved to employees subscribing to an Employees Savings Plan, without PSR (3)	(4)	-	5 years	5 years	CGM May 7, 99	23
Issues of shares for stock option plan without PSR (3)	(4)	-	5 years	1 year	EGM* June 12, 95	5
Programme to purchase own shares	(4)	-	18 months	18 months	CGM May 7, 99	16
Capital reduction through shares' cancellation	(4)	-	18 months	18 months	CGM May 7, 99	24
Purchase of shares for the employees subscribing to the company savings plan	-	-	-	unlimited	OGM* June 12, 92	11

(1) It should be specified that (22<sup>nd</sup> resolution - Combined General Meeting May 7, 1999):

- ▶ the total nominal amount of the various authorised increases in capital must not exceed € 50 million.
- ▶ the total nominal amount of bond issues must not exceed € 500 million.

(2) From the General Meeting of May 7, 1999.

(3) PSR: Preferential Subscription Right.

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

\* CGM : Combined General Meeting

\* EGM : Extraordinary General Meeting

\* OGM : Ordinary General Meeting

Conversion	€	F
Shares and bonds issues		
▶ Increases in capital: maximal nominal amount	50,000,000	327,978,500
▶ Bond issues: maximal nominal amount	500,000,000	3,279,785,000

## 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 licensed 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 past ten 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 TELEVISION FRANCAISE 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 net 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 co-production of European cinema works. This investment is to be achieved through a subsidiary of the broadcaster (TF1 Films Production) operating as a minority. Its co-production part in its investment has to remain smaller than the pre-purchase 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.

FF



# TF1 share: market and yield

## 1 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	8.0	24.0	615	486	615	3.9%
1998	22.0 (1)	11.0 (2)	33.0	1,124	619	995	3.3%

(1) Submitted for approval at the General Meeting.

(2) Based on a 50% tax credit.

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 20.9 billion on December 31, 1998.

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.



## 2 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 agreements.

### 3 SHARE PRICE AND TRADING VOLUMES

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

Year	Month	High (1) (€)	Low (1) (€)	Close (€)	Close (FF) (2)	Shares traded (3)
1996	January	84.6	72.4	81.6	535	593,684
	February	84.3	77.7	82.2	539	555,632
	March	85.1	73.8	78.5	515	475,528
	April	87.4	74.9	85.4	560	1,333,713
	May	92.5	81.9	91.9	603	935,904
	June	97.4	89.2	89.6	588	483,785
	July	89.9	80.8	89.5	587	1,133,800
	August	93.8	85.2	88.1	578	809,564
	September	93.0	83.8	87.4	573	504,667
	October	90.1	82.0	82.9	544	949,387
	November	86.0	76.8	78.5	515	1,037,237
	December	80.2	72.9	75.6	496	944,957
1997	January	81.6	73.2	74.5	488.5	1,130,732
	February	85.8	74.4	80.5	528	1,125,166
	March	90.6	79.0	85.8	563	1,045,285
	April	91.0	82.6	85.8	563	790,825
	May	92.2	83.5	84.2	552	1,503,174
	June	87.5	76.2	80.0	525	1,206,799
	July	87.0	76.2	81.6	535	1,365,284
	August	82.8	74.2	75.5	495	402,283
	September	79.0	74.9	78.2	513	236,712
	October	83.8	74.2	81.9	537	613,215
	November	83.8	77.7	79.4	521	323,880
	December	94.2	79.3	93.8	615	704,922
1998	January	106.6	92.4	100.2	657	1,121,969
	February	104.0	97.7	100.6	660	680,794
	March	121.0	99.9	117.4	770	945,096
	April	128.8	113.7	128.8	845	493,323
	May	131.3	122.0	128.7	844	292,595
	June	153.4	128.4	142.8	937	1,367,824
	July	148.6	125.0	146.4	960	1,271,024
	August	150.2	131.3	133.2	874	303,092
	September	160.1	127.3	146.4	960	1,315,244
	October	147.9	111.3	139.9	918	1,312,851
	November	153.7	137.2	151.7	995	1,011,525
	December	176.1	141.3	151.7	995	609,217
1999	January	190.0	150.0	175.0	1,148	1,196,971
	February	176.5	145.1	163.0	1,069	818,606
	March	173.9	155.1	173.9	1,140	554,020

