2005 Financial Report

Contents

Directors' Report

presented by the Board of Directors at the Combined Annual General Meeting on April 25, 2006 (ordinary part)

Ladies and Gentlemen

We are assembled here today at the Ordinary General Meeting, as required by French law and by our Articles of Incorporation, to report to you on our management during the past financial year, submit the accounts for the 2005 financial year for your approval, and review the company's situation and growth prospects.

As in previous years, the accounts for 2005 are presented for both the TF1 Group (consolidated accounts) and for the parent company, Télévision Française 1.

The consolidated accounts have been prepared in accordance with IFRS, while the accounts for TF1 SA according to account ing rules and principles applicable in France (French GAAP).

1 2005 activity and results*

1.1 The Group

CONSOLIDATED PROFIT AND LOSS ACCOUNT – ANALYTICAL BREAKDOWN

(€M)	2005	2004
TF1 Channel		
Advertising revenue	1,647.5	1,645.5
Advertising costs	(86.5)	(86.3)
NET BROADCASTING REVENUE	**1,561.0**	**1,559.2**
Royalties and contributions		
• Authors	(63.2)	(63.9)
• CNC	(81.7)	(81.5)
Broadcasting costs		
- TDF, Satellites, Transmissions	(54.9)	(56.5)
Programming costs (1)	(919.4)	(893.2)
GROSS MARGIN	**441.8**	**464.1**
Diversification and miscellaneous revenue and other products	1,215.7	1,201.2
Other operating charges	(1,134.8)	(1,138.4)
Net allocation to depreciation, amortisation and provisions	(152.5)	(143.9)
OPERATING INCOME (2)	**370.2**	**383.0**
Cost of net debt	(15.6)	(20.6)
Other financial income and expenses	2.2	2.0
Corporate income tax	(116.6)	(136.2)
Share of net income of companies consolidated under the equity method	(5.5)	(5.0)
NET INCOME	**234.7**	**223.2**
Minority interest	1.6	1.5
CONSOLIDATED NET INCOME ATTRIBUTABLE TO THE GROUP	**236.3**	**224.7**

(1) 2005 programming costs (€919.4 M) do not include the charge relative to the rights due for the Santa Barbara series (€18.5 M). This charge appears in the line "other operating charges" and is compensated for by the release of an equivalent provision made between 1997 and 2000.

(2) Of which other non-current operating products and charges: €14.2 M in 2005.

In 2005, TF1 Group revenue grew by about 1% to €2,873.9 M. The channel's advertising revenue was slightly up (+0.1%) for full year 2005 – the dynamism of the Automotive, Telecommunications and Services sectors making up for the fall in advertising investment mostly in the Food sector. Annual revenue from other activities is up 1.9%.

On a comparable consolidation scope**, revenue from other activities increased 3.8% and TF1 Group consolidated revenue rose 1.6%.

Growth of other activities is primarily due to:

- Audience achievement of the **Group's thematic channels in France,** with advertising revenue up 16% over 2005;
- **E-tf1,** whose contribution to group annual revenue is up 43.7% to €68.7 M. The tf1.fr site had consolidated its leadership as France's No. 1 media site, with its audience rising 47% (source: Nielsen netratings panel);
- **Téléshopping,** which activity benefited from the performance of its programmes on the TF1 channel and the dynamism of Internet sales. The latter represents some 20% of this subsidiary's revenue;
- **TPS,** with annual revenue up 5.6% and an active subscriber base at the end of the year of 1.75 million, stable compared to 31.12.2004;
- **TF1 International,** with annual revenue up 52.8%, due mainly to box office successes of distributed films. As a result, TF1 International was the No. 4 French distributor of films to cinemas in 2005.

Group operating income, at €370.2 M (including the capital gain of €14.2 M from the disposal of Visiowave) is down 3.3% compared to 2004. This drop is mainly due to the combined effect of stable group revenue and a rise of 2.9% of grid costs for the TF1 Channel.

The cost of debt has improved by €4.9 M thanks to the fall in interest rates and the performance of interest rate hedging instruments.

For full year 2005, the €236.3 M group share of net income is an increase of 5.2% compared to 2004, the net margin on revenue being 8.2% vs. 7.9% in 2004. This improvement – despite the fall in operating income – is primarily due to a reduction in tax, mainly caused by the Visiowave disposal (and the related long-term capital gain, which is not taxable because of brought forward long-term capital losses), the recognition of a deferred tax assets in respect of prior tax losses and the fall in the tax rate from 35.43% to 34.93%.

** The financial data concerning TF1 subsidiaries are their contributions to Group financial data.*

*** Excluding the impact of the disposal of Visiowave and Studios 107 in second quarter 2005 (cancellation of revenue from Studios 107 and Visiowave in 2004 and 2005) and excluding the impact of the TMC acquisition.*

At December 31, 2005, the group's shareholders' funds totalled €1,049.8 M, on total balance sheet assets of €3,470.0 M. Net debt stood at €457.7 M, that is, 43.6% of shareholders' funds.

During 2005, following the exercise of share options, 662,400 TF1 shares were issued valid as of January 1, 2005. Furthermore, TF1 purchased and cancelled 1,370,000 shares representing 0.64% of its capital. Since May 27, 2005, TF1's capital has amounted to €42,810,425.80 divided into 214,052,129 shares with a nominal value of €0.20 each.

In November 2005, Standard & Poor's confirmed TF1's long-term rating of A and short-term A-1, underscoring its healthy financial situation. The outlook changed from stable to negative.

By virtue of the January 6, 2006 agreement on TPS between Vivendi Universal, TF1 and M6, TPS's activity is considered as a business in the process of disposal, and the group's accounts are presented according to the IFRS 5.

CONTRIBUTIONS AU COMPTE DE RESULTAT CONSOLIDE

	TURNOVER		OPERATING PROFIT	
(€M)	2005	2004	2005	2004
Broadcasting France	**2,010.6**	**1,989.7**	**292.5**	**341.3**
TF1 SA	1,661.3	1,653.8	263.0	331.8
IN-HOUSE PRODUCTION COMPANIES (1)	30.1	47.4	3.3	(11.9)
TF1 ENTREPRISES	32.2	36.4	6.5	8.3
TELESHOPPING GROUP	89.3	83.6	8.2	9.5
E-TF1	68.7	47.8	6.3	2.5
EUROSPORT FRANCE	49.7	52.0	1.9	4.6
LCI	33.9	35.2	(6.5)	(9.7)
ODYSSEE	3.2	3.1	0.3	(0.2)
TF6	7.2	6.8	1.2	1.0
TV BREIZH	8.6	5.5	(3.2)	(5.9)
TFOU	0.6	0.6	(1.0)	(1.0)
SERIE CLUB	3.0	3.4	0.7	0.7
HISTOIRE	3.0	1.4	(2.3)	(1.4)
USHUAIA TV	1.0	–	(2.5)	–
GROUPE TMC	5.2	–	(4.5)	–
Other (2)	13.6	12.7	21.1	13.0
Distribution (3)	**396.9**	**375.7**	**16.4**	**2.0**
Audiovisual rights	**228.5**	**226.0**	**22.6**	**13.9**
TF1 VIDEO GROUP	160.5	169.0	16.8	16.8
TF1 INTERNATIONAL GROUP	61.1	40.0	2.8	(4.6)
Other (4)	6.9	17.0	3.0	1.7
International broadcasting (5)	**243.0**	**238.6**	**29.9**	**26.7**
Other activities (6)	**(5.1)**	**19.6**	**8.8**	**(0.9)**
TOTAL	**2,873.9**	**2,849.6**	**370.2**	**383.0**

(1) Including principally Glem, Alma, TAP, TF1 Publicité Production, TF1 Films Production.

(2) Including Aphélie.

(3) Including TPS and its holdings.

(4) Including TCM and Telema.

(5) Including Eurosport International and KSO.

(6) Including Visiowave (profit from the disposal of €14.2 M included in operating profit).

1.1.1 Broadcasting France

In 2005, Broadcasting France generated revenue of €2,010.6 M, a rise of 1.1% compared to 2004, and operating income of €292.5 M. Excluding TF1 SA, this business recorded a 4.0% revenue increase in 2005 and a 5.6% improvement in operating margin to reach 8.4%.

TF1 Channel *(source: Médiamétrie)*

In 2005, television consumption broke records by reaching levels unknown since the introduction of the Médiamat panel in 1989. Daily television consumption amounted to 206 minutes vs. 204 minutes in 2004. For Women under 50, the reference advertising target, the increase is even more spectacular, + 7 minutes for a total of 216 minutes. TF1 is the free-to-air channel that profited most from this increase (+ 1 minute for Individuals aged 4 years and over, and + 5 minutes for Women under 50). With the latter, TF1 achieved the biggest audience since 1989.

After the growth year of 2004, TF1 has consolidated its audience share and continues to grow. With a 32.3% audience share among the 4-and-overs (+ 0.5 point) and 36.2% among Women under 50 (+ 0.7 point), TF1 has risen well above its 2004 and 2003 levels for these two key targets.

In the face of emerging competition characterised by thematic options or age segmentation, TF1 has maintained its status as a general-public and innovative channel. Its success was underpinned even more in 2005. For example, TF1 boasted 97 of the top 100 audiences for the year, compared to 89 in 2004 and 95 in 2003.

TF1's policy is to secure its programming grid on the medium term through the signature of broadcasting rights and sports rebroadcasting rights acquisition agreements. At December 31, 2005 TF1 Channel held €1,9 billion. of broadcasting rights in addition to the programme inventories recognised on the consolidated balance sheet.

Advertising *(source: Secodip)*

After a downturn in the summer, the last quarter made up the lost ground for television advertising. Telecommunications fuelled the end of year. In the last quarter 2005, the TF1 channel recorded a growth of 3.0% of its advertising revenue.

Against this backdrop, TF1's net advertising revenue grew in 2005 as follows:

- the TF1 channel: +0.1%;
- the thematic channels, France: +16%;
- Internet: +30%.

The breakdown of TF1 advertising revenues mirrors the trend of household consumption, with a re-orientation of budgets towards sectors such as Telecommunications. So the evolution of the different sectors shows noticeable contrasts.

The evolution of the TF1 portfolio is as follows:

- Mass consumption products (Food + Beverages + Home Maintenance + Cosmetics/Beauty products) represented 50% of revenues in 2005 vs. 56% in 1995;
- Telecommunications and Services represented 13% of revenues in 2005, i.e., + 9 points in 10 years.

"BUSINESS"

- Food is still the No. 1 investment on TF1, but down 9.0% in 2005. However, TF1 still has a high (57.9%) market share. If Food had sustained its 2004 level of advertising investment, the net TF1 channel advertising revenue would have been up by 2.94%.
- Beverages declined by 8.6% on TF1.

Food and beverages are going through a tough period:
• consumer doubts about the value of brand names – they are moving more towards less expensive products (retailers' own brands and hard discount);
• an uncertain context due to the modification to the Galland law;
• an overall message on the responsibility of market players concerning the increase in obesity and discussions revolving around the public health law.

- Cosmetics-Beauty products (this sector is the 2nd ranking investor on TF1) were slightly up (0.9%) with a 55.7% market share (– 0.1 point) and a 12% increase in the number of advert isers on TF1.
- Home maintenance was down 1.3% on the market, but slightly up at TF1 (+ 1.4% vs. 2004) and a high market share of 58.8% (1.5 point up on 2004).

AUTOMOBILE

(4th ranking investor on TF1) increased at the beginning of the year and in the summer. Its year-on-year growth was 4.2%, with a market share rising 1.6 point to 55.2%. Market growth is the result of aggressive manufacturer strategies, followed by a slow-down after the summer (the psychological impact of higher fuel prices).

"GROWTH RELAYS"

Telecommunications and Services continue to fuel the advertising market with fast-growing accounts.

- Telecommunications (5th ranking investor on TF1) increased 25.9%, with a market share of 53.7% and also a growing number of advertisers on TF1 (eight more advertisers than 2004). This strong growth comes mainly from Internet service providers. They have been boosted by such novelties as audiovisual convergence offerings and the "118" (enquiries) numbers;
- Services (7th ranking investor on TF1) were up 3.6%, with a market share of 45.6% (– 0.2 point). The main boost to this sector was placement and recruitment agencies with big advertising budgets, plus banks (+ 1.6%), particularly Credit Agricole and Credit Lyonnais.

In 2005, the thematic channels represented 9.9% of gross TV market revenues and 2.9% of the multimedia market (based on six different media). These channels posted a rise of 11.6% (versus 2004) to €572.2 M.

This is still a highly concentrated market as the first 15 channels (of 90 polled) account for 68% of advertising expenditure and 60% of the audience (Médiamétrie: subscribers to thematic channels aged 4 years and over).

The complementary nature of national free-to-air TV and the thematic channels was reinforced in 2005: 84% of advertisers present on national television also communicated on thematic channels (versus 82% in 2004). In addition, 39% of advertisers on thematic channels do their TV advertising exclusively on these channels.

Thematic channels, France

Revenue from all TF1 Group's thematic channels in France increased 6.9% in 2005 to €115.4 M, thanks in particular to:

- the consolidation of TMC, which generated annual revenue of €5.2 M;
- the good audience figures achieved by the TF1 Group's channels in the latest Médiacabsat wave*. Six group channels made it to the top ten in audience share, with Eurosport at No.1 in cable and satellite (equal with RTL9) and TV Breizh, now in third place;
- the 16% increase in advertising revenue of the group's thematic channels in 2005.

CHANNELS	NO. OF HOUSEHOLDS RECEIVING THE CHANNEL AT DECEMBER 31, 2005 (IN MILLIONS)	NO. OF HOUSEHOLDS RECEIVING THE CHANNEL AT DECEMBER 31, 2004 (IN MILLIONS)
Eurosport France	6.5	6.3
TV Breizh	4.6	4.4
LCI	5.4	5.3
TMC (1)	9.2	6.2
TF6	2.8	2.7
Série Club	2.2	2.3
Odyssée	2.2	2.1
Histoire	4.3	4.2
Ushuaïa TV	1.2	–

(1) Including free-to-air in south-east France (some 2.2 million households) and Digital Terrestrial Television. TMC has been available on TPS since September 2005.

** Source: Médiacabsat 9th wave, for the period December 27, 2004 to June12, 2005.*

The thematic channels in France recorded a 2005 operating loss of €15.9 M. LCI and TV Breizh reduced their operating loss by €3.2 M and €2.7 M respectively. LCI should reduce its loss by around 20% in 2006, while TV Breizh should reach break-even point.

The channels newly acquired or created in 2004 and 2005 (Histoire, Ushuaïa TV and TMC) contributed €9.3 M to this operating loss. However, in view of their revenue growth outlook, they should reduce their losses substantially in 2006.

Digital Terrestrial Television (DTT) was launched in France on March 31, 2005. It covers 35% of households (Paris, Lille, Lyons, Bordeaux and Rennes). TF1 has six licences on this new network – two for the free offering (TF1 and TMC) and four for the pay offering (LCI, Eurosport, TF6 and TPS Star) launched in first quarter 2006.

Production companies

Despite a revenue drop, the in-house production activities crossed the financial break-even line in 2005 to generate op erating income of €3.3 M (i.e., + €15.2 M over 2004). This improvement is mainly due to the completion of the restruc turing of the production division and a pooling of resources within the division.

Diversification activities

In 2005, **Téléshopping**'s contribution to consolidated revenue was €89.3 M, up 6.8%. This rise was mainly due to the growth of revenue from the Internet sites (+ 56%), which now represent some 20% of the subsidiary's revenue. Opening a store in Paris in August and another early 2006 represents a new phase in the growth of Téléshopping. The "Infomercial" project (US distance shopping format) started on some cable and satellite channels in France on October 15 and should expand rapidly from 2006. The Téléshopping group's operating income amounted to €8.2 M, i.e., an operating margin of 9.2%.

In 2006, Téléshopping's sales growth should speed up, es pecially through e-shopping and international business.

On its markets marked by sluggish consumption, **TF1 Entreprises** experienced a slow-down of the activities of its licences and suffered as the *Star Academy* brand (focused on the Licences and Publishing sectors) slowed down. However, TF1 Entreprises compensated in part by a solid performance from its music business (success of *Crazy Frog* and *Roi Soleil*) as well as growth and break-even of new business (comics, children's books, parlour games, etc.). Furthermore, TF1 Hors Média was created on September 1, 2005 to offer advertisers and agencies "field" communications mechanisms; it contributed €0.5 M to TF1 Entreprises revenue.

The TF1 Entreprises contribution to revenue was down €32.2 M, with operating income at €6.5 M and a 20.2% operating margin.

2006 should see a rebound thanks to the growth of the Ushuaïa brand (TF1 Entreprises' top brand), the arrival of new licences and the expansion of Games, Publishing and Hors Média.

The **e-TF1** interactive division's contribution to revenue increased 43.7% to €68.7 M. This was due to the success of the programmes A *Prendre ou à laisser* and *Attention à la Marche* and to its dynamic advertising revenue and sales of pay content, all fuelled by the tf1.fr site's audience growth.

The tf1.fr site has solidified its leadership position among media sites with its audience growing 47% in a market growing only 28% (source: Nielsen netratings panel). It is ranked 21st French site (its best ranking since its launch) conquering a 65% market share of media sites. It is now placed 9th by Internet advert ising investment.

Operating income grew by a factor of 2.5 in 2005 to reach €6.3 M and an operating margin of 9.2% (vs. 5.2% in 2004).

1.1.2 Programme and service distribution

In 2005, the (66%) TPS contribution to consolidated revenue was €396.9 M, an increase of 5.6%. At December 31, 2005, 1.75 million households (satellite, cable, ADSL and community) were subscribers to TPS. The TPS revenue growth is the result of an increase in the average number of subscribers for the period.

During the year, TPS benefited from an expansion of its off ering, with 23 new channels. These include Ushuaïa TV and Eurosport 2 exclusively on TPS, TPS Foot (TPS's 100% soccer channel with exclusive broadcast of matches, new magazine formats, etc.), TMC, OLTV, OMTV, TPS Cinéclub and Ciné comedy. Furthermore, an exclusive contract was signed with Don King to air all the boxing matches organised by him through 2006.

After its partnership agreement with Neuf Télécom in February 2005, TPS announced in November its agreement with Télécom Italia to broadcast its programme offering over the Alice ADSL network. At the end of 2005, some 10 million households were able to receive the TPS offering over the telephone line.

Operating income amounted to €17 M (vs. €2 M in 2004) (figure at 66%). TPS also confirmed having broken the break-even barrier for full year 2005, with pre-tax profit at €15.4 M (figure at 66%).

At December 31, 2005, TPS's debt stood at €160 M (at 100%).

On December 16, 2005, Vivendi Universal, TF1 and M6 announced a proposal to reach an agreement in the industry with the aim of converging the pay television activities of Canal+ group and TPS in France into an entity controlled by Vivendi Universal. The objective is to develop a rich and competitive pay television offering with strong brands for the benefit of consumers.

On completion of this operation, the new entity will be held 9.9% by TF1 and 5.1% by M6. Vivendi Universal will have exclusive control of the new entity.