### 4 TF1 SHARE PRICE/SBF 120 INDEX

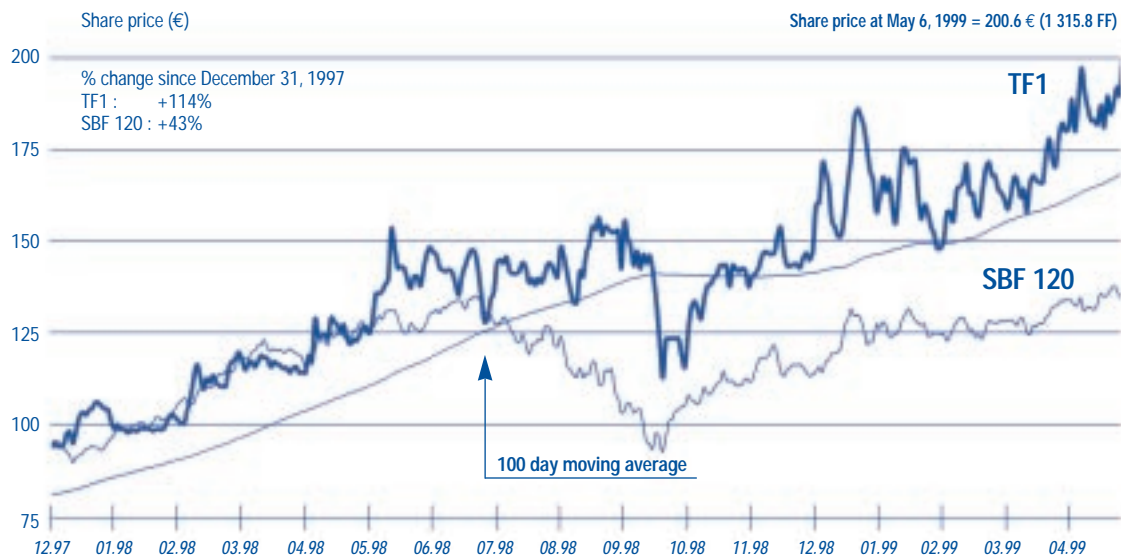
From December 31, 1997 to May 6, 1999.

Data: Société des Bourses Françaises - Bourse de Paris

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

(2) Monthly closing price in French Francs. January and February 1999 prices are recalculated on the basis of 1 € = 0.655957.

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



# 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 1996 to 1998 accounting periods.

We have non comments on the accuracy of the financial information provided in this document.

Paris, April 6, 1999

Statutory Auditors

### SALUSTRO REYDEL

represented by Edouard Salustro and Jean-Pierre Cruzet.

Jacques VILLARY

## INFORMATION AND INVESTOR RELATIONS:

### RESPONSIBLE FOR INFORMATION

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The financial home page on TF1's web site.

Legal documents can be consulted at:  
TF1

Legal Affairs Department  
1, Quai du Point du Jour  
92656 BOULOGNE CEDEX  
FRANCE