On January 6, 2006, after receiving the views of the social bodies concerned, Vivendi Universal, TF1 and M6 signed the agreement on this project. This was then submitted to the CSA (the French audiovisual regulatory authority) and the competition authorities for approval.

Assuming approval by the authorities, TF1 and M6 have decided to remain shareholders of the new group for a minimum of three years after finalisation of the operation. At expiration of this period, TF1 and M6 have the option to sell their stakes at market value, allowing them to profit fully from the new group's dynamism. This option provides for a minimum guaranteed amount of €1.13 billion for 15%, i.e., a global valuation of €7.5 billion for the new entity.

This convergence is linked to an environment that is changing faster than expected. Four major phenomena are disrupting the overall balance of television in France and especially pay television:

- the rapid development of digital distribution technologies and their extremely fast adoption by consumers – ADSL, Digital Terrestrial Television (DTT), television on mobile phones, etc;
- the expansion of free offerings, notably DTT and ADSL, which offer free access to channel bundles;
- the arrival of new and powerful participants in the market – telecommunications operators, Internet Access Providers (IAPs), major worldwide publishing and distribution groups, plus the current restructuring of cable;
- a regulatory framework that does not apply to all participants in the same way – telecommunications operators are not subject to the same obligations as television channels.

By virtue of this agreement, the TPS activity is considered as one in process of disposal, and TF1 Group accounts are presented according to IFRS 5.

1.1.3 Audiovisual rights

In 2005, the Audiovisual Rights division generated revenue of €228.5 M. Its operating income increased 62.6% to reach €22.6 M, i.e., operating profitability of 9.9% (+ 3.7 points compared to 2004).

The TF1 Vidéo (incl. RCV and CIC) contribution to revenue amounted to €160.5 M, a fall of 5.1%. After a first half decline of 28.7%, due to a very unfavourable comparison base, the second half was particularly dynamic (+ 24.6%) thanks to the success of the catalogue base and the video release of *Brice de Nice* (over 900,000 units sold), *Les Experts* (over one million units sold) and the comedian *Gad Elmaleh* (practically 600,000 units sold). 2005 operating income amounted to €16.8 M, with an operating margin of 10.5% (up 0.6 point).

On November 15, 2005, TF1 Vidéo launched its VOD (Video On Demand) offering, tf1vision.fr. This new business, combined with the rapid expansion of high-speed Internet access in France, should help grow TF1 Vidéo's activity in 2006. TF1 Vidéo should also profit from the non-film sector, in particular humour, music and television series.

Based on the box office success of *Brice de Nice* (4.3 million admissions), *Iznogoud* (2.5 million admissions), *Le Dernier Trappeur* (2.1 million), *Aviator* (1.7 million) and *Match Point* (1.5 million), TF1 International increased its contribution to consolidated revenue by 52.8% to reach €61.1 M. TF1 International reached operating break-even vs. a loss of €4.6 M in 2004.

1.1.4 International Broadcasting

At December 31, 2005, Eurosport was received by 105.1 million households in Europe, of which 55.9 million were paying subscribers (that is, + 4.4 million compared to end December 2004). The channel is now broadcast in 54 countries and 19 languages. The strategy of giving priority to live and re-broadcasts of major events has proved to be the right one, since the number of paying subscribers is growing.

Eurosport 2 was launched on January 10, 2005 and reaches 37 countries in seven languages (English, French, Greek, Italian, Polish, Russian and Turkish) and 17.7 million households, practically all paying subscribers.

The Eurosportnews channel is installed for the long haul outside Europe, notably in South Africa, India, Malaysia, Australia and New Zealand. However, it is also distributed in Europe to 4.8 million paying households.

In 2005, the contribution of Eurosport International to consolidated revenue increased slightly to €243.0 M. In 2005, Eurosport increased its holding in KSO from 60% to 100%.

KSO is the company organising the FIA World Touring Car Championship™. As a result, Eurosport has complemented its know-how by developing skills in sports event organisation and sales of below the line products.

Revenue from subscriptions increased due to the growth of the pay television market in Europe, the quality of Eurosport products (Eurosport, Eurosport 2, Eurosportnews) and the strength of a brand that enables it to attract new subscribers and new distribution methods as well as to firm up existing distribution contracts.

Advertising revenue fell only slightly despite the absence of major sports events in 2005 (e.g., the Olympic Games). This solid advertising revenue performance is the fruit of a commercial offering more tailored to advertiser global communications expectations and a very good audience level.

New activities such as organising the FIA WTCC also helped grow Eurosport's revenue.

Eurosport International's operating income amounted to €29.9 M, vs. €26.7 M in 2004, with operating profitability at 12.3%, an improvement of 1.1 point.

With regard to the Eurosport group's business in Italy, in December 2005, Europa TV announced the sale of its frequencies to the Mediaset group as part of the launch of the new DVBH network. Subject of the necessary approvals, Europa TV will cede its infrastructure and frequencies to Mediaset group. They will be destined for Mediaset's new DVBH network. This operation had no impact on 2005 accounts.

Europa TV is controlled 71% by Tarak Ben Ammar and 29% by the TF1 Group.

1.1.5 Miscellaneous

In first half 2005, TF1 sold the totality of its holding in Visiowave (80% of the capital) to General Electric Infrastructure, Security, a 100% subsidiary of General Electric. TF1 had taken a stake in the Visiowave capital in July 2002 and took control in November 2002.

This operation generated a capital gain of €14.2 M, accounted for in operating income in the TF1 consolidated accounts.

In 2005, Métro France (consolidated proportionately), in which TF1 has a 34% stake, reported profit for the first time, four years after its launch. In 2005, 770 advertisers opted to communicate in this daily, representing 4,073 pages of advertising. In 2005, an average of 630,000 copies was printed per day. In 2006, Metro will cover the Football World Cup with a daily sports supplement.

1.1.6 The role of TF1 vis-à-vis its subsidiaries and relations with the parent company

(With regard to functions carried out by executives in the main subsidiaries, see page 4).

The TF1 Group comprises around 50 operating subsidiaries held directly or indirectly (see the group organisation chart on page 5). Most of them are located in France. The activities of the principal subsidiaries are described above.

The role of TF1 is the upstream definition of the group's main strategic directions. It gives guidance to the various structures, in particular seeking synergies and harmonising procedures.

From a financial point of view, TF1 verifies the level of capitalisation of its subsidiaries. The TF1 Group treasury department manages and consolidates the cashflow of all group subsidi aries, with the exception of TPS, TCM, Téléma and Série Club, which manage their own cashflow and financing.

Since 2003, the financing needs of TPS are met by cash current accounts with its shareholders (M6 and TF1).

The regulated contracts between TF1 and its subsidiaries, described in the special report of the statutory auditors, cover:

- The permanent availability to subsidiaries of TF1 functions (general secretariat, legal monitoring, internal communications, research and statistics, management control, etc.). This availability is invoiced to each subsidiary on a pro rata of headcount and revenue. In financial year 2005, the total invoiced was €20 M. Other services requested by subsidiaries are invoiced at market rates;
- By virtue of an agreement dated October 12, 2005, effective January 1, 2005, LCI can, when major events occur, switch its channel to that of TF1, enabling it to assure immediate coverage. In 2005, LCI received a fixed annual fee of €5 M;
- The other agreements (TPS: credit lines; Eurosport: long-term loan) are detailed in the special report of the statutory auditors.

Directors' Report

The regulated contracts between TF1 and Bouygues, described in the special report of the statutory auditors, cover:

- The permanent availability of Bouygues functions (human resources, finance, IT, communications, social development, etc.). This availability is invoiced on a pro rata basis of TF1 headcount, permanent capital and consolidated revenue compared to those of Bouygues. In financial year 2005, the amount invoiced was €5.31 M. Other services requested are invoiced at market rates;
- By virtue of a contract governed by the Code des Assurances (Insurance Code), Bouygues management committee members benefit from a complementary pension worth 0.92% of the reference salary per year of participation in the scheme. Patrick Le Lay is a member of that committee;
- The other agreements (credit lines with Bouygues Relais and share management, plus use of aeroplanes with Bouygues) are detailed in the special report of the statutory auditors.

1.2 The TF1 parent company

In 2005, TF1 SA recorded revenue of €1,579.6 M, a rise of 0.5%, made up of advertising operations (€1,561.0 M) and miscellaneous revenues (€18.6 M). Operating income came to €293.4 M, a decline of 18.0%. Financial income improved by €61 M, mainly due to the absence of provisions for investments in associates in 2005. Net income for the financial year amounted to €182.3 M, a rise of 17.0%.

The application, as of January 1, 2005, of Regulations 2002-10 and 2004-06 of the French Accounting Regulation Committee, which concern the amortisation and depreciation of assets and the definition, recognition and valuation of assets, respectively, had no impact on the financial statements.

Appropriation and breakdown TF1 profits

In the resolutions submitted for your approval, you are asked to approve the company and consolidated accounts for financial year 2005. Having noted the existence of distributable profit of €229,000,185.57, taking into account the net income for the period of €182,330,514.72 and the Retained Earnings of €46,669,670.85, you are also asked to vote on the following appropriation and breakdown proposed by the Board of Directors:

- Distribution of a net dividend of €139,133,883.85
(i.e., a net dividend of €0.65
per share with a nominal value of €0.2)
- Appropriation of the remainder
to Retained Earnings €89,866,301.72

The dividend will become payable on May 2, 2006.

In accordance with paragraph 2, section 3 of Article 158 of the General Tax Code, this dividend is eligible for a 40% allowance, compensating natural persons fiscally domiciled in France for the suppression of the tax credit.

FIVE YEAR FINANCIAL RECORD	2001	2002	2003	2004	**2005**
I - Share capital at the end of the accounting period (in €)					
a) Share capital	42,399,216	42,810,116	43,030,830	42,951,946	42,810,426
b) Number of shares issued	211,996,079	214,050,579	215,154,149	214,759,729	214,052,129
c) Number of bonds convertible into shares	–	–	–	–	–
II - Profit and loss account (in €)					
a) Turnover (excluding VAT)	1,431,613,565	1,435,159,747	1,473,209,669	1,572,077,137	1,579,618,085
b) Profit before tax, profit sharing, depreciation amortisation and provisions	442,366,777	308,600,140	350,491,202	388,424,004	410,573,959
c) Corporate income tax	126,152,134	86,651,600	102,216,908	130,525,658	104,129,231
d) Employees profit sharing	11,592,039	8,650,777	10,395,547	12,885,824	10,146,927
e) Profit after income tax, profit sharing, depreciation, amortization and provisions	276,227,636	198,022,521	101,673,966	155,794,175	182,330,515
f) Total dividends	137,797,451	138,303,875	139,021,195	138,639,275	139,133,884 (1)
III - Earnings per share (in €)					
a) Net profit before depreciation, amortisation and provisions	1.44	1.00	1.09	1.14	1.38
b) Net profit after depreciation, amortisation and provisions	1.30	0.93	0.47	0.73	0.85
c) Dividend per share	0.65	0.65	0.65	0.65	0.65 (1)
IV - Employees					
a) Number of employees	1,330	1,383	1,436	1,485	1,508
b) Total payroll costs in €	98,448,241	98,927,602	96,459,545	101,314,664	105,746,613
c) Total of employee benefit costs in €	43,930,772	43,279,320	46,200,725	48,465,021	51,454,510

(1) Submitted for approval at the general meeting.

You are asked to authorise the appropriation of the dividends arising on the TF1 treasury shares to Retained Earnings, in accordance with Article L 225-210 of the Code of Commerce.

You are reminded that the dividends distributed for financial years 2002, 2003 and 2004 were, in each case, €0.65 net per share with a nominal value of €0.2. Depending on the tax situation of the beneficiary, tax credits – based on a 50% rate – were €0.325 for 2002 and 2003. For 2004, in accordance with new legislation, there was no tax credit for the dividend distributed; however, the dividend was eligible for a 50% allowance for natural persons fiscally domiciled in France.

1.3 2006 outlook

The TF1 Group will pursue its growth based on its "Global Media" strategy of:

- focusing its activity on the TF1 core business – production of content;
- optimising a mutually beneficial thematic offering (news, sport, entertainment, drama, youth, etc.);
- adapting contents to all vehicles and usages (Internet, mobile, PDA, iPod, below the line, etc.);
- sustaining strength and leadership in producing programmes in France and international markets.

TF1 Group covers the audiovisual value chain from A to Z, from the development of federative contents to their usage on every device: TV, PC, mobility to below the line media. Therefore, TF1 is selling a coherent and global offer to its advertisers from mass market to one to one.

In 2006, 3 new projects will be launched:

- a games platform available on every devices : PlayOne;
- "le buzz" , to spread audio and video contents from and for net surfers in order to create a brand and a community;
- TF1 Mobile, an innovative voice and service offer in partnership with Bouygues Telecom.

For 2006, the media agencies (Zenith and Ad Barometer) forecast 1.8% to 3% growth of the French television advertising market. TF1 Broadcasting's advertising revenue should match this trend, while the TF1 Group's consolidated revenue could grow 3% to 4% on a comparable consolidation scope. The increased grid costs of TF1 Broadcasting will be around 3%, not including the Football World Cup.

Finally, concerning the convergence of TPS and the pay television business of the Vivendi Group, TF1 will actively participate in the success of this industrial project, which will bring together yesterday's competitors for the creation and growth of a major French pay television entity.

Assuming approval of this project by the authorities, TF1 Group will offset in 2 years TPS turnover (€365 M in 2005) through the organic development of the other businesses and the launch of new projects (see above), thus improving its operational margins.

1.4 Post balance sheet events

On January 6, 2006, Vivendi Universal, TF1 and M6 signed an industrial agreement with the aim of converging the pay television activities of the Canal+ group and TPS in France into an entity controlled by Vivendi Universal.

At completion of this operation, TF1 and M6 will hold 9.9% and 5.1%, respectively, of the new entity, which will be exclusively controlled by Vivendi Universal.

This agreement is subject to the approval of the French Competition Authorities. TF1 and M6 will then hold a put on their participation in the new entity 36 months following their contribution of shares to the new grouping, at the greater of the following two values:

- €1,130 M (of which €745.8 M for TF1);
- the value assessed by experts on the date of exercising the option.

1.5 Research and Development costs

Research and Development costs of the TF1 Group represent an annual charge of approximately €10 M in 2005. It can be broken down into three key themes:

New technologies

- at TF1, within the Internal Technologies and Resources Department: research into new technologies (digital broad casting, portability of reporting tools, networks, information exchange, image processing,…) and new associated services (interactivity, VOD, transfer of TF1 content to mobile phones, games consoles…);
- at TPS: work on the following themes: high definition, tele vision on mobile phones, ADSL, MPEG4, home-networking.

Marketing research and development

The Advertising and Broadcasting Marketing Departments carry out behavioural studies, research into new viewer indices (joint viewing), processing and analysis of audience statistics and sociological analyses.

Programme innovation

TF1 Group activity also includes significant creation and innovation in terms of entertainment programmes, TV dramas and production of films whose results are difficult to forecast.

** Temporary internal project name*

2 Human resources and environment update

2.1 Human resources

Workforce

Statistics for the whole of the group

TF1 Group's workforce increased by 2.5% in 2005 (figures at December 31). The breakdown is as follows:

Permanent staff

EMPLOYEES	SUPERVISORY STAFF	MANAGERS	JOURNALISTS	MOBILE STAFF	TOTAL
74	732	2,560	589	2	**3,962** (1)

(1) Including 116 people working abroad + 3 employees of Eurosport média

N.B. These figures differ from those included in the notes to the consolidated accounts, which give only the workforce of companies consolidated by the group.

Fixed-term staff

Number of staff on fixed-term contracts	204
Number of staff with a qualification contract	21
Number of staff with an apprenticeship contract	35

The TF1 Group continued with its policy of upgrading temporary workers to permanent staff status, which helps to explain the low percentage of fixed-term staff (11.5%, vs. 12.3% in 2004 and 13.6% in 2003), despite in 2005 taking into account fixed-term staff working on Alma Production dramas.

The breakdown at group level of equivalent full-time staff represented by temporary workers of the 12-month period was as follows:

TEMPORARY STAFF	FREE-LANCE JOURNALISTS	FIXED-FEE CONTRACT WORKERS	PRODUCERS
299.11	77.34	202.19	15.87

Hiring and departures in 2005:

Number of staff hired on fixed-term contracts	505
Number of retirement departures	1
Number of redundancies	12
Number of negotiated departures	91

The policy of integrating temporary workers caused the drop in overtime hours in 2003, and this continued in 2005. The table below indicates 10.8 % less overtime compared with 2004. It should, however, be noted that temporary workers accounted for 2/3rds of overtime thanks to a more favourable system for calculating their overtime hours than for permanent staff.

NUMBER OF HOURS	AMOUNT
32,479	€860,328

Recourse by the TF1 Group to outside staff (temporary workers) was low in 2004 and was limited even more in 2005, since it represented a full-time worker equivalent of 9.92, i.e., 0.25% of the group's permanent workforce.

Working hours

Agreements on adapting and reducing working hours have been reached in all group companies. They govern the different staff categories according to their status (agreements on permanent staff – production, technical and administrative staff and journalists – and temporary staff).

Non-management staff works 37 hours a week and benefits from 14 supplementary work days off per year. Management staff works 213 to 216 days annually and benefits from 12 or 13 supplementary work days off per year. Supplementary workdays off do not apply to executives.

All TF1 Group companies are governed by ARTT ("35 hour working week") agreements, which enable staff to manage their time off the only proviso being that it does not undermine the smooth running of operations.

To give all staff the possibility to acquire new skills – in their personal development and with no specific links to their jobs – they can convert supplementary workdays off into personal development. This is not considered as part of the company training plan.

In 2005, TF1 decided to maintain Whit Monday as a holiday and to pay its contribution with regard to "Solidarity Day."

New regulations having been published at the end of 2005 concerning accumulated work time accounts, negotiations on their application should resume in the course of 2006.

Annual work time

THE TABLE BELOW IS A SUMMARY OF THE DIFFERENT AGREEMENTS ON ADAPTING AND REDUCING WORKING HOURS

PTAS (1) STATUS	PTAS (1) ANNUAL WORK TIME
Non-management in constant hours and cycles (Employees and supervisory staff)	From 1,569 h to 1,576 h
Managers in cycles	From 1,584 h to 1,591 h
Managers with a fixed number of annual days	From 213 d to 216 d
Executives	NA

(1) Production, technical and administrative staff.

JOURNALIST STATUS	JOURNALISTS' ANNUAL WORK TIME
Journalists with a fixed number of annual days	From 208 d to 215 d
Executives	NA

TF1 GROUP ABSENTEEISM AND REASONS

Absentee rate (as a% of the no. of employees)	3.85
Total days of absence	44,888
Number of days absent without pay	980
Number of days absent for sickness	20,874
Number of days absent for occupational accident or work-related travel accident	1,263
Number of days absent on maternity/paternity leave	16,684
Number of days absent for special leave	3,425

At December 31, 2005, 214 permanent staff were employed part time, i.e. 44 more than 2004. Part time at TF1 is primarily a personal choice.

Compensation

Compensation is reviewed each year through a mechanism that can combine general increases and merit increases with means and possibilities of tailored employee savings.

At privatisation of TF1 in 1987, 10% of its capital was offered to employees under preferential conditions. Consequently, 1,384 employees or former employees became shareholders, representing 2.33% of the capital. At December 31, 2005, employee shareholding represented 3.6% of the capital.

In 1988, TF1 set up a company savings plan for all group employees.

Today, there are two corporate investment funds for TF1 Group.

At December 31, 2005, 2,733 employees participated in the company savings plan, that is, 88.94% of permanent staff of the companies belonging to the group plan. The contribution made by TF1 and its subsidiaries (€3,450 per year per employee – the maximum authorised by the law at December 31, 2005) represents €7.4 M.

In 1999 and 2001, TF1 carried out a capital increase reserved for employees in the framework of two new corporate investment funds:

- 1,628 employees (75.34% of group employees) joined the first of these, "TF1 Avenir." It is to be noted that the performance index of this fund, which matured on October 29, 2004, was 235.90%;
- and 1,944 employees (53.72% of group employees) joined the second one, "TF1 Avenir 2." This plan will mature on December 20, 2006.

TF1 Group employees also subscribed to Bouygues capital increases reserved for Bouygues Group employees for the years 1999/2000 (maturing January 5, 2005) and 2001/2002.

A new capital increase reserved for all Bouygues Group employees has taken place and enabled TF1 Group employees to subscribe for the years 2005/2006. 59.18% of employees did so.

Profit-sharing has been paid out to all employees since 1989. In 2005, the profit-sharing reserve (relating to 2004) amounted to €15.8 M, the average net amount per employee being €3,263.

Average gross monthly compensation for permanent employees per professional category in TF1 in 2005 (in €):

EMPLOYEES	SUPERVISORY STAFF	MANAGERS	JOURNALISTS	MOBILE STAFF	ALL CATEGORIES
€2,168	€2,919	€4,938	€5,394	€3,057	€4,587

In 2005, the average annual salary increase was 5.18% for the TF1 Group. This figure corresponds to the comparison of employees in service on December 31, 2004 and December 31, 2005.

Summary of TF1 Group social charges in 2005:

EMPLOYEE CONTRIBUTIONS	EMPLOYER CONTRIBUTIONS	TOTAL
€55.78m	€111.04m	**€166.82m**

Equal opportunities for men and women

Statistics for 2005 for the whole TF1 Group:

AVERAGE GROSS MONTHLY STARTING SALARY (IN €) (1)

	EMPLOYEES	SUPERVISORY STAFF	MANAGERS
Women	€1,795	€2,041	€1,940
Men	€1,598	€1,865	€2,195

(1) Employees aged between 18 and 26 and with less than one year's service.

NEW HIRES

Women	246
Men	259
TOTAL	**505**

PROMOTIONS (1)

Women	191
Men	200
TOTAL	**391**

(1) with or without change of professional category.

NUMBER OF TRAINEES IN 2005 (1)

Women	1,059
Men	1,166
TOTAL	**2,225**

(1) In occupational training.

NUMBER OF TRAINING HOURS IN 2005

Women	41,633
Men	52,413
TOTAL	**94,046**

Industrial relations and report on collective agreements

Practically all Group companies have organisations of employee delegates, works councils, health and safety committees and trade union delegates. 53 negotiating meetings took place in the TF1 Group in 2005, and nine company agreements were signed – a sign of the sustained dialogue existing with union organisations.

An agreement on the resources made available to TF1 SA unions was signed by the majority unions at end 2005. It stipulates – in addition to the attribution of union activity according to the results of the employee elections - the availability of IT resources (Internet, Intranet, TF1 e-mail system, etc.) to enable the unions to communicate using appropriate, up-to-date tools.

This agreement will be implemented in first half 2006.

In general, the agreements within the group offer social benefits in the area of social protection, departure bonus, time off, union rights, etc. that go well beyond guarantees provided by the labour code.

Union landscape in the group in 2005 (permanent members)

	WORKS COUNCIL	PERSONNEL DELEGATES	INDIVIDUAL DELEGATES	BOARD OF DIRECTORS	TOTAL
CFTC	13	24	30	23	**90**
CFTC/CGC	6	8	0	2	**16**
CFTC/FO/CGC	6	9	0	2	**17**
CGT	1	1	0	0	**2**
CFDT	4	6	1	0	**11**
Independent	0	3	0	0	**3**
CFTC/CFDT	0	0	3	2	**5**
TOTAL	**30**	**51**	**34**	**29**	**144**

Number of meetings with employee representatives (Works Council + Personnel delegates + Health & Safety Committee + Board of Directors)	381
Number of negotiations with union delegates	53
Number of collective agreements during the year	9

Health, hygiene and safety conditions

	2005
Number of occupational accidents with time off	33
Number of fatal occupational accidents (work or work-related travel)	0
Number of health and safety meetings	58
Employees trained in safety	441

Professional training

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

A major staff training drive aimed primarily at technicians was mounted ahead of the introduction of a digitised final production room and new broadcasting technology.

Safety training continued to be a priority area again in the past year. 441 people were trained in safety issues.

Management training has long been a priority, with courses for new managers and team leaders. New modules have been introduced this year, particularly in the areas of the role of management lines or managing ones personal balance in a professional environment.

As a priority area, a major budget was devoted to technical training for IT staff.

Then there are the “professional skills” courses enabling staff to develop their specific expertise in fields as diverse as journalism, management, law and marketing.

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

In 2005, a budget of €7.7 M was dedicated to training within the group, i.e., 3.17% of total wage costs.

2,143 TF1 Group employees received training during 2005. A total of 56,621 hours of training was dispensed in the TF1 Group. Moreover, 37,236 hours of additional training was given to 69 TF1 Group trainees through sandwich courses and individual training leave.

147,085 hours for individual training requests were made available in the TF1 Group.

16 requests were accepted in 2005, i.e., 190 hours consumed by 13 employees.

The group's apprenticeship tax for 2005 amounted to €1.45 M.

TF1 pursues an active graduate trainee recruitment policy. Trainees represent an important source of new recruitment for TF1, which has established close partnerships with schools and universities. In 2005, the group received 905 trainees (school trainee periods, holiday contracts, observation periods).

Employment and integration of disabled workers

For a number of years, TF1 has operated a policy in favour of disabled workers. This takes several forms:

- Employing disabled workers;
- Signing subcontracting agreements with sheltered work shops.

Number of disabled workers	38
Amount paid to sheltered workshops	€207,799

Community work *(See page 17 of the annual report)*

Example of territorial impact of the group's activity

TV Breizh, the Breton channel broadcast on cable and satellite, was launched in September 2000. Although the region was not lacking in production facilities, they were privately run and technical facilities were rare. The arrival on the scene of TV Breizh has seen the development of a truly impressive audiovisual sector in Brittany, with several production companies established locally acting as suppliers to TV Breizh, particularly in magazine programmes and fiction dubbing.

A new milestone was reached at the end of the second half of 2004. In October 2004, TV Breizh became a technical service provider, broadcasting Pink TV.

In March 2005, Ushuaïa TV entered the TV Breizh broadcast platform, which had already accommodated the other two thematic channels of TF1's Discovery division. In addition, TV Breizh provides technical services for duplication, verification and digitisation, plus production of the channels' promotion.

By becoming technical service provider for other national channels, TV Breizh has consolidated its regional position and reaffirmed its regional roots. Today this channel directly and indirectly employees 54 people (31 TV Breizh employees, 8 Ouest-Info journalists and 15 Objectif Ouest technicians).

Importance of subcontracting

The TF1 Group makes almost no use of subcontracting. However, it does entrust third parties with some services such as security, building maintenance, catering, etc. Within the framework of these different partnerships, the TF1 Group asks each of its service providers to contractually adhere to the social and environmental regulations, etc. in force. Since most of our partners are French, the risk of these regulations not being adhered to is very small.

2.2 Environment

Management of Operations Services, responsible for the environmental policy at the Group's Paris region sites (around 73,000 m^2 for the main sites at Boulogne-Billancourt and Issy-les-Moulineaux) has decided to implement a management system dedicated to the environment. Based on a commitment to continuous prevention and improvement, it is being implemented at TF1 and leverages its quality processes and in particular the dynamics of the "plan/do/check/act" cycle of the ISO 9001 system and the like. In 2006, it will apply to the buildings housing TF1 SA and TF1 Publicité, LCI, TPS and Eurosport, as well as the subsidiaries sharing these buildings. It reflects the determination of TF1 management to apply best practices in environmental protection.

Water consumption

Water consumption (used essentially in the air conditioning system, wash rooms and kitchens) was 64,000 m^3 in 2005 compared to 65,000 m^3 in 2004.

In 2006, service providers using water and gas (cleaners, kitchen) will be made aware of the importance of reducing consumption through a contract modification. In 2005, automatic detectors were installed in the wash rooms to limit consumption.

Consumption of raw materials

For an audiovisual Group like TF1, the main consumption of raw materials concerns paper. Around 10 tons a month are consumed at the Point du Jour location at Boulogne.

Various means of reducing consumption have been identified. The press clippings have already been digitised; when upgrading hardware, a two-side printing facility has been added to the new printers.

Early 2006, Internal Communications, as part of the new environmental communications plan, will incite people to print less and to use the two-sides facility of the new multifunction copiers.

Using recycled paper is under study for internal usage (notice boards, internal memos, planning documents) as well as some external mailings.

Energy consumption

The TF1 Group requires electricity for the company's everyday activity, the air conditioning systems in the various buildings and for its broadcasting business (studio lighting, final production, etc.).

Electricity consumption declined by two million kWh to 37 million kWh between 2004 and 2005. This was mainly due to the departure of the former subsidiary Studios 107, which was disposed of in 2005. An objective of stable consumption has been set for 2006. Starting 2007, consumption should decline between 2% and 5%.

Gas consumption declined (47,000 m^3 vs. 49,700 m^3 in 2004). Gas is used to heat some buildings.

The consumption of steam, also used to heat some buildings, was stable at 700 tons.

Measures taken towards improved energy efficiency

To achieve the objective of stabilising electricity consumption in 2006 in the Point du Jour building at Boulogne, various mechanisms were implemented in 2005 – cutting lights in the car parks, programmed studio switch-off, presence detectors in the washrooms.

A plan to reduce lighting and air conditioning in the studios has been worked out with Technical Management. Time-switches on the image screens are under study.

In 2006, a plan to completely overhaul the Boulogne building, including changing Centralised Technical Management (GTC) will provide for more finely-tuned consumption measurement tools to identify areas of high consumption.

The new GTC project will also integrate functionalities to optimise energy consumption:

- thermal regulation of office areas;
- regulation of the level of lighting according to the areas occupied and the level of external light;
- for 2006, Management of Operations Services plans to introduce a system of recovery of calories emitted by the building's air-refrigeration towers by installing a heat pump.

600 light points at Eurosport have been equipped with low-consumption bulbs. Television sets and computers are switched off by security staff when doing their rounds. Lighting and air-conditioning in the non-technical studios are put in “sleep” state after 10.00 p.m.

Use of renewable energy

A contract proposed by EDF that contains a renewable energy section is under study. Also under study is the installation of solar cells on the Point du Jour building at Boulogne.

Conditions of use of the soil

Not applicable.

Emissions into the air, water and soil

For 2006, it is planned to carry out an initial Carbon study.

In anticipation of the impact of regulations on the gradual elimination of gases that damage the ozone layer (EC regulation No. 2037/2000 of the European Parliament and of the Council of June 29, 2000, with a 2015 deadline), TF1 has decided on a plan to replace from 2006 the air-conditioning equipment concerned (around 1,600 heat pumps and air-conditioning cabinets and five iced water production systems). This 5-year programme is part of a plan to completely overhaul the building.

Noise and odour pollution

Eurosport is based in a housing area. Therefore it insulated noisy equipment as of 2001. Eurosport verifies supplier equipment (cooling systems, air-refrigeration towers, air treatment facilities, generators) for noise pollution. An acoustics specialist is called in to verify the quality of these products.

Waste

Miscellaneous waste, paper, salvaged neon light bulbs, etc. represented practically the same weight – 1,500 tons – in 2005 as in 2004.

Collection of batteries has grown in a spectacular way (+ 300 kilograms = 1 ton collected).

Office waste

While taking into consideration the specifics of the TF1 Group sites, waste sorting has been developed where feasible. Eurosport has installed dual-container waste bins (paper/other waste). At TF1 Headquarters, the calculation of waste volume to be removed and the logistics necessary had led to Management of Operations Services to install a waste compressor that has been in operation since August 2003.

Sorting is then managed by a service company (La Corbeille Bleue), which re-sells the waste collected for recycling.

The service provided includes detailed sorting by hand and recycling 80% of the content. Only plastics are excluded.

Neon light bulbs and toners

The company Exprimm (responsible for on-site electric maintenance) collects the neon light bulbs. 100% of changed neon light bulbs are recuperated.

Toner cartridges are also collected and recycled. Copier filters are changed regularly.

Batteries

In 2006, the weight of batteries collected will be close to that of batteries purchased. It could even exceed the weight of batteries purchased since employees are encouraged to add their personal batteries.

Kitchen oil

This is stored in special containers and removed by a specialised company.

Treated industrial waste

It is treated by the Boulogne Billancourt municipality. Service providers are made aware of the problem of waste. They do not use wipes for cleaning, nor products, that are not bio-degradable.

Grey goods

Some of the overhauled IT, broadcast and telephone equipment is still in working order. It is given to associations on condition that they respect the regulations on waste management when it is no longer in working order.

Some items are also sold to a broker who takes charge of the destruction of non-usable parts according to legal standards.

Measures to limit damage to eco-balance

There is no damage to eco-balance from activities in France.

Outlays to anticipate the consequences of the activity on the environment. Resources dedicated to reduce risks to the environment

The plan to completely renovate the Point du Jour building is a major challenge for the control of energy consumption and in general for the improvement of the environmental performance of the site. In 2006, of the €27 M investment for the building's renovation, €5 M is dedicated to elements that will help improve environmental performance.

Organisation established to handle accidents causing pollution outside of company property

Not applicable.

Measures taken to ensure compliance with legal provisions

Upstream of action plans, legal monitoring of environmental questions, but also those of safety, hygiene and security, is rigorous. A cross functional group has been set up for this purpose and includes Legal, Social Affairs, Operations Services and Safety.

In 2005, TF1 initiated a programme to update the technical/regulatory documents on Listed Installations for the Protection of the Environment (ICPE). An approved supervisory office has been given the assignment to deliver a full diagnosis of installations subject to this regulation, update the regulatory texts and propose preventive steps to avoid any risk of pollution for the neighbourhood.

TF1 possesses several such installations, for example:

- Battery-charging zones;
- Generators;
- Cooling units;
- Cooler towers.

Following the diagnosis, all these installations were found to comply with ICPE regulations and to generate no pollution of any kind vis-à-vis the neighbourhood.

Environmental evaluation or certification

Above and beyond its legal obligations, TF1 has the quality of the air (dust content, hygrometrics) and water checked five or six times a year.

TF1 works on environmental subjects with certified service providers (ISO 9001 and/or 14001 for waste, the maintenance of electrical systems, etc.).

It is not intended that the environmental management system itself, even though it is based on acknowledged standards, should be audited. It is to be noted that TF1 is already included in the three main stock market indexes concerned with socially responsible investment: the DJSI, FTSE4Good and Aspi Eurozone. While TF1's inclusion in these stock market indexes does not constitute an evaluation or certification, it does at least offer a positive indication of TF1's consideration of social and environmental demands.

Internal environment-oriented departments

To handle questions of "risk management", "hygiene and security" or "the environment," TF1 has opted for a "networked" organisation rather than dedicated departments. This structure enables the implication of operations and to maintain the cross-functional nature of these matters.

A co-ordinator ensures that the skills of the working group, the progress of the plan and the preparement of reviews are complementary.

Staff training and communication

The Nicolas Hulot Foundation, which co-operates closely with specialist partners such as ADEME (the agency for energy saving), will advise TF1 on its implementation of the environmental management system by providing examples of best practices and helping with internal communications.

In 2005, TF1 was a partner in the awareness campaign "Un geste pour la planète" (a gesture for the planet) carried out by the ADEME and the Nicolas Hulot Foundation. It distributed the "Petit Livre Vert pour la Terre" (the little green book of the Earth) to all 3,000 staff. It suggests energy savings and makes readers aware of damage done to the climate by greenhouse gas emissions.

3 Corporate governance and the Chairman's report on internal monitoring procedures

3.1 Information concerning TF1 SA

3.1.1 General information

Name:	TELEVISION FRANCAISE 1 – TF1
Registered office:	1, quai du Point-du-Jour 92656 Boulogne-Billancourt Cedex
Trade register:	326 300 159 RCS Nanterre
Siret N°:	326 300 159 00067
APE code:	922D
Form:	Public limited company ("Société Anonyme") under French law, with a Board meeting
Date of incorporation:	September 17, 1982
Date of expiry:	January 31, 2082
Financial year:	January 1 to December 31

3.1.2 Company Objects

The objects of TF1 are as follows:

- operation of an audiovisual communications service, such as authorised by laws and regulations in force, comprising notably the conception, production, programming and distribution of television broadcasts including all advertising;
- all industrial, commercial, financial, investment and real estate transactions directly or indirectly connected to the above. Also any related or complementary objects likely to further the development of the company's objectives or assets, in particular:
  - to study, to produce, to acquire, to sell, to rent and to use any recorded images and/or sound tracks, reports and films intended for television, cinema or radio broadcasting,
  - to sell and produce advertising,
  - to provide services of all types for sound and television broadcasting,

all of these directly or indirectly, on its own account or for a third party, alone or with others, by way of creation of new companies, contribution, limited partnership, subscription, purchase of company stock or rights, merger, alliance, association in hidden partnerships or management or in-kind exchange of all assets, entitlements or otherwise.

Its activity is to comply with its contract conditions and the legal provisions in force.

3.1.3 Statutory appropriation of income

5% of the income of a financial year, as reduced by any previous losses, shall be deducted to constitute legal reserve funds. This deduction ceases to be obligatory when the reserve funds reach one tenth of the company's registered capital. This process shall resume when, for whatever reason, the legal reserve falls below this one tenth.

Distributable income is comprised of the income of the financial year, less previous losses and amounts credited to reserves, in application of the law and the Articles of Incorporation, 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.

3.1.4 General Meeting

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

All shareholders may vote by correspondence. A shareholder may only be represented at the General Meeting by his/her spouse or another shareholder.

In order to have the right to attend, to vote by correspondence or to be represented at the General Meeting:

- Holders of registered shares must be included in the shareholders' register of the company at least five days before the date set for the General Meeting and they are then admitted with simple proof of identity;
- Holders of bearer shares must arrange for the authorised intermediary, with whom their shares are recorded in an account, to send to the company, at least five days before the date set for the General Meeting, a certificate declaring that the shares will remain unavailable for trading up until the date set for the meeting. The certificate must be sent to The Legal Department (General Meetings Section), TF1, 1 Quai du Point du Jour, 92656 Boulogne Cedex, France.

Shareholders may, at least six days before the date of the meeting, request from TF1 at the above address a single form by which they can vote by correspondence or appoint a representative for the meeting.