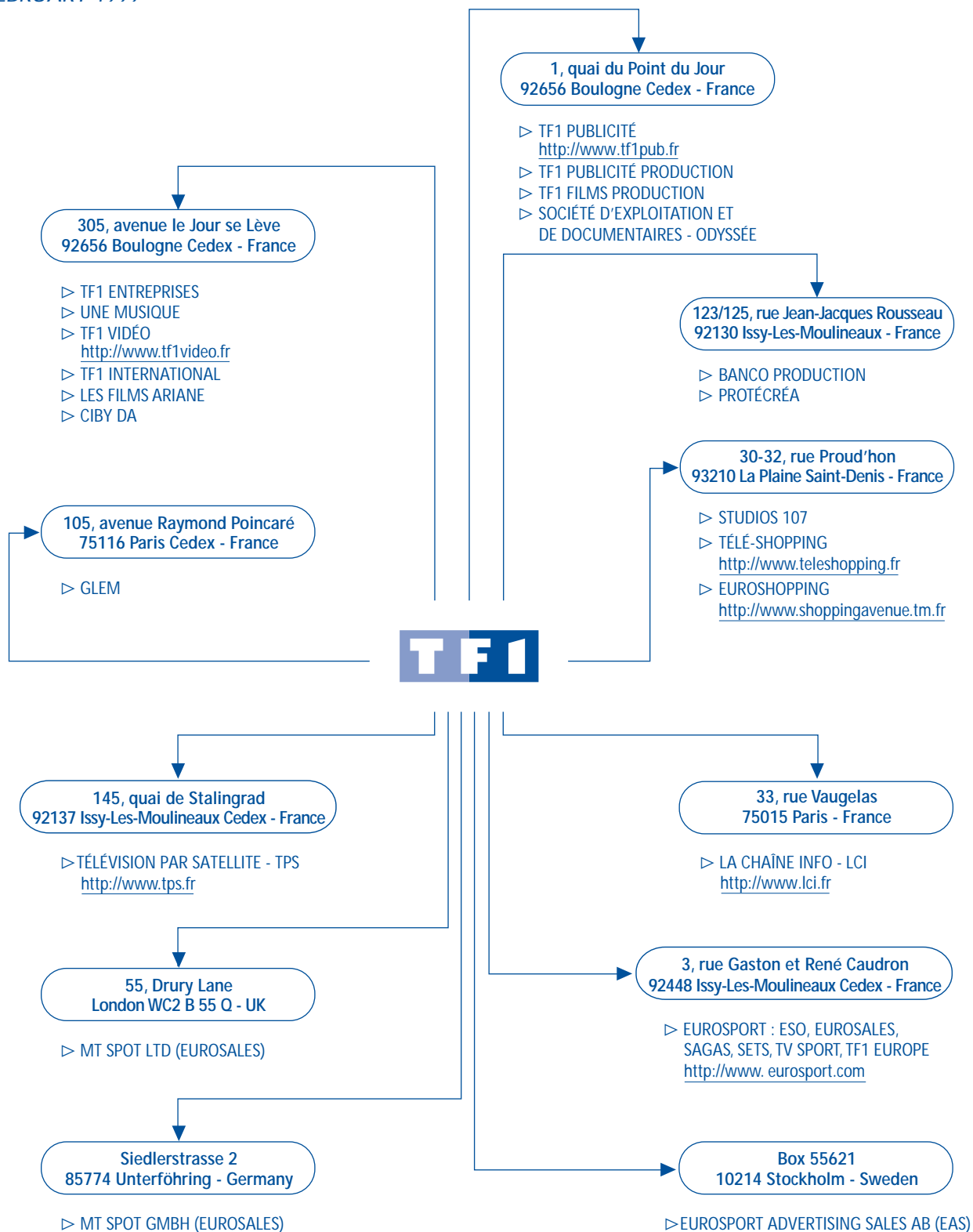
You can also receive information  
on the TF1 Group:

By mail:  
TF1  
Financing & Investor Relations Department  
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92656 BOULOGNE Cedex  
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<http://www.tf1.fr>  
E-mail: [comfi@tf1.fr](mailto:comfi@tf1.fr)

# Addresses of main subsidiaries

FEBRUARY 1999







The text 'Financial statements in Euros' is written vertically in a large, white, sans-serif font. A thin white vertical line is positioned to the left of the text. A horizontal white arrow points from the end of the text to the right.