The single form to appoint a proxy or to vote by correspondence, duly completed, must reach TF1 at the above address at least three days before the date of the meeting.

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

This declaration must be made, complying with the above conditions, each time the threshold of 0.5%, 1%, 2%, 3% and 4% is crossed upward or downward.

If not declared under the above conditions, the shares exceeding the fraction which ought to have been declared are deprived of the right to vote under the conditions laid down by law, if requested at a shareholders' meeting by one or more shareholders possessing 5% at least of the registered capital.

3.2 Board Meeting

Board of Directors (February 2006)

Patrick LE LAY (June 7, 1942)
Chairman and Chief Executive Officer
of TF1 since October 11, 1988
Member of TF1 Director Selection Committee
Appointed April 17, 1987 (expiry date of present appointment: 2007 Annual General Meeting)

Director / Chairman of TV Breizh SA
Director of Bouygues SA
Director of Colas SA
Director of Prima TV SA
Chairman of Incunables and Co SAS
Member of the Supervisory Board of La Chaîne Française d'Information Internationale SA (CFII)
Permanent representative of TF1 Development SA for TPS Gestion SA
Permanent representative of TF1 for Téléma SAS
Permanent representative of TV Breizh SA for TVB Nantes SA
Permanent representative of TPS Sport SNC for TPS Motivation SA

Appointments held during the last five years, but not currently
Chairman and Chief Executive Officer of TPS Gestion SA until August 29, 2001
Chairman of TF1 Publicité SAS until October15, 2004
Permanent representative of TF1 International SA for TF1 Films Production until April 28, 2005
Permanent representative of TF1 for SOGEDIF EIG until November 4, 2002
Permanent representative of TF1 for Société Anonyme de Gestion d'Internet et Télévision (SAGIT) SA until September 6, 2001
Permanent representative of TF1 for TF1 Music SA until June 15, 2001
Permanent representative of management company TPS Gestion for TPS Foot SNC until August 29, 2001
Permanent representative of management company TPS Gestion for TPS Cinéma SNC until August 29, 2001
Permanent representative of management company TPS Gestion for TPS Entreprises SNC until August 29, 2001

Permanent representative of management company TPS Gestion for TPS Interactif SNC until August 29, 2001
Permanent representative of management company TPS Gestion for TPS Sport SNC until August 29, 2001
Permanent representative of management company TPS Gestion for TPS Jeunesse SNC until August 29, 2001
Permanent representative of management company TPS Gestion for TPS Terminaux SNC until August 29, 2001
Permanent representative of TF1 for Société d'Administration et de Gestion de l'Audiovisuel Sportif (SAGAS) SA until 2002
Chairman and Chief Executive Officer of Société Européenne de Télétransmissions Sportives (SETS) SA until May 23, 2302
Director of TF1 International SAS until April 3, 2002
Permanent representative of management company TPS Gestion for TPS SNC until August 29, 2001
Permanent representative of TF1 for Film par Film SA until March 9, 2004
Permanent representative of management company TF1 for e-TF1 SCS until April 29, 2002
Permanent representative of TF1 for SICCIS SA until March 28, 2004

Patricia BARBIZET (April 17, 1955)
Chairman of TF1 Audit Committee
Member of TF1 Compensation Committee
Co-opted July 12, 2000 (expiry date of present appointment: 2007 Annual General Meeting)

Chief Executive Officer of Financière Pinault SCA
Member of the Supervisory Board of Financière Pinault SCA
Member of the Supervisory Board of Yves Saint Laurent SAS (formerly Yves Saint Laurent Couture)
Member of the Supervisory Board of Gucci (Netherlands)
Member of the Supervisory Board of Chateau Latour SC
Director - Chief Executive Officer of Artemis SA
Director - Senior Executive Vice President of Pinault-Printemps-Redoute SA
Director - Chief Executive Officer of Palazzo Grassi (Italy)
Director of Théâtre Marigny SA
Director - Chairman and Chief Executive Officer of Piasa SA
Director of Bouygues SA
Director of Fnac SA
Director of Air France SA
Director - Permanent representative of Artémis for Sebdo Le Point SA
Director - Permanent representative of Artémis for AGEFI SA
Board Member and Chairman of Christie's International PLC (GB)

Appointments held during the last five years, but not currently
Chairman of the Board of Théâtre Marigny SA until June 22, 2005
Director - Permanent representative of Artémis for Bouygues SA until December 13, 2005
Member of the Supervisory Board of Yves Saint Laurent Parfums SA until February 24, 2004
Member of the Supervisory Board of Yves Saint Laurent Couture SAS until November 4, 2002
Chairman of the Supervisory Board of Pinault-Printemps-Redoute SA until May 19, 2005
Director - Permanent representative of Artémis for Rexel SA until September 6, 2001
Member of Conseil des Marchés Financiers until September 25, 2002

Martin BOUYGUES (May 3, 1952)
Chairman and Chief Executive Officer of Bouygues
Chairman of TF1 Director Selection Committee
Appointed September 1, 1987 (expiry date of present appointment: 2007 Annual General Meeting)

Director of Bouygues SA
Director - Chairman of SCDM SA
Director of Société de Distribution d'Eau de la Cote d'Ivoire (SODECI) SA
Director of Compagnie Ivoirienne d'Electricité (CIE) SA
Director of Crédit Commercial de France (CCF)

Term of office carried out over the last five years and not carried out to date
Director of ACTIBY SA until December 4, 2002

Olivier BOUYGUES (September 14, 1950)
Joint Chief Executive Officer of Bouygues SA
Chief Executive Officer of SCDM SA
Appointed April 2, 2005 (expiry date of present appointment: 2007 Annual General Meeting)

Chairman of SCDM Energie
Permanent representative of SCDM Director for Bouygues SA
Director of Eurosport SA
Permanent representative of SCDM for SCDM Energie SAS
Manager (not a Partner) of SIB
Chairman and Chief Executive Officer- Director of SECI SA
Director of Bouygues Telecom SA
Director of Colas SA
Director of Bouygues Construction SA
Manager (not a Partner) of SIR SNC
Director – Chairman of Board of Directors of Finagestion SA
Director of Novasaur SA
Director of Cefina SAS
Director of Sénégalaise des Eaux SA
Director of Société de Distribution d'Eau de la Côte d'Ivoire (SODECI) SADI
Director of Compagnie Ivoirienne d'Electricitié (CIE) SA

Claude COHEN (June 24, 1941)
Chairman of TF1 Publicité since October 15, 2004
Chief Executive Officer of TF1 Publicité between March 1, 1987 and October 14, 2004
Co-opted October 7, 1997 (expiry date of present Appointment: 2007 Annual General Meeting)

Director of Eurosport SA
Chairman of TF1 Hors Média SAS (formerly TF1 Initiatives)

Appointments held during the last five years, but not currently
Managing partner of TF1 Publicité Production SARL until December 30, 2003
Director of Société d'Administration et de Gestion de l'Audiovisuel Sportif (SAGAS) SA until 2002
Chairman of TF1 Direct Marketing SAS until April 22, 2003

Philippe MONTAGNER (December 4, 1942)
Director – Chairman and Chief Executive Officer of Bouygues Telecom SA
Appointed January 23, 1995 (expiry date of present Appointment: 2007 Annual General Meeting)

Supervisor of Bouygues SA
Director of ETDE SA
Director of Bouygues Immobilier SA
Director of TPS Gestion SA
Vice Chairman - Member of the Supervisory Board of Ginger Groupe Ingénierie Europe

Appointments held during the last five years, but not currently
Director of Bouygues SA until June 25, 2002
Director – Chairman and Chief Executive Officer of Infomobile SA until 2005
Permanent representative of Bouygues for BDT SA until 2002
Director of Société d'Aménagement Urbain et Rural (SAUR) until 2005

Etienne MOUGEOTTE (March 1, 1940)
Senior Executive Vice President of TF1 since April 30, 1987
Member of TF1 Director Selection Committee
Appointed January 12, 1991 (expiry date of present Appointment: 2007Annual General Meeting)

Chairman of TF1 Films Production SAS
Chairman and Chief Executive Officer of TF1 Digital SA
Director of Eurosport SA
Director of Histoire SA
Director of LV & CO SA
Permanent representative of TF1 Digital for La Chaîne Info SCS
Permanent representative of TF1 for TF6 Gestion SA
Permanent representative of TF1 for Les Nouvelles Editions TF1 SAS
Permanent representative of TF1 for TV Breizh SA
Permanent representative of TF1 for TVB Nantes SA
Permanent representative of TF1 for Télévision Par Satellite Gestion SA
Permanent representative of TF1 for Extension TV SA
Permanent representative of TF1 for Médiamétrie SA
Permanent representative of TF1 for Monte Carlo Participation SAS
Permanent representative of TF1 for Télé Monte Carlo SAS (Monaco)
Permanent representative of TF1 for Monégasque des Ondes SA (Monaco)
Member and Vice Chairman of the Supervisory Board of La Chaîne Française d'Information Internationale SA (CFII)

Appointments held during the last five years, but not currently
Chairman and Chief Executive Officer of TF1 Films Production SA until April 28, 2005
Chairman and Chief Executive Officer of Glem SA (now Glem) until May 5, 2003
Chairman of Groupe Glem SA (now Glem) until December 15, 2003
Permanent representative of TF1 for Groupe Glem SA (now Glem) until June 1, 2005
Permanent representative of Groupe Glem SA for Glem SA until September 30, 2004
Permanent representative of Groupe Glem SA for Baxter SA until January 26, 2004
Permanent representative of Groupe Glem SA for Glem Film SA until January 26, 2004
Chairman of Alma Productions (formerly Mery Productions) SAS until December17, 2003
Chairman and Chief Executive Officer of Tricom SA until December 30, 2002
Permanent representative of management company Tricom for Tricom & Compagnie SCS until December 30, 2002
Permanent representative of TF1 Films Production for Film Par Film SA until November 3, 2003
Director of Société d'Administration et de Gestion de l'Audiovisuel Sportif (SAGAS) SA until 2002
Director of Protecrea SA until March 13, 2002
Director of TF1 Cinéma SA (formerly Banco Production) until March 28, 2004
Director of Siccis SA until March 28, 2004

Olivier POUPART-LAFARGE (October 26, 1942)
Joint Chief Executive Officer of Bouygues
Chief Executive Officer of SCDM SAS
Member and Chairman of TF1 Compensation Committee
Member of TF1 Audit Committee
Appointed April 17, 1987 (expiry date of present Appointment: 2007 Annual General Meeting)

Director of Bouygues SA
Director of Bouygues Telecom SA
Director of Colas SA
Director of BIC SA
Permanent representative of Bouygues for Bouygues Construction SA
Permanent representative of Bouygues for Bouygues Immobilier SA

Appointments held during the last five years, but not currently
Director of SCDM SA until 2003
Director of Novasaur SA until May 9, 2005
Permanent representative of Bouygues for Bouygues Travaux Publics SA until April 20, 2005
Permanent representative of Bouygues for Bouygues Batiment International SA until December 6, 2004
Permanent representative of Bouygues for Société Financière et Immobilière de Boulogne SA until 2003
Permanent representative of Bouygues for Bouygues Offshore SA until 2003
Permanent representative of Bouygues for Caisse Auxiliaire de Trésorerie et de Crédit SA until 2002
Permanent representative of Bouygues for Société Technique de Gestion Industrielle (SOTEGI) SA until 2002
Permanent representative of Bouygues for BYMAGES 2 SA until 2002
Director – Chairman of Bouygues Management UK Ltd. until 2004
Director of Société d'Aménagement Urbain et Rural SA (SAUR) until 2005
Permanent representative of Bouygues Bâtiment SA for Bouygues until 2004

Alain POUYAT (February 28, 1944)
Chief Executive Officer of Information Systems and New Technology of Bouygues
Co-opted March 18, 1998 (expiry date of present Appointment: 2007 Annual General Meeting)

Director of Bouygues SA
Director of Bouygues Télécom SA
Director of ETDE SA
Director of C2S SA
Director of Société Parisienne d'Etudes Informatiques et de Gestion SA

Appointments held during the last five years, but not currently
Supervisor of Bouygues until September 21, 1999
Director of World Online France SA until June 27, 2001
Director and Supervisor of Wanadoo SA until 2004
Permanent representative of Bouygues for Infomobile SA until August 31, 2004

Haïm SABAN (October 15, 1944)
Appointed April 23, 2003 (expiry date of present Appointment: 2007 Annual General Meeting)
Director and Chief Executive Officer of Saban Capital Group Inc. (USA)

Director of Titanium Acquisition Corporation Inc. (USA)
Director - Chairman of ProsiebenSat. 1 Media AG (Germany)
Director of The Directv Group Inc. (USA)
Director - Chief Executive Officer of KSF Corp. Inc. (USA)
Chief Executive Officer - Management Committee Member of German Media Partners, LP (British Virgin Islands)
Director - Chief Executive Officer of German Media Partners Management LTD. (British Virgin Islands)
Member, Board of Managers of GT Brands Holdings, LLC (USA)
Director - Treasurer of Saban Family Foundation Inc. (USA)
Director - Treasurer of 50 Ways to Save Our Children Inc. (USA)
Chairman and Chief Executive Officer of Saban Charitable Support Fund, a support fund of the Jewish community foundation Inc. (USA)
Director of National Mentoring Partnership

Appointments held during the last five years, but not currently
Chairman and Chief Executive Officer of FOX Family Worldwide Inc. (USA) until 2001
Chairman and Chief Executive Officer of Saban Entertainment Inc. (USA) until 2001
Member - Board of Directors of University of California, Board of Regents until 2004

Jean-Pierre PERNAUT (April 8, 1950)
Vice President since February 1993
Elected February 23, 1988 as Employee Representative (expiry date of present Appointment: 2006 Annual General Meeting)

Céline PETTON (February 20, 1971)
Archivist since November, 1994
Elected March 19, 2002 as Employee Representative (expiry date of present Appointment: 2006 Annual General Meeting)

The General Meeting of April 20, 2004 renewed the mandate of Alain POUYAT as Director for two years. The elections of Jean-Pierre PERNAUT and Céline PETTON as Employee Representatives were noted.

The General Meeting of April 12, 2005 renewed the mandates of Patricia BARBIZET, Martin BOUYGUES, Claude COHEN, Patrick LE LAY, Philippe MONTAGNER, Etienne MOUGEOTTE, Olivier POUPART-LAFARGE and Haïm SABAN as Directors for two years. Olivier BOUYGUES was appointed as Director for two years replacing Michel DERBESSE.

Statutory Auditors

STATUTORY AUDITORS	DATE OF FIRST APPOINTMENT	EXPIRY DATE OF PRESENT APPOINTMENT
Salustro Reydel Member of KPMG International 8, avenue Delcassé - 75008 Paris	General Meeting of January 14, 1988	General Meeting approving the 2010 annual accounts
Mazard & Guerard Immeuble Le Vinci 4, allée de l'Arche – 92075 Paris-la-Défense	General Meeting of May 15, 2001	General Meeting approving the 2006 annual accounts
ALTERNATE AUDITORS		
Michel Savioz 8, avenue Delcassé – 75008 Paris	General Meeting du 12 avril 2005	General Meeting approving the 2010 annual accounts
Thierry Colin Cabinet Mazars & Guerard Immeuble Le Vinci 4, allée de l'Arche – 92075 Paris-la-Défense	General Meeting of May 15, 2001	General Meeting approving the 2006 annual accounts

3.3 Corporate Governance

Since April 24th, 2003, the Board Meeting and its Committees have been regulated by an Internal agreement that defines the framework to prepare and organize the Board Meeting.

Acting in the interests of their shareholders and wanting to comply with corporate governance requirements, Board Directors are responsible for ensuring that they have the resources and information at their disposal needed for the decision-making process. For large projects, the Directors may request that some of their number form ad hoc committees to validate projects and assess the impact they have on the accounts and financial situation of the Group. An ad hoc committee was formed, for example, when TF1 took part in the invitation to bid for the TV rights of French League 1 football.

Furthermore, each year the Directors review corporate governance practices, especially the operating methods of their Board, and assess how appropriate the Board's organisational structure is to the Group's mission. In view of the way it functions, the Board did not consider it necessary to distinguish the functions of the Chairman of the Board and the Chief Executive Officer of the company and to impose any specific limitations on the powers of the Chairman and Chief Executive Officer.

Board of Directors

The TF1 Board of Directors is controlled by the group of investors who, as majority shareholders, shape the Group's corporate governance policy.

The Board of Directors currently comprises 12 Directors, of which, as required statutorily by Article 10 of the Articles of Incorporation, two are representatives of the employees elected by the employee electoral colleges as defined by Article 66 of the 86-1067 Law of September 30, 1986.

Three women sit on the Board, and one independent director, as specified by the "Bouton" report, was appointed at the General Meeting of April 23, 2003.

Since the privatisation, Directors and the Chairman of the Board of Directors are elected for a two-year term of office. The age limit for the function of the Chairman of the Board is fixed at 68 years.

The Board has not nominated a supervisor.

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

To the best knowledge of the company, during the past five years, no member of the Board of Directors has been:

- condemned for fraud;
- associated with a bankruptcy, impoundment or liquidation;
- incriminated or publicly sanctioned by any statutory or regulatory authority, including professional organisations, with the exception of Patricia Barbizet in the Executive Life case;
- prevented by a Court from acting as a member of a Board of Directors or a Suprevisory Board of a broadcaster or from acting in the management of a broadcaster.

Potential conflicts of interest

Each year the Board of Directors evaluates its composition.

Internal procedures stipulate that a Director Selection Committee makes periodic checks on questions of composition, organisation and operation of the Board with a view to making proposals.

Having examined the situation of each director, the Board considers that Mr. Haïm Saban, appointed at the Annual General Meeting of April 23, 2003, is an "Independent Director" according to the AFEP-MEDEF report, which imposes criteria of independence which include not being a client, service provider or business banker for the company.

The number of Independent Directors is less than that recommended by the AFEP-MEDEF report. The Board considers that its current composition, with a relatively high proportion of Directors representing Bouygues – TF1's principal shareholder – or exercising executive functions at Bouygues or TF1, takes into account that, in application of the privatisation law of September 30, 1986, a group of acquirers led by Bouygues was designated as holder of 50% of TF1's share capital. Bouygues therefore became the key participant in the TF1 privatisation and as such took on a number of obligations, notably that of the continuity of operations of TF1. This justifies the fact that Bouygues determines the governance policy of TF1.

It should be noted that Martin Bouygues, Olivier Bouygues, Olivier Poupart-Lafarge, Patricia Barbizet, Patrick Le Lay, and Alain Pouyat are officers or Directors of various companies of the Bouygues Group.

Two Directors, Céline Petton and Jean-Pierre Pernaut, are employee representatives elected by an electoral college of employees in application of Article 66 of the law of September 30, 1986.

To the knowledge of TF1, there are no potential conflicts of interest of any member of the Board of Directors between their duties to TF1 and their private interests and/or other duties.

Article 5 of the internal procedures of the Board of Directors stipulates that Directors are required to inform the Chairman of the Board of Directors of any conflict of interest situation, even a potential one, and do not take part in a vote or deliberation which concerns them either directly or indirectly.

No restrictions are accepted by the members of the Board of Directors concerning the disposal of their holding in the capital of the issuer, with the exception of the statutory obligation of each Director to own at least one share in the company. The internal procedures of the Board of Directors recommend that each Director, non Employee Representatives, owns at least 100 shares of the company for the duration of his/her term in office; they also contain rules to prevent insider dealing.

With the exception of the employment contracts of the employee representatives, there is no service contract linking the members of the Board of Directors to TF1 or to any of its subsidiaries and stipulating the granting of benefits.

Directors have been informed of the obligation that came into effect on November 25, 2004, to declare any dealing in TF1 shares undertaken by them, or by persons having close personal links with them. These dealings should be reported within five days of the trade in accordance with Article 222-14 of the General Rules of the French stock exchange authority (Autorité des Marchés Financiers - AMF). At February 21, 2006, TF1 then kept on communicating the information, which must include the individual's name and personal dealing details, to the AMF, which then makes it public in a communiqué.

The Directors and any other person invited to attend Board of Directors'meetings are obliged to treat as strictly confidential any information disclosed at the meeting.

The Board of Directors' function is to:

- Determine the company's and the Group's direction and strategy;
- Conduct significantly-sized operations, undertake major investments and carry out internal restructuring;
- Monitor their execution;
- Provide information to shareholders and the financial markets;
- Carry out any checks and verifications which it considers appropriate;
- Decide the compensation of corporate officers.

All documents and pertinent information necessary for deliberations and decision-making (subject to regulatory and social constraints) should be made available to Directors during meetings, with potential risks identified. Directors are also provided with the minutes of the meetings of the Audit Committee, the Compensation Committee and the Director Selection Committee.

Information received periodically by Directors covers the company and the Group, including strategic and business plans, information for monitoring activity, turnover, the financial situation, cashflow and liabilities, events affecting or likely to affect the Group's consolidated profits and significant issues pertaining to human resources and headcount changes.

Directors can, moreover, provide supplementary information on their own initiative; the Chairman is permanently available to the Board to provide explanations and substantive information.

Board meetings are in principle held quarterly, with the possibility of additional meetings being convened for particular presentations or to examine exceptional issues. In 2005, the TF1 Board of Directors met on seven occasions.

The Board's main decisions in 2005 were:

- Meeting of February 15: approval of the 2004 annual accounts and convening of the general meeting; authorisation by the Board of the bid for the Football World Cups of 2010 and 2014; cancellation of buy-back shares;
- Meeting of April 12: questions to the Board at the general meeting; election of the CEO and cancellation of buy-back shares;
- Meeting of May 27: review of first quarter 2005 accounts and the strategic directions and business lines of the group;
- Meeting of June 27: Board authorisation for contracts following the bids for the Football World Cups of 2010 and 2014 and the Champions League 2006 – 2009;
- Meeting of August 30: review of first half 2005 accounts;
- Meeting of November 22: review of third quarter accounts, analysis of business activity and forecast annual results for 2005, three-year plan;
- Meeting of December 16: project of convergence of TPS and the pay television activities of the Canal+ group.

Directors' fees for 2005 were allocated as follows:

- Director: the standard annual amount is €15,250. 50% of the fee is for the Directors'responsibilities and 50% for attending Board meetings;
- Committee member:
Audit Committee: €2,000 per member, per quarter;
Compensation Committee: €1,200 per member, per quarter;
Selection Committee: €1,200 per member, per quarter;
- For the specific office of Chairman: €6,000 per month.

There are three specialised committees within the Board: the Audit Committee, the Compensation Committee, and the Director Selection Committee. The Board determines the composition and powers of the committees, which carry out their activities under their own responsibility, and designates their members from among the Directors.

These committees are composed of two or three Directors. Any individual occupying the function of Chairman, Managing Director or Deputy Managing Director in TF1 is not entitled to be a member of the Audit Committee or the Compensation Committee. The three committees meet at the initiative of their respective chairmen or at the request of the Chairman of the Board of Directors and can deliberate provided two of their members are present. Decisions are made by simple majority of the members and they report on their work at the subsequent meeting of the Board of Directors.

Audit Committee

This committee was created on February 24, 2003 and is currently composed of Patricia BARBIZET, Chairman, and Olivier POUPART-LAFARGE.

Its mission is to:

- examine the individual accounts and consolidated accounts before presentation to the Board;
- ensure the appropriateness and consistency of accounting methods adopted to prepare the accounts;
- verify internal procedures for collecting and monitoring the information leading to their preparation;
- report and make recommendations on the above when the accounts are approved or whenever an event occurs to justify it;
- express an opinion on the re-appointment or appointment of statutory auditors;
- take note of the conclusion of internal audit assignments and validate its annual programme.

Four meetings are foreseen to examine the quarterly, half-yearly or annual accounts, as well as the follow up of treasury man agement and of internal audit, before being submitted to the Board.

The committee met four times in 2005 and once in first quarter 2006. Minutes are taken of each meeting and submitted to the Directors.

Compensation Committee

This committee was created in 1989. It is currently made up of Olivier POUPART-LAFARGE, Chairman, and Patricia BARBIZET.

Its role is to:

- propose to the Board of Directors the compensation for corporate officers and the benefits of whatever kind made available to them;
- examine the share option subscription(s) for corporate of ficers and employees;

- make proposals for systems of compensation and incentives for the group's executives;
- submit to the Board of Directors the proposed report required by the Code of Commerce:
  • on compensation and benefits of any kind granted the corporate officers by the company and controlled companies;
  • on share options granted and exercised by the corporate officers and the 10 company employees who are the main beneficiaries;
  • on options granted to and exercised by employees of companies majority controlled by TF1.

The committee met once in 2005 and once in first quarter 2006. The committee prepared as well, to the attention of the Board Members, a document related to the evolution of the corporate officers compensation. Minutes are taken of each meeting and submitted to the Directors.

Director Selection Committee

This committee was created on February 24, 2003. It is currently composed of Martin BOUYGUES, Chairman, Patrick LE LAY and Etienne MOUGEOTTE.

Its mission is to:

- periodically examine questions concerning the composition, organisation and operation of the Board of Directors and to make recommendations to the latter;
- examine:
  • possible candidatures for an office as Director, ensuring that independent personalities sit on the Board of Directors;
  • projects to create Board committees and propose their responsibilities and members;
  • all measures to be taken to ensure the necessary succession in case an office becomes vacant.

The committee met once in 2005 and once in first quarter 2006. Minutes are taken of each meeting and submitted to the Directors.

ATTENDANCE OF DIRECTORS AT BOARD MEETINGS IN 2005

Patrick LE LAY	100%
Martin BOUYGUES	100%
Claude COHEN	100%
Olivier BOUYGUES	100%
Patricia BARBIZET	86%
Philippe MONTAGNER	100%
Etienne MOUGEOTTE	100%
Olivier POUPART-LAFARGE	86%
Alain POUYAT	100%
Haïm SABAN	14%
Céline PETTON	100%
Jean-Pierre PERNAUT	72%

3.4 Chairman's annual report on internal control procedures

This part of the report aims to report, in accordance with the Law on Financial Security, on internal control procedures set up by the company. It focuses, firstly, on TF1 SA' role as producer and broadcaster of the TF1 channel, but also its mission of co-ordination and participation in implementing control procedures in the subsidiaries over which it exercises exclusive or majority control.

In particular, TF1 monitors the harmonisation of the main financial procedures while respecting the specific characteristics of each business to preserve the appropriateness of the analyses and the speed of decisions.

The TF1 Group is particularly aware of the challenges of internal control, particularly in the areas of accounting and finance, where the reliability of information is of special importance.

This report is the result of a collection of information and analyses carried out in co-operation with the different contributors to internal control in TF1 and its subsidiaries, resulting in the factual description of the control environment and the procedures in place.

In the framework of a common benchmark, each subsidiary is supported in its reflection on its internal control system and the possible areas of improvement – which underpins the overall group internal control environment.

This approach is part of a dynamic outlook, which will in time enable TF1 to assess the appropriateness and effectiveness of its internal control.

3.4.1 Internal control objectives

To analyse its internal controls system, TF1 Group has adopted the "COSO" (Committee of Sponsoring Organisations of the Treadway Commission) methodology, which constitutes the benchmark for best practice currently adopted by the market's major players.

According to this benchmark, internal controls are defined as "a process, effected by an entity's Board of Directors, man agement and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

- effectiveness and efficiency of operation;
- reliability of financial reporting;
- compliance with applicable laws and regulations.

To achieve these objectives, the Group relies on formal procedures to ensure that management activity, operations and staff behaviour take place within a framework determined by applicable laws and regulations, representative social bodies and the company's internal values, standards and rules.

Furthermore, these procedures should enable the company to ensure:

- the safeguard of company assets;
- the prevention and detection of fraud and errors;
- the prevention and control of risks from the business;
- the accuracy and completeness of accounting records and the timely preparation of reliable financial statements.

As with any control system, there is no absolute guarantee that the risk of error or fraud is completely under control or eliminated.

3.4.2 environment and control

General control environment

The principles of the group's corporate governance, its organisational structure and the transmission of its values and rules constitute the general internal audit environment.

- The organisation and the composition of the Board of Directors and specialised committees which assist it (Audit Committee, Compensation Committee and Director Selection Committee), as described in the section 3.3. Corporate Governance, are compliant with corporate governance and conducive to effective internal controls.
Indeed, the key decisions, for example the acquisition of audiovisual rights (football rights, contracts with the major film studios, etc.) are taken at the highest level and mirror the principles of transparent and rigorous management.
- The three-year plan reflects the short-term strategic directions and the resulting annual plan makes up the framework of commitments made by the managers of the different group entities.
As such, this plan is also a key element of the internal control environment. It defines the objectives in terms of sales levels and costs, as well as the resources, entities and organisation to be mobilised. The three-year plan also involves the respect of a structured approach to achieving these objectives.
- Powers are delegated on the basis of guidelines set by the Group to ensure that the Group fulfils its obligations towards outside parties. Delegation pursues the twin objectives of making operational staff take on responsibility and adequately fulfilling commitments.

The parent company functions (Finance, Human Resources, Legal, etc.) support and supervise the different TF1 Group entities in their areas of expertise. They also distribute, and assure the respect of, the cross-functional procedures and participate in the validation of procedures specific to the different group business lines.

- The TF1 Group also focuses on the respect of ethical values distributed through its internal procedures and operating guidelines (the Eticnet guidelines on proper use of IT resources), as well as through seminars organised by the Bouygues Management Institute in which top TF1 managers participate. The objective of these seminars is to encourage managers to reflect on their role, responsibilities and the respect of ethical principles in their daily work.
- TF1 is active in a sector that is subject to rapid technological change (digital compression, virtual sets, digitised broadcasting, etc.). It therefore ensures a high level of skills among its employees, notably through an ambitious policy of on-going training, which contributes to a positive internal control environment.

Risk evaluation

The Bouygues Group has initiated a wide-ranging risk man agement process, particularly in the areas of quality, safety and the environment and sustainable development. In this context, Bouygues leads two committees, which regularly brings together the business managers of the group to discuss these questions.

Furthermore, in 2004, TF1 set up a working group which, in collaboration with external consultants, has identified risks and defined a decision-making system for crisis management.

In particular, any exceptional event that would cause non-accessibility of the TF1 building would have a major impact on its activity. For this reason, the Group has reinforced (and continually upgrades) the procedures aimed at guaranteeing the effectiveness of risk prevention measures, service continuity and the effective management of risk in the case of a major incident.

For example, a back-up site is operational for the three following processes: programme broadcasting, production of the television news (TF1 and LCI) and production of advertising spots for the TF1 channel. The vital functions of the company are included in the security plan through a process of resumption of activity, notably for the different departments linked to broadcasting, sales of advertising space, accounting, treasury, payroll and the operation of Information Systems.

The management report (See additional information at the end of thiis report) and the present report on the internal control procedures (See sections "Technologies and Internal Resources Department" and 3.4.3. "Description of Internal control procedures") detail the main risks identified and the measures implemented to control them.

Control activities

ADMINISTRATION AND FINANCE DEPARTMENT

The DGAAF includes the central financial departments and plays a strong control role through its cross-functional procedures, methods, and the principles it spreads throughout the group.

Central Accounts and Tax Department

The Central Accounts and Tax Department (DCCF) is responsible for defining the applicable accounting principles and guaranteeing the reliability of the systems for collating and processing financial information and the consistency of accounting methods.

It ensures that parent company and consolidated financial statements give a true and fair view of the activity of group companies and in compliance with existing standards and regulations. The DCCF ensures that this information is supplied in the correct format and in a sufficiently timely manner for its effective use.

The DCCF includes the TF1 SA accounting department and the consolidation department as well as giving functional guidance to the subsidiaries" accounting departments. It helps to co-ordinate and constantly update the teams by setting and distributing rules, procedures and methods applicable throughout the group. Furthermore, the DCCF organises specific training sessions on new IT tools, new accounting benchmarks (more recently, IFRS) and when new accounting procedures are introduced. The DCCF ensures implementation of the principle of separation of tasks between authorisers and payers.

In addition, the DCCF provides – for the entire group – tax know-how and consultancy services and co-ordination of the work of the statutory auditors and of any tax inspections.

Finally, a dedicated unit of the DCCF is responsible for opti mising procedures and developing the organisation of the accounting function.

Management Control Department

The Management Control Department presents segmented financial data according to economic criteria in order to analyse performance, plan activity and results as well as, in a more general manner, steer operations of TF1 SA and its subsidiaries. It carries out detailed analysis of the group, and in this process combines similar economic units into relevant categories: subsidiaries, sales departments, technical or functional entities, programme units or divisions as appropriate.

Implementing management control consists of:
- leading the budget process and providing reporting and steering tools suited to different activity types;
- defining economic objectives and leading the plan process;
- measuring achievements against objectives;
- analysing deviations and following up the implementation of the resulting corrective measures;
- controlling the correctness of the basic data and the consistency of the output of the financial information systems;
- co-ordinating the different participants in the group's man agement control system.

The effectiveness of the system in each entity depends on the complementary working relationship between the individual operational manager, who draws up and commits to a plan validated by the General Management, and the member of the management control team who reports to the operational manager and who assists him/her at every stage in the process. The latter controls the commitments to and compliance with the plan, proposes corrective measures and ensures their implementation. He/she assures the application of group procedures and standards in liaison with central functions.

Treasury and Finance Department

The Treasury and Finance Department is responsible for man aging operations connected with finance, investment, hedging of foreign exchange and interest rate risks, and secure payment methods for the whole group, with the exception of some subsidiaries (TPS, TCM etc.). These have their own treasury department which makes sure of their own funding.

This centralised organisation enables:
- the consolidation of interest and exchange rate risks;
- the maintenance of a level of expertise equal to the complexity of the issues;
- the maintenance of the confidentiality of procedures and security of payment;
- the delegation of powers to a limited number of employees who alone are authorised by General Management to handle a limited list of financial operations for the entire group companies, according to defined authorisation thresholds and procedures.

In order to perform their role as advisors and experts, staff of the Treasury and Finance Department regularly participate in the work of the French Association of Company Treasurers so as to be up to date on best practices in financial security.

HUMAN RESOURCES DEPARTMENT

The Human Resources Department plays a key role in the selection, induction and development of human resources for the efficient functioning of the various TF1 Group entities.

The Human Resources Department monitors compliance with the French Labour Code and changes in labour policy in conjunction with the various employee representative bodies.

The TF1 Group's strategy of hiring, training and compensation flows from the three-year plans drawn up by General Management after co-ordination with the different operational and functional organisations in the group. Any request for hiring a permanent employee follows a formal approval procedure.

The Human Relations Department also co-ordinates the group's professional training, which has the objective of developing the technical, interpersonal and managerial skills required in each employee's exercise of his/her responsibilities.

GENERAL SECRETARIAT AND LEGAL AFFAIRS DEPARTMENT

The Group General Secretariat co-ordinates and drives the two main functions that are organised as follows:

- *The Legal Affairs Department*, which is responsible for defining and supervising the group's policy on contracts, monitoring the various aspects of company law within the Group, as well as centrally co-ordinating insurance and property matters;
- The Regulatory and Judicial Affairs Department, which co-ordinates relations with external organisations and authorities, ensures that TF1's regulatory obligations are met and closely follows all litigation.

The General Secretariat also assumes a role in co-ordinating and driving the all legal matters forward. Lawyers can be assigned centrally or to different subsidiaries.

In terms of procedures, the General Secretariat and Legal Affairs have long undertaken a process to secure and control commitments. This has led to the definition of a new group contract policy and the drawing up of standard model contracts for all recurring commitments.

After the creation of a digitised database for storing and consulting the main contracts within several group companies, a structured legal tool is under development. Other than the signed contracts base, this legal portal will pull together standard model contracts that the legal experts can consult, plus external legal documentation or documentation developed in-house on specific subjects.

Furthermore, Legal Affairs monitors the optimisation and long-term validity of insurance contracts signed by TF1 and its subsidiaries to guarantee them against possible damage, in partnership with brokers working with top insurance companies. The group monitors the appropriateness of the cover and the level of premium and policy deductible in relation to the risk.

Measures to identify and prevent risks developed by a dedicated unit with regular input from the legal experts aim to improve the control of risks of damage but also to optimise contracts and relations with insurers in terms of premiums and guarantee conditions.

Monitoring of legal risks is carried out by the different units of the General Secretariat in liaison with the DCCF **to make sure they are duly reported in the financial statements.**

Finally, the General Secretariat monitors and participates in the application of a consistent policy of delegation of powers.

In particular, the subsidiaries over which TF1 exercises exclusive control are granted delegation of power based on guiding principles defined at group level.

With regard to subsidiaries with joint control, internal control is organised based on the TF1 Group's expertise and in compliance with agreements between shareholders.

TECHNOLOGY AND INTERNAL RESOURCES DEPARTMENT

TF1's Technology and Internal Resources Department (DTMI) is responsible for producing broadcast programmes, the design, implementation and maintenance of IT and technical systems, as well as the management of the property portfolio, logistics operations and general services.

DTMI guarantees broadcasting continuity by ensuring that the necessary human and technical resources are available and utilised.

Furthermore, this department is in charge of TF1's Major Risks Committee, whose objective is ongoing analysis and operational management of risks. Since 2004, this has meant the organisation and steering of the "Réagir" (Reaction) committees. These bring together several departments (Human Relations, Legal Affairs, etc.) with the aim of building and updating the prime systems for resuming key processes in the case of disruption.

They monitor the maintenance and improvement of different processes, through regular prevention, but also based on the principle of continuous improvement in the safety and security of people, goods, infrastructures, systems and data.

Finally, the DTMI monitors emerging technologies and services and provides the benefits of its know-how by pooling technical, IT, operations and logistics procurement.

Information and communications

The DTMI defines the IT systems needed to generate information and manage operations securely and efficiently, this in liaison with the operational and functional management concerned.

* See section "Risk evaluation".

Extensive financial information systems, notably accounting, management and consolidation tools, are deployed throughout the group. Specific business applications are used where necessary in certain entities of the group.

In close co-operation with the DCCF, the DTMI provides:

- support and training for users;
- checking that information is handled in the same way: supervision and configuration of common tools.