Financial statements  
in Euros



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## Euro

*The Group's accounting records will be maintained in Euros with effect from January 1, 2000.*

*Over the past two years, the Group has been making arrangements to ensure a smooth transition to the single currency in respect of all its budgetary, accounting and financial information systems.*

*This section of the annual report presents the 1998 consolidated financial statements in Euros, as well as the key figures of the company accounts. The detailed company financial statements and the notes to the financial statements can be consulted on our website ([www.tf1.fr](http://www.tf1.fr)) and copies are available upon request.*

### CONSOLIDATED KEY FINANCIAL FIGURES

<i>(in Euros million)</i>	1998	1997	1996
Turnover	1,662.2	1,571.8	1,476.5
Programming costs	(714.7)	(699.7)	(698.8)
Operating profit	219.3	176.7	144.0
Profit before tax and exceptional items	227.7	181.3	147.9
Net profit attributable to the Group	109.1	73.4	87.7
Share capital	32.0	32.0	32.0
Shareholders' funds	462.4	406.2	383.7
Financial creditors	17.5	7.2	10.9
Net cash	170.2	97.0	115.1
Programmes and film rights	455.9	449.2	420.5
Total Balance Sheet	1,487.9	1,340.5	1,246.8
Cash flow	196.6	181.7	141.0



# Consolidated Profit and loss account Operational breakdown

<i>(in Euros million)</i>	<b>31 Dec. 98</b>	<b>31 Dec. 97</b>	<b>31 Dec. 96<sup>(1)</sup></b>	<b>31 Dec. 96</b>
<b>TF1 Channel</b>				
Advertising revenue	1,226.6	1,172.0	1,131.8	1,131.8
Advertising agency fees	(82.2)	(79.4)	(78.6)	(78.6)
<b>NET REVENUES FROM BROADCASTING</b>	<b>1,144.4</b>	<b>1,092.6</b>	<b>1,053.2</b>	<b>1,053.2</b>
<b>Royalties and contributions</b>				
Authors	(46.9)	(44.7)	(42.5)	(42.5)
CNC	(61.0)	(53.5)	(52.0)	(52.0)
TV5	-	-	(1.4)	(1.4)
<b>Transmission costs</b>				
TDF. Satellites. Transmissions	(57.5)	(57.9)	(57.9)	(57.9)
INA	(0.6)	(0.9)	(0.8)	(0.8)
<b>Programming costs</b>	<b>(714.7)</b>	<b>(699.7)</b>	<b>(698.8)</b>	<b>(698.8)</b>
<b>GROSS MARGIN</b>	<b>263.7</b>	<b>235.9</b>	<b>199.8</b>	<b>199.8</b>
Diversification revenues and other revenues <sup>(2)</sup>	424.0	387.1	349.4	349.6
Other operating expenses <sup>(2)</sup>	(394.1)	(365.6)	(337.2)	(342.0)
Depreciation, amortisation and provisions (net value)	(74.3)	(80.7)	(68.2)	(68.4)
<b>OPERATING PROFIT</b>	<b>219.3</b>	<b>176.7</b>	<b>144.0</b>	<b>139.0</b>
<b>FINANCIAL PROFIT</b>	<b>8.4</b>	<b>4.6</b>	<b>3.9</b>	<b>3.9</b>
<b>PROFIT BEFORE TAX AND EXCEPTIONAL ITEMS</b>	<b>227.7</b>	<b>181.3</b>	<b>147.9</b>	<b>142.9</b>
Exceptional items	0.5	(1.2)	(0.5)	(0.5)
Goodwill amortisation	(1.7)	(2.7)	(2.0)	(2.0)
Tax and employee profit sharing	(85.7)	(62.8)	(51.4)	(51.4)
Share of investment consolidated under the equity method	(30.7)	(38.7)	(5.0)	-
<b>NET PROFIT OF CONSOLIDATED COMPANIES</b>	<b>110.1</b>	<b>75.9</b>	<b>89.0</b>	<b>89.0</b>
Minority share of profit	(1.0)	(2.5)	(1.3)	(1.3)
<b>NET PROFIT ATTRIBUTABLE TO THE GROUP</b>	<b>109.1</b>	<b>73.4</b>	<b>87.7</b>	<b>87.7</b>

<sup>(1)</sup> 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.

<sup>(2)</sup> Net of items not linked to the Group's direct activity.