TF1 uses specific applications developed in-house and also software packages available on the market. These applications are analysed, monitored and operated rigorously to ensure their availability, integrity, security and compliance with legal obligations.

The strategy of developing and steering information systems is executed through project committees and the Software Committee, which include the main TF1 functions.

To ensure that staff receive information on the group and its development, the Internal Communications department, reporting to Human Relations, provides a magazine every four months and a monthly newsletter, in addition to an Intranet site.

The latter also offers the possibility to remind people of security rules as well as training and career opportunities.

Also, the organisation of conventions enables staff to share the group's development, challenges and strategy.

STEERING INTERNAL CONTROL

Internal control systems must themselves be monitored continuously by management by means of ad hoc assessments, carried out by people who have no direct authority over, or responsibility for, the operation in question.

INTERNAL AUDIT

Since 2004, the TF1 Group has had its own internal audit service, which has taken over the assignments previously handled by the central audit system of the Bouygues Group.

It carries out assignments in the different group entities and in various areas (finance, operations, organisation) according to an annual plan approved by General Management and the Audit Committee.

Assignments are carried out according to a rigorous methodology. They result in a report containing recommendations, which in turn give rise to an action plan and follow-up.

Internal audit is an analysis, control and information tool that enables the identification, control and improvement of risk control. Internal Audit reports to the Audit Committee and represents one of the elements of implementation of corporate governance principles.

The Bouygues central audit function carries out assignments covering the reliability, security and operation of the information systems.

AUDIT COMMITTEE

Created in 2003, the audit committee is composed of at least two independent Directors (TF1 Directors who are executives or employee representatives are excluded).

In the presence of the statutory auditors and before presentation to the Board of Directors, it examines the quarterly, half-yearly and annual accounts. It takes this opportunity to ensure the appropriateness and the consistency of accounting methods adopted to draw up the accounts and verify the internal procedures for the collection and control of the information used.

In addition, it notes the conclusions of the internal audit assignments and validates the annual work plan.

The statutory auditors'role is to ensure the fair presentation of the company's financial and net asset statements according to accounting rules and principles. Furthermore, when carrying out their assignment, they are made aware of the organisation and operation of the systems and procedures, participating in the optimisation of the overall internal control environment. Their work includes recommendations to General Management and to the Audit Committee.

3.4.3 Description of internal control procedures

Procedures for the generation, control and communication of financial information

MANAGEMENT CONTROL

TF1 and the subsidiaries over which it exercises exclusive control are subject to a similar budget planning and control process. In the case of subsidiaries controlled jointly with a partner, the process is adapted on a case by case basis while respecting the principles of the group.

Planning process

The TF1 Group's planning process constitutes a commitment from the unit managers vis-à-vis group executive management.

A three-year plan includes the growth directions and financial forecasts based on a common framework that includes an income statement and a simplified balance sheet. It is complemented by a cash flow statement, ratios and indicators of profitability and operations.

The annual budget results from the three-year plan and is calculated on a monthly basis to enable monthly budgetary controls to be prepared. It constitutes the budgetary control benchmark for the year ahead.

The three-year planning process is decentralised to each company and/or unit level. It is organised and driven by the group's Management Control Department.

The three-year plan and the annual budget are updated twice a year so as to fine-tune the year-end trends and to re-forecast the three-year projections.

The plans from the different entities are consolidated by the Management Control Department. They are approved by the, DCCF and the subsequent consolidation is presented for approval to General Management. A summary of these plans is then presented to Bouygues Group executive management.

During the fourth quarter, a document summarising the group's plan is submitted to the Board of Directors for approval.

Budgetary control and indicators

Each business unit draws up its monthly indicators and analyses the differences between the actual figures and the targets set at the time of the annual budget to assess their potential future impact.

The indicators of each unit and entity are presented to the Management Control Department at monthly meetings and according to a schedule prepared at the beginning of each year.

After checking and approval, the Management Control Department generates consolidated indicators, which are presented to TF1 General Management around the 15th of the following month.

A summary of the document is then dispatched to Bouygues Group general management.

Management control tool

TF1 SA has developed and deployed group-wide its own management tool that interfaces with the accounting software.

This tool is based on the principle of a single recording of the operations needed for financial information. The automated processes allow for reports adapted to the needs of management control, accounting and treasury.

The prime functionalities of the tool are:
- sourcing and validation of commitments;
- monitoring and control of the execution of services;
- recording of invoices for the commitment and approval of payment.

Each month an automatically processed statement enables the accounts to be generated; this is compared with the plan put forward so that the budgetary control – the basis of the analysis – can be produced.

Each quarter this automated process enables the accounting department to validate and then automatically generate the closing entry in the accounting software. This guarantees the convergence between the results from management processing and accounting.

This management tool is complemented and/or developed by several group software packages – inter-group processing and invoicing software, procurement and management of broadcasting rights software. In particular the latter ensures the monitoring of rights acquisition contracts.

The applications developed in response to business needs generally interface with the group management tool.

CLOSING ACCOUNTS AND CONSOLIDATION

Procedure for quarterly closing of TF1 accounts

As part of the procedure of closing TF1 accounts, the closing entries are analysed and validated jointly by the accounting and management control departments.

Provisions are made following an analysis of risks carried out jointly with Legal Affairs, Human Resources and when necessary with the operational and/or functional management involved.

All items in the balance sheet and income statement are rigorously analysed by comparing them with the same period of the previous year. Changes are commented and this clarifies the activity of the companies.

Consolidation procedure

The TF1 Group's consolidated accounts are prepared in compliance with the International Financial Reporting Standards (IFRS) adopted by the European Union.

The Central Accounts and Tax Department consolidates all TF1 Group's companies at each quarterly closing. The accounting options to be considered are validated with the statutory auditors in advance and presented to the Audit Committee. The accounts are submitted to the statutory auditors to obtain their comments and then presented to the Audit Committee before being finally approved by the Board of Directors.

Accounting and consolidation tools

The whole of the TF1 Group uses a proprietary accounting software package that processes general accounting and analytical accounting. This tool guarantees compliance with financial security principles through the strict definition of who is entitled to authorisation and access rights.

The consolidation tool deployed throughout the TF1 Group companies is a software package used by a large number of quoted companies.

Using this consolidation tool allows for analysis and rigorous control of the preparation of the accounts, which are thus regulated by standard procedures.

The Central Accounts and Tax Department also has a role of co-ordination. It regularly distributes to subsidiaries the applicable rules and methods. This occurs through seminars and training in new accounting standards, for example, which helping to ensure a consistent system for preparing the consolidated accounts.

Statutory audit of the accounts

At December 31 of each year, the accounts of TF1 and all its subsidiaries are audited by the statutory auditors.

Each quarter, the consolidated accounts and the accounts of the main subsidiaries are subject to a review.

Introduction of IAS/IFRS

Before deployment of the new standards (International Accounting Standards/International Financial Reporting Standards), a study was made to assess the impact of the changes on the accounting policies, management rules and information systems operating in the different group business lines, taking their specific characteristics into consideration.

The accounting policies selected and the means of implementation chosen were reviewed with the Bouygues Group and the statutory auditors.

Since January 1, 2005, the TF1 Group has used IFRS as its accounting framework and makes the reclassifications and restatements necessary to prepare company accounts in accordance with local standards, to comply with the demands of the French fiscal regulations.

The accounts for 2004 were also prepared according to IFRS so as to have a reference year for the 2005 accounts.

FINANCIAL COMMUNICATION

Besides the Chairman, only the persons duly authorised by him may communicate financial information to the market. These are, in particular, the DCCF and the staff of the Financial Communications and Investor Relations department.

This department generates the activity summaries of TF1 and its subsidiaries for the Board of Directors. It distributes and communicates financial information on the TF1 group and its strategy through, for example:

- Reports of the Board of Directors;
- Reference documents, quarterly and half-yearly reports;
- Financial press releases;
- Presentations for financial analysts and investors.

These documents are drawn up using financial information coming from the group's subsidiaries and departments. They are approved by the financial managers of the entities, the Human Resources Department, the Director of Legal Affairs, and then by the DCCF.

After verification of the information on the financial situation and the accounts by the statutory auditors, the Group's reference document is submitted to the Financial Markets Authority (AMF) in compliance with general regulations. Comments are written for each topic to be communicated and approved by General Management. They are updated regularly and serve as a vehicle for relations with investors and brokers.

To guarantee investors and any shareholders equal access to information, various communications products are made available in French and in English, and distributed through the following channels:

- Information for an outside audience, once published, is put on line on the website www.tf1finance.fr. Anyone wishing to receive the information by mail can so request. The Financial Communications Department will send it free of charge;
- All press releases are published in a national business daily, a national weekly and on a general-public financial website and on the AMF and Euronext websites;
- Analyst meetings and general meetings are re-transmitted in their entirely direct on the Internet or by telephone, with no access restrictions. A recording of these meetings is put on line on the group's website;
- Two people from the TF1 Group travel abroad where meetings are held to guarantee the correct information is delivered with strictly equal access. The documents presented at these meetings are immediately published on the website www.tf1finance.fr.

Security of assets and optimisation of cash flow

To safeguard the company's assets and optimise cash flows, the company has implemented procedures applicable to various areas – procurement, commitment of outlays, payments, treasury management, client risk and operations risk.

PROCUREMENT PROCESSES

In general, the Group has initiated a process of standardisation of procurement contracts. They focus particularly on ensuring that suppliers subscribe to an insurance policy, that continuity of service is guaranteed and that supplies and financial conditions are secured.

Contracts for the purchase of broadcasting rights are signed by TF1 to secure programme grids for the coming years. They are economically and legally complex and cover substantial amounts. These investment projects are initiated based on the channel's editorial policy and are subject to a procedure of approval and investment authorisation specific to each type of programme. The contracts concerning these investments go through an approval cycle that, depending on the nature of the contract, calls on the purchasing programme unit and/or the channel's management (operational and management), the General Secretariat, the Deputy General Manager, Administration and Finance in some cases General Management. Most of the time, when possible, framework agreements are signed to control the purchasing costs of certain programmes and to secure supply.

Also, the TF1 DTMI has the objective of optimising hardware procurement and the technical services and general services contracts. As a result, the DTMI centralises purchasing of IT hardware and the maintenance service contracts. The major, ad hoc or multi-year technical contracts follow a validation procedure that involves the operational or functional managers concerned.

CONTROLLING COMMITMENTS AND PAYMENTS

The management software guarantees control of commitments to outlays and their payment, thanks to:

- the approval cycle for commitments, pre-defined in the software and made up of people authorised to initiate orders;
- the electronic approval cycle for invoices covering these commitments, sourced and digitised.

A specific software package for financial monitoring of broadcasting rights allows programme stock to be managed, advances paid and the contracts monitored.

All the Group's payment methods are subject to security procedures – practically all are covered by contractual agreements with banks. These security procedures are complemented by a daily bank-accounting reconciliation, formalised monthly.

All means of payment require a double signature, with an annual update of powers for all bank accounts.

CONTROL OF TREASURY MANAGEMENT

TF1 uses a treasury management software package, which handles the following functions:

- daily management of the accounts at value date;
- monitoring of financial transactions (investment of cash, financing overdrafts);
- management of financial risks (interest and exchange) and the associated hedging operations.

Management of cash risk

The Treasury and Finance Department is responsible for ensuring that the Group has sufficient long-term sources of financing:

- Through analysis and monthly updating of the treasury forecasts of all group companies. These analyses are summarised in indicators presented monthly to group General Management;
- Through the negotiation and permanent maintenance of a comfortable level of outstanding lines of finance with an average maturity of five years.

The Group's net consolidated treasury position, detailed by company, is reported daily to General Management.

Investment of excess cash

The Group's cash is invested according to solid and safe money management rules. These give security priority over return, with no risk of capital loss. This objective implies rigorous selection of investment instruments, close supervision of counterparty and market risks (regular analysis of the detailed portfolios of mutual funds, maximum diversification of the investment instruments used, requests for capital guarantees from the banks, daily monitoring of the return compared to the market benchmark, etc.)

Exchange rate and interest rate hedging

The interest rate and currency exchange rate fluctuations have a direct impact on operations of some of the group's companies, essentially TF1 SA, Eurosport, TF1 International and TPS.

The role of the Treasury and Finance Department is to limit this impact, bearing in mind the best reading of the market and the budgetary constraints set by each company.

When the plan is drawn up, the Deputy General Management, Administration and Finance department sets the "budget" rates for the coming year. These will be the objectives to achieve in hedging exchange and interest rates.

At least once a month, the Treasury and Finance Department decides, in accordance with the hedging strategy defined by the Deputy General Management, Administration and Finance department, the financing operations in terms of timetable, amount, instruments to be used and levels of intervention.

In real time (with full monthly update) it collects the currency commitments of the different entities, consolidates them and defines the Group's exposure to exchange rate risk. It then applies the approved strategy to hedge the positions.

Using derivatives is strictly reserved for hedging and never for speculation.

Execution of operations linked to derivatives is secured by the authorisation of a limited number of people to negotiate with banks, by a systematic search for alternatives and rigorous selection of banking counterparties, immediate confirmation of operations carried out (with double signature) and accounting for operations by an independent back office accountant who reports to the Group Accounting Department.

PROCEDURES FOR CONTROLLING CLIENT RISK

Although examination is generally carried out by the business units, the expertise of the Treasury and Finance Department can be called on when examining the solvency of new clients.

Managing outstanding payments and the reminder process are the responsibility of each company or department.

In case of specific exposure, the Group protects itself from the risk of non-payment by signing an additional insurance policy with credit insurance companies (for example at TF1 Vidéo).

MANAGING OPERATING RISK

Securing broadcasting

A crisis team has been set up to monitor and prevent potential risks and to enable activity to resume rapidly in case of recognised risk. Regular tests are made to secure the key processes mentioned in section 3.4.2 “Risk evaluation.”

In addition, the Compliance Department verifies all programmes for broadcast to ensure they respect the regulations in force and the channel's editorial policy.

Security of information systems

The TF1 Group has, since 2003, organised seminars bringing together the Group's leading technical managers, legal advisers and human resources managers to raise awareness of the security of information and the systems they are required to use. This awareness-raising process, which will be increased in the future, is an extension of communications on this subject (“Eticnet” guidelines) and of different protective techniques instituted to prevent hostile external activity (for example, the anti-virus emergency plan).

Back-up site

For several years, the TF1 Group has had an external protected site enabling vital functions of the company to be secured, notably broadcasting and information systems. In 2005, TF1 has undergone a marked technology change with the launching of digital final production. As a result a technical upgrade of the back-up site was initiated.

At the end of 2005, this initial step led to the setting up of a new back-up production facility on a second external site. During 2006, all key processes of the channel will be brought together at this new site, which includes a studio and editing facilities for the television news and suitable resources to resume the vital functions of the enterprise.

Procedures introduced by TF1 Publicité

TF1 has entrusted TF1 Publicité (SAS) with responsibility for marketing its advertising space. The activity of this subsidiary is thus intrinsically linked with that of the TF1 Channel.

TF1 Publicité applies group standards but has introduced additional procedures because of the specific nature of its business, primarily covering the following areas:

- Definition of the marketing framework: the rules for marketing advertising space are defined in the general sales terms and conditions submitted to external legal advisers to ensure they respect prevailing laws and regulations. They are approved by the TF1 Publicité Chairman. They are revised annually when sales terms and conditions are drawn up;
- Planning and reporting: the advertising revenue targets, set by TF1 Publicité general management in conjunction with group companies whose advertising space TF1 Publicité is responsible for filling, are presented to the Chairman of TF1 at the time of preparing the annual budget and three-year plan. Daily reporting from the TF1 Publicité general manager to the Chairman of TF1 provides an accurate revenue outlook and analyses the deviation from the targets. Corrective measures necessary to rectify any substantial departure are immediately adopted and implemented;
- Revenue generation chain: the advertising revenue generation chain is managed by an IT tool specifically developed for TF1 advertising. All stages in the sale of advertising space up to invoicing go through this software, which avoids duplication and the risk of error. Access is secured and limited to a list of authorised persons. The advertising revenue generated by this IT tool goes through several controls to ensure strict consistency between total advertising broadcast time and the time invoiced and the correct application of sales terms and agreements;
- Control of client risk: monitoring collection of advertising revenue is crucial and is therefore subject to a strict, systematic procedure. Furthermore, TF1 Publicité undertakes financial examinations and can impose specific payment conditions depending on the solvency criteria of the advertiser;

- Respect of legal obligations: TF1 Publicité assures conformity with the different regulatory and legislative measures concerning the broadcast of advertising messages on multiple vehicles. This control covers:
• conformity of advertising films with regulations and the editorial policy of the vehicle,
• the maximum duration of advertising space broadcast daily and per sliding hour,
• compliance with invoicing rules (the so-called “Sapin Law” N°93-122 of January 29, 1993).

3.4.4 Continuous improvement plan

To complement and expand the internal control mechanisms in place, TF1 is carrying out several projects in the parent company and its subsidiaries.

One of them concerns the Group’s commitment to a medium-term process whose purpose is to introduce a new economic and financial information tool with the aim of pooling, harmonising and making secure the reporting made by all the group’s business lines.

The first stage was to do an inventory of the tools, methods and indicators used by each business line. This will help to identify common elements underpinning the design of the new tool.

In general, continuous improvement of processes, standards and information systems remains one of the group’s priority objectives and responds to the dual preoccupation of control and monitoring of operations and of their effectiveness.

This spirit of continuous improvement contributes to a dynamic vision of internal control within the TF1 Group, based on the skills and involvement of all employees.

As a complement to the above report, please find details on certain risks in the following:

Industrial and environmental risks

Broadcasting of **TF1** programmes – Risk of interruption in signal transmission

TF1’s programmes are currently broadcast to French homes:

- by radio waves, via the 112 main transmission sites and 3,161 TDF re-transmission sites;
- by satellite, namely Atlantic Bird 3 for unscrambled broadcasts and Hotbird for broadcasting on TPS and;
- by cable (the cable operators "must-carry analogue" obligation).

TDF ensures the transmission (providing broadcasting sites with the TF1 signal) and broadcasting of programmes for TF1 (and all the national channels) jointly via its free-to-air and satellite network.

TDF is the only national operator broadcasting the television signal and there is no substitute for the TDF network in the form of alternative offerings.

TF1 is therefore dependent on TDF for the broadcasting of its signal and cannot call on other transmission methods if the TDF network breaks down.

TDF provides secure transmission to its transmitters through a dual transmission system (free-to-air and satellite). Therefore, if a radio wave feeding a transmitter fails, it is possible to switch to the satellite signal (and vice versa).

Broadcasting sites are largely secure as a result of the many broadcasting transmitters. However, incidents do occur with the antenna system (antenna, wave guides and frequency multiplexers), while the electricity supply can escape TDF’s notice (responsibility of EDF).

Power cuts have therefore occurred in the broadcasting of our signal for either technical reasons (defective transmitters/electricity supply) or reasons internal to TDF (mainly strikes). The penalties provided for in the contract are in no way commensurate with TF1’s potential operating losses during these incidents (loss of audience, impact on TF1’s image, advertisers requesting reductions, loss of merchandising rights …).

The loss that TF1 could suffer if a transmitter fails is obviously proportionate to the number of television viewers served by the defective transmitter. A failure in the Paris region (10 million viewers) could have major economic repercussions. This is why TF1 has negotiated a deal to ensure that TDF’s services intervene very quickly in the event of a failure. To date, no transmitter failures have exceeded four hours.

TPS’ primary activity is the provision of a programme offering broadcast by satellite on Eutelsat’s Hot Bird 13 position.

TPS’ main programmes are broadcast on two of the five satellites in the orbital position and occupy six frequencies, whereas the position has 100.

The risk of a unit disruption is limited to one satellite, since the satellites are located several tens of kilometres from each other and cannot, therefore, be disrupted simultaneously. TPS must therefore be prepared for a failure on half its capacity. The solutions are a better use of satellite output.

In 2001, TPS experienced an incident on the HB5 satellite lasting several hours. HB5 has now been abandoned in favour of HB6. The measures described above were immediately implemented and proved successful. Eutelsat was able to verify TPS'ability to react, particularly as TPS can remotely guide the configuration for the list of channels and frequencies received by its subscribers.

With the TPS offering in France now distributed via ADSL over France Telecom phone lines, TPS and France Télécom have set up the infrastructure (main and back-up networks) needed for continuously broadcasting the first 20 channels on a secure basis. France Télécom is contractually liable to pay penalties to TPS for any breaks in transmission. The size of penalty payments depends on the viewing hour during which the incident occurs.

Eurosport has an entity in the UK that secures the broad casting of its programmes.

Regulation-related risks

The legal regulation to which TF1 is subject is described in the section "legal environment" p.158.

TF1 is an audiovisual communications service subject to authorisation. The company's initial authorisation to use frequencies for a duration of 10 years starting April 4, 1987 (Law of September 30, 1986) expired in 1997. Based on decision No. 96-614 of September 17, 1996, the channel received a first five-year renewal of this authorisation, without a bid for candidatures, effective starting April 16, 1997.

The TF1 channel's authorisation to transmit was automatically renewed for the years 2002 to 2007 by a decision of the CSA of November 20, 2001. Under the provisions of Article 82 of the modified Law of September 30, 1986, this authorisation could be automatically extended to 2012 on the basis of the "simulcast" broadcast of the digital terrestrial free-to-air channel. The CSA, by a decision dated June 10, 2003, modified the TF1 authorisation and its convention to integrate the specifications relative to digital terrestrial television broadcast of the programme.

TF1 Group must also respect a certain number of general obligations relative to broadcasting and production investment. Any extension of these constraints could have a negative impact on the company's profitability.

Law No. 2005-102 of February 11, 2005 concerning equal opportunity, participation and citizenship of disabled persons, established the principle obliging the channel, within a period of five years, to make all its programmes accessible to hearing-impaired people, with the exception of advertising messages. Note that the CSA can accept the fact that some programmes are not subject to this obligation due to their characteristics (a concession included in the convention).

No other regulations have been adopted since the beginning of 2006 that could have a significant impact on the TF1 Group.

Customer risk

TF1 Publicité automatically monitors the financial health of advertisers wishing to invest in the TF1 Group's channels served by TF1 Publicité. The risk of non-payment by TF1 Publicité's advertisers is historically less than 0.1% of total annual revenue.

Eurosport automatically monitors the financial health of satellite or cable operators on which the channel is distributed. The risk of non-payment by distributors is historically low.

TF1 Vidéo and TF1 Entreprises have taken out credit insurance to protect themselves against customer bad debts.

There are no other significant single customer risks in the group's other subsidiaries which could durably affect the group's profitability.

Market risks

A detailed analysis of market risks (interest rates, exchange rates, liquidity, shares) is provided in the notes to the consolidated accounts.

Insurance cover

As indicated in the report on internal control procedures, the group has instituted a pro-active policy of risk identification and a corresponding unit has been established. This unit implements a regularly updated prevention plan. The group's insurance policies are then negotiated through brokers dealing with major companies such as Zurich, Chubb, Gan, Allianz, Generali…

The existence of this prevention plan makes it easier for TF1 Group to obtain insurance contracts with these first rate insurance companies.

The group has two main types of insurance:

- Non-life insurance (cover: €347.8 M, premium of some €900 K, deductible of around €25 K). This policy provides insurance cover for TF1, its existing or future subsidiaries, in France and worldwide, everywhere that TF1 operates. The policy provides cover against material damage caused to TF1 property and the operating losses resulting from this damage. The cover applies particularly in cases involving terrorist acts;
- Public liability insurance (cover: around €30.5 M, premium of some €130 K, deductible of €3 K to €80 K depending on the nature of the damage). This policy covers the consequences if the public liability of TF1 and its existing or future subsidiaries is called into question.

Cover is established for injury caused to third parties within the framework of Operating, Product and Professional Liability.

TF1 has also subscribed to a liability insurance for company officers since 1997. The insured are TF1's trade union representatives, its representatives on the Board of Directors of subsidiary companies or associate companies (companies in which TF1 has at least 50% of the voting rights either directly or indirectly).

In addition, the insurance provides cover for de facto managers and employees who would be liable for any professional error committed in their executive, supervisory or management capacity.

All TF1 Group insurance contracts have been renewed.

3.5 Litigation

External counsel analyses individual disputes likely to harm TF1's interests. Where necessary, litigation gives rise to risk provisioning.

No individual disputes or litigation are, to the group's or company's knowledge, likely to significantly impact the company's or group's revenues, income, financial situation or assets. Any litigation of which the company or the group is aware has been fully provisioned in the accounts. Provision amounts are conservatively evaluated.

Provision charges in respect of litigation are detailed in the notes to the consolidated accounts. TF1 limits itself to the description in the notes owing to the confidential nature of these disputes.

Risks associated with the rights of individuals (privacy of an individual's private life, libel)

No case currently in progress presents a major financial risk for TF1.

Risks associated with competition rights

No case currently in progress presents a major financial risk for TF1.

4 TF1 SA subsidiaries and holdings

4.1 Incorporations

LA CHAINE FRANCAISE D'INFORMATION INTERNATIONALE - CFII

Incorporation on November 29, 2005, of LA CHAINE FRANCAISE D'INFORMATION INTERNATIONALE – CFII, a public limited company with management board and supervisory board and a capital of €37,000 divided into 37,000 shares of €1 nominal value each, held equally by TELEVISION FRANCAISE 1 and FRANCE TELEVISIONS.

Its purpose is to create, promote and operate an international news television channel in French and foreign languages.

4.2 Subscriptions and acquisitions – Internal restructuring

TV Breizh – increased shareholding

On January 31, 2005, TF1 purchased the shareholding of PANAVI in the capital of TV BREIZH, i.e., 6,000 shares representing 2.67% of the capital, at a price of €100 per share. As a result, TF1 has raised its shareholding from 71.14% to 73.81%.

Monte-Carlo Participation – MCP

Incorporation on January 12, 2005, of SAS (simplified joint stock company) MCP, with a capital of €40,000, divided into 40,000 shares of a €1 nominal value each, 50% of which are held by TF1.

Its purpose is the execution of any service in the management and operation of a company producing a television channel and in the design, production and distribution of a television channel as well as the purchase and management of all or part of the capital of the company TELE MONTE CARLO.

Glem

On June 1, 2005, TF1 subscribed in cash to the capital increase of GLEM for the sum of €230,000 with a view to reconstituting the shareholders'funds of its 100% subsidiary. GLEM's capital has, furthermore, been increased by the incorporation of €1.3 M reserves and then reduced to eliminate the negative Retained Earnings. On completion of these operations, the capital amounted to €80,000 and is held by TF1 in its entirety.

A1 International Investment BV – shareholding

On September 23, 2005, TF1 took a 50% stake in the Dutch company "A1 International Investment BV" for the sum of €61,209. This company holds 3% of The Weinstein Company.

TF1 Production

On June 15, 2005, TF1 subscribed in cash to the capital increase of TF1 PRODUCTION for the sum of €13,400,000 with a view to reconstituting the shareholders'funds of its 100% subsidiary. The TF1 PRODUCTION capital has, furthermore, been reduced by the same amount to eliminate the negative Retained Earnings. On completion of these operations, the capital amounted to €40,000 and is held by TF1; the shareholders'funds had become positive at €177,580.65 and the company was converted into a simplified joint stock company (SAS).

Société autonome de communication audiovisuelle par satellite – Sacas

On December 30, TF1 transferred the totality of its holding, that is 2,560 shares for a value of €154.69 M to TF1 EXPANSION.

Eurosport France

On April 4, 2005, EUROSPORT sold to TF1 the totality of its holding in the capital of EUROSPORT France for the sum of €126.82 M.

4.3 Disposals

Aphélie

TF1 participated in the creation of Aphélie and subsequently in its capital increase at the end of 2005 as it was converted from an economic interest grouping to a general partnership, for a total amount of €1,000. TF1 then transferred its total shareholding to TF1 Expansion for the sum of €1,000.

Studios 107 – disposal of holding

On May 25, 2005, TF1 sold its complete holding in the capital of STUDIOS 107 to ATLANTIC MEDIA (AMP) for the total sum of €2.9 M.

Sofinnova – disposal of holding

On December 30, 2005, TF1 sold its holding for the sum of $1.46 M.

5 Capital (article 6 of the articles of Association)

OPERATION		ISSUE PRICE PER SHARE NOMINAL	PREMIUM	NUMBER OF SHARES ISSUED	TOTAL	TOTAL SHARE CAPITAL AFTER INCREASE
24/07/87	Privatisation of TF1	FRF 10	0	0	21,000,000	FRF 210,000,000
29/10/99	Increase of employee capital	FRF 10	FRF 969.21	118,316	21,118,316	FRF 211,183,160

OPERATION		NOMINAL VALUE PER SHARE NOMINAL	INCREASE	NUMBER OF SHARES EMISES	CUMULEES	TOTAL SHARE CAPITAL
01/01/00	**Conversion of capital to Euro**					
	a) Capital increase	FRF 10	FRF 3.11914	0	21,118,316	FRF 277,054,144.17
	b) Conversion	€2	0	0	21,118,316	€42,236,632
20/06/00	**Division of nominal value**	€0.2	0	0	211,183,160	€42,236,632

OPERATION		ISSUE PRICE PER SHARE NOMINAL	PREMIUM	NUMBER OF SHARES ISSUED	TOTAL	TOTAL SHARE CAPITAL AFTER INCREASE
20/12/01	Increase of employee capital	€0.2 €	23.21	812,919	211,996,079	€42,399,216
From 01/01/02 to 30/06/02 certified on 04/09/02	Exercise of share options in plan no.2	€0.2	7.77	1,249,000	213,505,079	€42,701,016
	Exercise of share options in plan no.3	€0.2	9.82	260,000		
From 01/07/02 to 31/12/02 certified on 24/02/03	Exercise of share options in plan no.2	€0.2	7.77	275,500	214,050,579	€42,810,116
	Exercise of share options in plan no.3	€0.2	9.82	270,000		
From 01/01/03 to 31/12/03 certified on 23/02/04	Exercise of share options in plan no.2	€0.2	7.77	242,070	215,154,149	€43,030,830
	Exercise of share options in plan no.3	€0.2	9.82	861,500		
From 01/01/04 to 30/11/04 certified on 30/11/04	Exercise of share options in plan no.2	€0.2	7.77	263,430	215,573,679	€43,114,736
	Exercise of share options in plan no.3	€0.2	9.82	156,100		

OPERATION		ISSUE PRICE PER SHARE NOMINAL	PREMIUM	NUMBER OF SHARES ISSUED	TOTAL	TOTAL SHARE CAPITAL AFTER REDUCTION
30/11/04	Cancellation of treasury shares	€0.2	–	313,950	214,759,729	€42,951,946
	Cancellation of shares bought by the company	€0.2	–	500,000		
15/02/05	Cancellation of shares bought by the company	€0.2	–	700,000	214,059,729	€42,811,946

OPERATION		ISSUE PRICE PER SHARE NOMINAL	PREMIUM	NUMBER OF SHARES ISSUED	TOTAL	TOTAL SHARE CAPITAL AFTER INCREASE
From 16/02/05 to 27/05/05 certified on 27/05/05	Exercise of share options in plan no.2	€0.2	€7.77	30,000	214,722,129	€42,944,426
	Exercise of share options in plan no.3	€0.2	€9.82	632,400		

OPERATION		AMOUNT OF CAPITAL CHANGES NOMINAL	PREMIUM	NUMBER OF SHARES CANCELLED	TOTAL	TOTAL SHARE CAPITAL AFTER REDUCTION
27/05/05	Cancellation of shares bought by the company	€0.2	–	670,000	214,052,129	€42,810,426

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

There is no founder share, nor beneficiary share, nor convertible or exchangeable bond, nor voting right certificate, nor double voting right.

No clause in the Articles of Incorporation limits the free negotiability of shares making up the capital.

The company is authorised to make use of legal provisions for identification of holders of shares, granting the right to vote in its own shareholder meetings immediately or at a later date. To know the geographical location of holders of its capital, TF1 periodically reviews its registered and bearer shareholder base, identified through Euroclear.

Authorisation of issues

Following the Combined General Meeting (CGM) of April 12, 2005, the Board has the ability (valid for 26 months) to make one or several issues of loan stock for a nominal amount of €1,200 M.

The table below also mentions issues of securities which the company may make.

The maximum nominal amount of immediate and/or deferred capital increases that can be made by virtue of authorisations granted is fixed at €120 M.

The maximum nominal amount of securities that may be issued by virtue of authorisations granted is fixed at €1,200 M.

In 2005, the company bought back 1,370,000 of its own shares for €32.59 M. These shares were cancelled. The company has not used the prior authorisation to issue securities through public offerings.

In compliance with the authorisation granted by the share holders at the Combined General Meeting of April 23, 2002 (9th resolution of the ordinary part of the meeting) and by decision of the Board meeting of September 8, 2003, TF1 issued, on November 12, 2003 on the international market, bonds with a nominal amount of €500 M represented by 500,00 bonds in the denomination of €1,000 each, with the following conditions:

- Amount: €500 M ;
- Settlement date: November 12, 2003;

AUTHORISED OPERATIONS CONCERNING THE CAPITAL OF TF1

	MAXIMUM NOMINAL AMOUNT OF CAPITAL INCREASES (1)	MAXIMUM NOMINAL AMOUNT OF DEBT SECURITIES (1)	VALIDITY OF AUTORISATION	TIME REMAINING (2)	GENERAL MEETING	RESOLUTION N°
Securities entitling the holder to debt securities (delegation of powers)	–	€1,200 M	26 months	14 months	CGM 12/04/2005	29
Shares or securities with maintained PSR(3) (delegation of powers)	€120 M	€1,200 M	26 months	14 months	CGM 12/04/2005	22
Shares or securities with elimination of PSR (3) (delegation of powers)	€120 M	€1,200 M	26 months	14 months	CGM 12/04/2005	24
Shares to be issues through attribution of free shares following incorporation of any sum whose capitalisation is possible (delegation of powers)	€1,000 M	–	26 months	14 months	CGM 12/04/2005	23
Shares and securities remunerating contributions in kind (delegation of powers)	(4)	–	26 months	14 months	CGM 12/04/2005	26
Shares and securities remunerating shares tendered in share exchange offers (delegation of powers)	€120 M	–	26 months	14 months	CGM 12/04/2005	27
Shares reserved for employees participating in a company savings scheme, with elimination of PSR(3) (delegation of powers)	(4)	–	26 months	14 months	CGM 12/04/2005	30
Shares to be issued for attribution of free shares, without PSR(3) (delegation of powers)	(4)	–	38 months	26 months	CGM 12/04/2005	31
Shares to be issued for options to subscribe to shares, without PSR(3) (delegation of powers)	(4)	–	26 months	14 months	CGM 12/04/2005	32
Purchase of shares reserved for employees participating in a company savings scheme	–	–	–	unlimited	AGM 12/06/1992	11
Buy-back shares	(4)	–	1 year	1 year	CGM 25/04/2006	7
Capital reduction through cancellation of buy-back shares	(4)	–	18 months	18 months	CGM 25/04/2006	8

(1) It is specified that:
• The total nominal amount of capital increases authorised (resolutions 22, 24, 25, 26 and 27) may not exceed €120 M, unless the Board of Directors decides to increase the number of shares to be issued (28th resolution – to a maximum equal to 15% of the initial issue, during a period of 30 days following the close of subscriptions, as specified in Decree No. 2005-112 of February 10, 2005);
• The total nominal amount of securities (resolutions 22 and 24) may not exceed €1,200 M.

(2) As of the vote of the Combined General Meeting of April 25, 2006.

(3) PSR: Preferential Subscription Rights.

(4) Not exceeding an aggregate limit of 10% of the capital.

- Date from which interest runs: November 12, 2003;
- Maturity: November 12, 2010;
- Issue price: 99.381% of the total nominal amount;
- Coupon: 4.375% per annum, payable in arrears on 12 November of each year with the first payment on November 12, 2004;
- Normal redemption: at par in full at maturity;
- Early redemption, except in case of change of tax regime applicable to bonds, TF1 refrains during the whole term from making early reimbursement of bonds. TF1 reserves the right to proceed to purchase bonds on or off the market. Bonds bought in this way will be cancelled;
- Nature and form of bonds: in bearer and registered form. The bonds – issued under French legislation – will be accepted through Euroclear France, Clearstream Luxembourg and Euroclear;
- Rank of debt: The bonds constitute direct, unconditional, unsubordinated and unsecured obligations of TF1 and rank and will rank equally and rateably both among themselves and (subject to such exceptions as are from time to time mandatory under French law) with all other present and future unsecured and unsubordinated obligations of TF1.

5.1 Share amount / category

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

5.2 Purchase on the stock market

The Combined General Meetings of April 12, 2005 and prior years authorised the Board of Directors to buy shares in the company up to a limit of 10% of the number of shares making up the company capital on the date of exercise of the share buy-back programme. These authorisations permit the Board of Directors to buy shares in the company to cancel them.

By virtue of these authorisations, between January 11 and February 14, 2005, TF1 purchased 700,000 shares for an average price of €25.05 per share, and between April 1 and May 6, 2005, 670,000 shares for an average price of €22.46, representing a total amount of €32.55 M. All of these shares were cancelled. As of May 27, 2005, the TF1 capital stands at €42,810,425.80.