# Consolidated Balance sheet

ASSETS (in Euros thousands)	31 Dec. 98			31 Dec. 97	31 Dec. 96
	Gross value	Depreciation amortisation and provisions	Net value	Net value	Net value
<b>INTANGIBLE FIXED ASSETS</b>	<b>469,820</b>	<b>380,359</b>	<b>89,461</b>	<b>69,593</b>	<b>55,477</b>
Audiovisual rights	464,635	375,654	88,981	69,215	54,424
Other intangible fixed assets	5,185	4,705	480	378	1,053
<b>GOODWILL</b>	<b>14,913</b>	<b>10,285</b>	<b>4,628</b>	<b>7,488</b>	<b>5,976</b>
<b>TANGIBLE FIXED ASSETS</b>	<b>130,533</b>	<b>87,422</b>	<b>43,111</b>	<b>64,335</b>	<b>73,618</b>
Land	6	-	6	5,665	5,665
Freehold buildings	13	4	9	10,762	11,287
Other tangible fixed assets	130,514	87,418	43,096	47,908	56,666
<b>FINANCIAL ASSETS</b>	<b>37,317</b>	<b>2,929</b>	<b>34,388</b>	<b>6,118</b>	<b>3,363</b>
Share of investment consolidated under the equity method	13	-	13	3,941	1,290
Investments and loans to associated undertakings	4,060	2,919	1,141	894	727
Other financial assets	33,244	10	33,234	1,283	1,346
<b>FIXED ASSETS</b>	<b>652,583</b>	<b>480,995</b>	<b>171,588</b>	<b>147,534</b>	<b>138,434</b>
Programmes and film rights	516,478	60,612	455,866	449,219	420,528
Raw materials and supplies	9,537	3,727	5,810	4,323	6,252
Trade debtors	371,185	5,480	365,705	364,939	323,880
Other debtors	247,626	4,234	243,392	203,011	181,320
Marketable securities	125,596	-	125,596	70,461	91,478
Cash at bank and in hand	44,632	-	44,632	26,528	23,640
<b>CURRENT ASSETS</b>	<b>1,315,054</b>	<b>74,053</b>	<b>1,241,001</b>	<b>1,118,481</b>	<b>1,047,098</b>
<b>ADJUSTMENT ACCOUNTS</b>	<b>43,382</b>	<b>-</b>	<b>43,382</b>	<b>43,812</b>	<b>44,510</b>
<b>DEFERRED TAXATION</b>	<b>31,915</b>	<b>-</b>	<b>31,915</b>	<b>30,662</b>	<b>16,789</b>
<b>TOTAL ASSETS</b>	<b>2,042,934</b>	<b>555,048</b>	<b>1,487,886</b>	<b>1,340,489</b>	<b>1,246,831</b>

The Nature programmes  
of Odyssee.



<b>LIABILITIES (in Euros thousands)</b>	<b>31 Dec. 98</b>	<b>31 Dec. 97</b>	<b>31 Dec. 96</b>
Share capital	32,014	32,014	32,014
Revaluation reserve	4,681	4,681	4,681
Other reserves	316,566	296,117	259,273
Profit attributable to the group	109,124	73,406	87,701
<b>SHAREHOLDERS' FUNDS</b>	<b>462,385</b>	<b>406,218</b>	<b>383,669</b>
Minority interest	2,413	3,857	2,526
Government grants for investment	5,737	8,399	8,818
Provisions for liabilities and charges	74,932	74,174	23,333
Deferred taxation	57,153	56,273	43,312
<b>LONG TERM CAPITAL</b>	<b>602,620</b>	<b>548,921</b>	<b>461,658</b>
Financial creditors and borrowings <sup>(1)</sup>	17,513	7,227	10,912
Trade creditors	441,959	422,013	432,836
Other creditors	419,066	353,797	329,441
<b>CREDITORS</b>	<b>878,538</b>	<b>783,037</b>	<b>773,189</b>
Adjustment accounts	6,728	8,531	11,984
<b>TOTAL SHAREHOLDERS' FUNDS AND LIABILITIES</b>	<b>1,487,886</b>	<b>1,340,489</b>	<b>1,246,831</b>
<sup>(1)</sup> Including current bank overdrafts	97	222	33



# Consolidated Profit and loss account

<i>(in Euros thousands)</i>	<b>31 Dec. 98</b>	<b>31 Dec. 97</b>	<b>31 Dec. 96</b>
<b>TURNOVER</b>	<b>1,662,284</b>	<b>1,571,713</b>	<b>1,476,515</b>
Net advertising revenue <i>incl.</i>	1,263,474	1,203,693	1,160,451
<i>TF1</i>	1,226,604	1,171,974	1,131,844
<i>EUROSPORT</i>	27,589	25,310	23,870
<i>LCI</i>	7,916	5,975	4,737
<i>Télétoon</i>	1,048	387	-
<i>Odyssée</i>	171	47	-
<i>OTHER</i>	146	-	-
Diversification revenue	340,033	317,295	267,468
Technical services revenue	28,246	29,249	14,490
Other revenue	30,531	21,476	34,106
<b>OPERATING EXPENSES</b>	<b>(1,442,939)</b>	<b>(1,394,986)</b>	<b>(1,337,635)</b>
External production costs	(396,061)	(377,666)	(332,717)
Change in stocks of in-house production	(17,909)	12,642	6,791
Staff costs	(211,515)	(226,851)	(229,021)
Other operating expense	(743,116)	(722,482)	(714,209)
Depreciation, amortisation and provisions (net value)			
▶ Depreciation	(66,799)	(64,153)	(53,077)
▶ Provisions	(7,539)	(16,476)	(15,402)
<b>OPERATING PROFIT</b>	<b>219,345</b>	<b>176,727</b>	<b>138,880</b>
Financial revenue	12,391	13,924	11,411
Financial expense	(4,030)	(9,254)	(7,461)
<b>FINANCIAL PROFIT</b>	<b>8,361</b>	<b>4,670</b>	<b>3,950</b>
<b>PROFIT BEFORE TAX AND EXCEPTIONAL ITEMS</b>	<b>227,706</b>	<b>181,397</b>	<b>142,830</b>
Net exceptional income/expense	582	(1,150)	(470)
Goodwill amortisation	(1,683)	(2,689)	(1,992)
Employee profit sharing	(6,132)	(5,225)	(3,385)
Income tax	(79,632)	(57,745)	(48,030)
Share of investment consolidated under the equity method	(30,670)	(38,728)	9
<b>NET PROFIT BEFORE MINORITY INTEREST</b>	<b>110,171</b>	<b>75,860</b>	<b>88,962</b>
Minority interest	(1,047)	(2,454)	(1,261)
<b>NET PROFIT ATTRIBUTABLE TO THE GROUP</b>	<b>109,124</b>	<b>73,406</b>	<b>87,701</b>



# Consolidated Cash flow statement

(in Euros thousands)

## 1 Operating activities

	31 Dec. 98	31 Dec. 97	31 Dec. 96
Net profit	110,171	75,860	88,961
Depreciation, amortisation and provisions	<b>75,213</b>	<b>76,609</b>	<b>62,462</b>
▶ Intangible fixed assets	45,751	43,644	40,132
▶ Tangible fixed assets	14,806	15,310	17,270
▶ Financial assets	(38)	(2,662)	2,556
▶ Expenses to amortise	8,917	6,643	4,734
▶ Goodwill	1,683	2,689	1,992
▶ Provisions for liabilities and charges	4,094	10,985	(4,222)
Investment grants released to revenue	(12,265)	(11,711)	(11,424)
Expenses to amortise	(8,688)	(5,670)	(4,786)
Capital gains (losses) on disposal of fixed assets	524	2,277	(121)
Change in deferred taxation	1,014	5,627	5,802
Share of investment consolidated under the equity method	30,670	38,728	(9)
<b>CASH FLOW</b>	<b>196,639</b>	<b>181,720</b>	<b>140,885</b>
Stocks	(6,109)	(26,655)	(51,883)
Trade debtors	(72,461)	(64,728)	24,859
Trade creditors	80,054	12,765	(6,242)
Net advances from third parties	2,124	3,001	906
<b>Increase (decrease) in working capital needs</b>	<b>3,608</b>	<b>(75,617)</b>	<b>(32,360)</b>
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>	<b>200,247</b>	<b>106,103</b>	<b>108,525</b>
<b>2 Investing activities</b>			
Purchase of intangible fixed assets	(37,787)	(38,140)	(48,888)
Purchase of tangible fixed assets	(10,183)	(10,361)	(15,452)
Disposal of fixed assets	18,967	2,329	2,434
Purchase of financial asset investments	(1,740)	(29,667)	(3,066)
Increase (decrease) in other financial assets	(31,912)	1,371	79
Increase (decrease) in fixed assets creditors	(2,797)	(1,996)	(1,765)
	<b>(65,452)</b>	<b>(76,464)</b>	<b>(66,658)</b>
Consolidation adjustments	2,273	(536)	822
<b>NET CASH OUTFLOW FROM INVESTING ACTIVITIES</b>	<b>(63,179)</b>	<b>(77,000)</b>	<b>(65,836)</b>
<b>3 Financing activities</b>			
Increase in shareholders' funds	9,602	11,292	10,348
Increase (decrease) in loans	(20,107)	(7,316)	3,303
Dividends paid	(53,199)	(51,397)	(51,478)
<b>NET CASH OUTFLOW FROM FINANCING</b>	<b>(63,704)</b>	<b>(47,421)</b>	<b>(37,827)</b>
<b>TOTAL INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>73,364</b>	<b>(18,318)</b>	<b>4,862</b>
Cash at beginning of period	96,767	115,085	110,223
Net inflow (outflow)	73,364	(18,318)	4,862
Cash at end of period	170,131	96,767	115,085







# TF1 SA

## Key financial figures

<b>BALANCE SHEET</b> (in Euros thousands)	<b>31 Dec. 98</b>	<b>31 Dec. 97</b>	<b>31 Dec. 96</b>
	Net value	Net value	Net value
Intangible fixed assets	470,449	454,761	430,551
Tangible fixed assets	33,741	54,185	60,505
Financial assets	129,738	83,832	84,436
<b>FIXED ASSETS</b>	<b>633,928</b>	<b>592,778</b>	<b>575,492</b>
Net cash	146,915	78,113	91,362
<b>CURRENT ASSETS</b>	<b>672,538</b>	<b>546,073</b>	<b>478,908</b>
Share capital	32,014	32,014	32,014
Shareholders' funds	549,867	462,042	410,104
Bank borrowings	-	-	-
<b>TOTAL BALANCE SHEET</b>	<b>1,306,499</b>	<b>1,139,030</b>	<b>1,054,728</b>

### PROFIT AND LOSS ACCOUNT

(in Euros thousands)	<b>31 Dec. 98</b>	<b>31 Dec. 97</b>	<b>31 Dec. 96</b>
Turnover	1,502,550	1,449,804	1,444,104
Operating profit	224,607	199,832	159,229
Financial profit/loss	29,637	(749)	(2,540)
Profit before tax and exceptional items	254,244	199,083	156,689
Net exceptional expense	(32,529)	(54,061)	(42,280)
<b>NET PROFIT</b>	<b>140,272</b>	<b>90,567</b>	<b>77,046</b>

(in Euros thousands)	<b>31 Dec. 98</b>	<b>31 Dec. 97</b>	<b>31 Dec. 96</b>
Cash Flow	136,013	106,179	83,523

<b>EARNINGS PER SHARE</b> (in Euros)	<b>31 Dec. 98</b>	<b>31 Dec. 97</b>	<b>31 Dec. 96</b>
Net profit after tax, depreciation, amortisation and provisions <sup>(1)</sup>	6.68	4.31	3.67
Dividend per share	3.35 <sup>(2)</sup>	2.44	2.44

<sup>(1)</sup> The number of shares comprising share capital has remained unchanged since privatisation in 1987 (21 million).  
The share option plan has not had a significant dilution effect.

<sup>(2)</sup> Submitted for approval at the General Meeting.

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