5.3 Share management

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

5.4 Shareholders

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

	SITUATION AT 31 DECEMBER 2005			SITUATION AT 31 DECEMBER 2004			SITUATION AT 31 DECEMBER 2003		
	NUMBER OF SHARES	% OF CAPITAL	% OF VOTING RIGHTS	NUMBER OF SHARES	% OF CAPITAL	% OF VOTING RIGHTS	NUMBER OF SHARES	% OF CAPITAL	% OF VOTING RIGHTS
Bouygues	91,797,585	42.9	42.9	89,017,073	41.5	41.5	88,458,329	41.2	41.4
Société Générale	2,040,000	1.0	1.0	3,100,000	1.4	1.5	3,100,000	1.4	1.4
Total core shareholders (1)	**93,837,585**	**43.9**	**43.9**	**92,117,073**	**42.9**	**43.0**	**91,558,329**	**42.6**	**42.8**
Others France (2,3)	62,061,577	29.0	29.0	75,985,606	35.4	35.4	63,574,975	29.5	29.7
of which employees	*7,704,511*	*3.6*	*3.6*	*7,138,603*	*3.3*	*3.3*	*7,666,847*	*3.6*	*3.6*
Treasury shares	251,537	0.1	0.0	251,537	0.1	0.0	1,275,387	0.6	0.0
Europe (ex France) (3)	37,735,904	17.6	17.7	35,583,907	16.6	16.6	43,401,938	20.2	20.3
Others (3)	20,165,526	9.4	9.4	10,821,606	5.0	5.0	15,343,520	7.1	7.2
TOTAL	**214,052,129**	**100.0**	**100.0**	**214,759,729**	**100.0**	**100.0**	**215,154,149**	**100.0**	**100.0**

(1) Core as declared to Euronext on February 23, 1994 (avis Euronext no. 94-600).

(2) Including non-identified holders (around 7% in 2005, 9% in 2004, 12% in 2003).

(3) Estimates by Euroclear.

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

There is no double voting right.

To the best knowledge of the company, there are no TF1 shares pledged and TF1 has pledged none of its subsidiaries'shares.

The 251,537 treasury shares were purchased in the framework of a share buy-back programme described in the note stamped with visa No. 01-436 by the Commission des Opérations de Bourse (Stock Exchange Commission) on April 24, 2001. This operation related to the capital increase reserved for group employees carried out by TF1 in December 2001. These shares were purchased on December 20, 2001 at a price of €29.26 to compensate for the dilution effect (in voting rights) resulting from this capital increase reserved for employees.

Patrick Le Lay exercised 200,000 TF1 stock options on February 17th, 2005 at €10.02 per share, for a total amount of €2 M and sold 100,000 TF1 shares on February 21st, 2005 at €23.74 per share for a total amount of €2.4 M.

Crossing the statutory threshold

Very few threshold crossings above 2% were declared in 2005. These were limited to declarations of crossing the 2% threshold upwards and downwards by Société Générale Option Europe as part of its trading activity and the declaration of rising above the 3% threshold on April 15, 2005 by Société Générale Asset Management for the company investment fund, TF1 Actions.

To the best knowledge of the company, there are no share holders other than Bouygues holding over 5% of TF1's capital or voting rights.

Concerted action

The shareholders resulting from the group of buyers involved in TF1's privatisation (Bouygues and Société Générale at December 31, 2005 representing 43.9% of the capital) constitute the group of core shareholders. This concerted action has existed since 1987 and was declared to Euronext on 23 February 1994 (avis Euronext n°94-600), in accordance with the regulations in force.

1987 saw the group of TF1 buyers implement a number of agreements, jointly and severally, in accordance with the law. They also linked up to manage TF1, thus making the concerted action a reality.

In the event that one of the members of the group of buyers was in the position of selling its shares, the other group members would be given priority in purchasing them. The other members would have the opportunity of acquiring the shares in proportion to their existing shareholding. If there were no purchasers among the group members, then the vendor would have the opportunity of selling its shares to one or more other transferees who would then become members of the group of core shareholders.

At the beginning of 2006, Société Générale sold the 1.0% it held in TF1 at December 31, 2005 on the open market. The effect of this disposal was to put an end to the agreement of February 19, 1987 between the Société Générale group and Bouygues and, in consequence, to the concerted action between Bouygues and the Société Générale group relative to TF1.

Shareholders'agreement

In July 2002, TF1 and M6 signed a protocol agreement with Suez for the purchase of its 25% stake in TPS. This resulted in a 66% stake in TPS for TF1 and 34% for M6.

The purchase included a shareholders'agreement providing for the joint management of TPS by TPS Gestion (sole statutory manager). There are eight members on the Board of Directors of TPS Gestion, five of whom are appointed by TF1 and three by M6. Strategic decisions and decisions that are key to TPS's financial and operational objectives are taken by the qualified majority of 75% of the Board of Directors. The decisions include approval of TPS' annual operating budget and investments or expenditure representing a financial commitment of more than €6 M.

CFII Agreement

TF1 and France Télévisions have signed a shareholders'agreement for the purpose of governing their relations in CFII.

5.5 Share subscription and share purchase plans

HISTORICAL INFORMATION ON SHARE SUBSCRIPTION AND SHARE PURCHASE PLAN

	PLAN N° 3	PLAN N° 4	PLAN N° 5	PLAN N° 6	PLAN N° 7	PLAN N° 8
Date of AGM	12/06/1995	12/06/1995	18/04/2000	18/04/2000	23/04/2002	23/04/2002
Date of Board Meeting	18/03/1998	20/09/1999	06/12/2000	11/12/2001	24/02/2003	31/08/2004
Date of grant	18/03/1998	20/09/1999	06/12/2000	11/12/2001	12/03/2003	16/09/2004
Type of plan	Suscription	Suscription	Suscription	Suscription	Suscription	Suscription
Total no. shares available for subscription or for purchase	2,300,000	2,300,000	840,000	2,071,300	2,300,500	1,008,000
• by directors	*570,000*	*400,000*	*0*	*550,000*	*550,000*	*0*
• by the ten principal staff	*800,000*	*620,000*	*100,000*	*370,000*	*390,000*	*100,000*
Option exercisable as from	18/03/2001	20/09/2002	06/12/2003	11/12/2004	12/03/2006	16/09/2007
Maturity date	18/03/2005	20/09/2006	06/12/2007	11/12/2008	12/03/2010	16/09/2011
Purchase or subscription price	€10.02	€23.27	€53.04	€27.80	€20.20	€23.46
Terms of exercise	Exercise after 3 years Sale after 5 years	Exercise after 3 years Sale after 5 years	Exercise after 3 years Sale after 4 years	Exercise after 3 years Sale after 4 years	Exercise after 3 years Sale after 4 years	Exercise after 3 years Sale after 4 years
No. Shares subscribed at 31/12/05	2,180,000	0	0	0	0	0
Share subscription or purchase options that have been cancelled or lapsed	120,000	162,000	49,500	105,000	0	5,000
Remaining share subscription or pruchase options	0	2 138,000	790,500	1,966,300	2,300,500	1,003,000

Plan N° 1 became lapsed on October 10, 2002.
Plan N° 2 became lapsed on April 8, 2004.

The options for the subscription of shares detailed above are currently the only financial instruments issued by TF1 having a potentially dilutive impact. The potential dilutive impact on profits is mentioned in the consolidated profit and loss account.

If all options were exercised, the share capital of TF1 would comprise 222,250,429 shares.

There is no other form of potential capital.

Information on share subscriptions or share purchase options

SHARE SUBSCRIPTION OR SHARE PURCHASE OPTIONS GRANTED TO DIRECTORS (EXCLUDING EMPLOYEE REPRESENTATIVES) AND OPTIONS EXERCISED

	NO. OF OPTIONS GRANTED OR SHARES SUBSCRIBED OR BOUGHT	PRICE	TERMS OF EXERCISE	PLAN N°
Share subscription or share purchase options granted to directors (excluding employee representatives) and options exercised	0	–	–	–
Options exercised during the fiscal year by each director: Patrick LE LAY	200,000	€10.02	17/03/2005	3

SHARE SUBSCRIPTION OR SHARE PURCHASE OPTIONS GRANTED TO THE 10 EMPLOYEES WHO RECEIVED THE LARGEST NUMBER OF OPTIONS (EXCLUDING DIRECTORS WHO ARE NOT EMPLOYEE REPRESENTATIVES) AND OPTIONS EXERCISED

	NO. OF OPTIONS GRANTED OR SHARES SUBSCRIBED OR BOUGHT	PRICE	PLAN N°
Options granted during the year to the 10 employees who received the largest number of options	0	–	–
Options exercised during the year by the 10 employees who received the largest number of options	286,400	€10.02	3

Board of Directors

Financial statements

Legal informations

5.6 Gross compensation of corporate officers

NAME *Post*	YEAR	COMPENSATION DUE	COMPENSATION PAID	VARIABLE COMPENSATION DUE	VARIABLE COMPENSATION PAID	VARIABLE / FIXED COMPARISON DUE	VARIABLE / FIXED COMPARISON PAID	FIXED BENEFITS IN KIND DUE	FIXED BENEFITS IN KIND PAID	BOARD OF DIRECTORS' FEES DUE	BOARD OF DIRECTORS' FEES PAID
Patrick LE LAY (1)	2005	€920,000	€920,000	€1,216,000	€1,132,667	132.17%	123.12%	€4,140	€4,140	€93,300	€93,300
Chairman & CEO	2004	€920,000	€920,000	€1,132,667	€1,380,000	123.12%	150.00%	€4,140	€4,140	€92,050	€92,050
Etienne MOUGEOTTE (2)	2005	€954,239	€954,239	€700,000	€610,000	73.36%	63.93%	€50,076	€50,076	€21,300	€21,300
Senior Executive											
Vice President	2004	€946,239	€946,239	€610,000	€450,000	64.47%	47.56%	€47,014	€47,014	€20,050	€20,050
Claude COHEN	2005	€611,000	€611,000	€450,000	€427,000	73.65%	69,89%	€21,542	€21,542	€16,500	€16,500
Chairman TF1 Publicité	2004	€611,000	€611,000	€427,000	€360,000	69.89%	58.92%	€21,724	€21,724	€15,250	€15,250

(1) 100% of the remuneration (in line with the AMF recommendation). In 2005, the amount invoiced to TF1 SA was €1,914,667.

(2) of which TF1 Films Production paid €83,239.

Gross variable compensation for Patrick Le Lay for the year 2005 was a function of the following criteria:

(a) the evolution of the Bouygues share price;

(b) the evolution of the TF1 share price;

(c) the evolution of Group share of net consolidated income compared to the "net consolidated income objective" as determined by the Board of Directors in 2004 when the annual plan was approved;

(d) several qualitative objectives: management quality, personal contribution to Group growth, contribution to the added value of the enterprise, etc.

Depending on their nature, these bonuses are weighted and capped individually, in the knowledge that the aggregate variable part corresponding to these accumulated bonuses is capped at 150% of the fixed salary.

Gross variable compensation for Etienne Mougeotte and Claude Cohen in 2005 was determined, as in the previous year, based on the following criteria:

(a) quantitative business performance (audience level, advertising revenues level, achievement of commitments made, etc.);

(b) qualitative (quality of management, human resource management, personal contribution to the TF1 Group's growth, contribution to the added value of the enterprise, etc.).

This variable part is capped at 70% of their fixed salary.

There is no joining or leaving bonus.

Additional pension granted to executives

Under a contract governed by the Code des Assurances, Bouygues offers the members of its executive management committee a complementary pension of 0.92% of the reference salary for each year of service in the scheme. Patrick LE LAY is a member of that committee.

Directors' fees

In 2005, Directors' fees of €333,320.12 were paid as follows:

Patricia BARBIZET	€28,268.75
Martin BOUYGUES	€21,300.00
Olivier BOUYGUES	€11,428.28
Haïm SABAN	€9,625.00
Claude COHEN	€16,500.00
Patrick LE LAY (1)	€132,691.84
Philippe MONTAGNER	€16,500.00
Etienne MOUGEOTTE	€21,300.00
Jean-Pierre PERNAUT (employee representative) (2)	€14,437.50
Céline PETTON (employee representative) (2)	€16,500.00
Olivier POUPART-LAFARGE	€28,268.75
Alain POUYAT	€16,500.00

(1) Incl. €24,391.84 paid by BOUYGUES and €15,000.00 paid by COLAS SA.

(2) Paid to trade unions.

Martin Bouygues is also Director, Chairman and Chief Executive Officer of the listed company, Bouygues SA.

Olivier Bouygues is also permanent representative of SCDM, Director of Bouygues SA and Joint Chief Executive Officer of the listed company, Bouygues SA.

Philippe Montagner is also Chief Executive Officer for Telecommunications of the listed company, Bouygues SA.

Olivier Poupart Lafarge is also Director and Joint Chief Executive Officer of the listed company, Bouygues SA.

Alain Pouyat is also Director and Chief Executive Officer of Information Systems and New Technology of the listed company, Bouygues SA.

Bouygues has reported all sums paid to the five above-mentioned persons in its reference document.

5.7 The share

The TF1 share is quoted on Eurolist of Euronext, A compartment – ISIN code: FR000005490. There is currently no request for it to be admitted to any other stock exchange.

At December 31, 2005, the TF1 share was included in the following stock market indices: CAC Next20, SBF 120 and FTSE Eurotop 300. The TF1 share is also included in the following sustainable development indices: DJSI STOXX, FTSE4Good Europe and ASPI Eurozone.

Dividends are available to shareholders from their date of payment, either at TF1 for registered shares or at financial institutions for managed registered shares and bearer shares. Dividends that are not claimed within five years are remitted the Government.

Dividends and yield

According to TF1's strategy, Dividend distribution is in particular correlated to net profits evolution.

YEAR	DIVIDEND PAID(1) (€)			SHARE PRICE (2) (€) (CLOSING PRICE)			YIELD (BASED ON CLOSING PRICE)
	NET	TAX CREDIT	TOTAL	HIGH	LOW	CLOSE	
1997	0.24	0.12	0.36	9.4	7.4	9.4	3.9%
1998	0.34	0.17	0.51	17.1	9.4	15.2	3.3%
1999	0.46	0.23	0.69	54.9	14.8	52.0	1.3%
2000	0.65	0.325	0.975	94.2	45.9	57.5	1.7%
2001	0.65	0.325	0.975	63.1	19.1	28.4	3.4%
2002	0.65	0.325	0.975	36.9	19.6	25.5	3.8%
2003	0.65	0.325	0.975	29.8	18.6	27.7	3.5%
2004	0.65	–	0.65	31.1	21.3	23.95	2.7%
2005	0.65 (1)	–	0.65	26.1	20.5	23.44	2.8%

(1) Submitted for approval at the General Meeting.

(2) Adjusted for 10 for 1 split.

Share price changes and volumes

At December 31, 2005, the TF1 share closed at €23.44, i.e., a decline of 2.1% since the beginning of the year compared to a rise of 23.4% of the CAC 40 index, of 25.2% of the SBF 120 index and of 34.4% of the CAC NEXT 20 index.

Between January 1 and December 31, 2005, daily exchanges of TF1 shares amounted to an average of 1.13 million, a slight drop compared to volumes traded in 2004. On December 12, 9,656,385 shares changed hands, the highest volume traded throughout the year. This session followed the announcement of the industrial convergence in pay television.

On December 31, 2005, the market capitalisation of the TF1 Group was €5.0 billion. This represents a PER (price earnings ratio) calculated on the basis of 2005 published net income of €236.3 M) of 21.3 compared to a PER of 23.4 at December 31, 2004.

The TF1 share was removed from the CAC 40 index on December 19, 2005 to be replaced by EDF. It entered the CAC Next 20 index. The impact was very limited – during the session preceding the departure from the CAC 40, 8.7 million shares changed hands and the TF1 share rose 0.51%.

The trend in TF1's share price and trading volumes over the last three years and in the current year has been as follows:

YEAR	MONTH	HIGH (1) €	LOW (1) €	CLOSE €	NUMBER OF SHARES TRADED (2)	MARKET CAPITALISATION (3) €M
2003	January	26.7	22.3	22.9	17,128,356	4,903.9
	February	22.9	20.8	21.2	19,169,359	4,542.2
	March	24.5	18.6	20.9	22,199,105	4,477.3
	April	27.5	20.3	25.2	39,500,528	5,404.4
	May	26.0	23.5	25.1	17,415,353	5,383.0
	June	28.0	25.5	26.8	21,739,581	5,749.1
	July	29.2	26.3	28.2	21,560,251	6,054.5
	August	28.3	26.3	27.7	11,343,833	5,947.1
	September	29.8	24.8	25.4	27,637,385	5,454.3
	October	27.1	24.4	25.8	26,135,050	5,545.9
	November	27.3	24.8	26.9	34,644,097	5,782.4
	December	28.9	26.6	27.7	22,045,200	5,959.8
2004	January	31.4	27.5	29.0	28,489,074	6,239.5
	February	29.5	27.4	27.7	26,108,348	5,959.6
	March	28.6	24.5	25.8	27,522,667	5,559.6
	April	27.8	25.5	25.8	34,864,258	5,546.4
	May	26.7	23.8	25.4	24,092,844	5,471.9
	June	26.7	24.8	25.9	23,261,329	5,577.6
	July	26.3	23.0	23.7	21,711,933	5,104.4
	August	23.8	21.1	23.1	22,966,019	4,975.2
	September	25.2	22.4	22.8	28,604,328	4,921.3
	October	24.3	22.2	23.6	26,326,170	5,083.2
	November	24.8	23.2	24.0	24,121,214	5,163.0
	December	24.1	22.8	23.9	24,372,189	5,143.5
2005	January	25.6	23.9	24.6	22,718,500	5,293.8
	February	26.1	24.2	24.5	23,749,674	5,248.6
	March	25.3	23.9	24.4	17,955,057,	5,222.9
	April	24.6	21.4	21.9	32,457,198	4,687.7
	May	22.7	21.3	22.0	24,366,144	4,711.3
	June	22.9	21.5	22.0	24,254,582	4,704.9
	July	23.5	21.1	23.0	26,359,466	4,927.5
	August	23.2	21.3	21.8	17,686,990	4,662.1
	September	22.1	21.4	22.1	25,913,716	4,724.1
	October	22.8	20.5	21.4	23,589,013	4,580.7
	November	21.9	20.8	21.3	20,492,835	4,563.6
	December	24.3	21.2	23.4	43,245,715	5,017.4
2006	January	26.6	23.2	26.1	33,088,384	5,582.5

Source : Euronext Paris SA.

Note : The prices have been rebased to take account of the 10-for-1 split in June 2000.
(1) Highs and lows are those recorded at stock market sessions.

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

(3) Based on the last closing price of each month multiplied by the number of shares at the end of the month.

6 Resolutions

Your statutory auditors will provide you with their reports on the accounts for the year 2005 and the on agreements relative to Article L. 225-38 of the Code of Commerce.

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

- approve the company accounts and consolidated accounts for 2005, the appropriation and distribution of earnings and the agreements and operations stipulated in Article L. 225-38 of the Code of Commerce, as mentioned in the special report of the statutory auditors;
- discharge the directors;
- renew for two years the term of office of Director Alain Pouyat which expires at the end of the present meeting;
- take note of the election of the Directors representing employees;
- authorise buy-back shares allowing your company to buy its own shares on the stock market. The purpose of the buy-back programme is either appropriation to employees or their cancellation, subject to adoption of the 8th resolution (extraordinary part) to buy back a number of shares corresponding to those to be issued in the framework of share option plans or one or several capital increases reserved for employees. Such a purchase would be limited to 10% of the capital. The maximum purchase price per share would be set at €45 and the minimum sale price per share would be €15.

You are kindly requested to cast your vote on the resolutions proposed.

The Board of Directors

Consolidated balance sheet

ASSETS (€M)	NOTES	31.12.05 NET	31.12.04 NET
Intangible fixed assets		**179.8**	**125.1**
Audiovisual rights	*2.11.1 and 7.1.1*	148.5	92.8
Other intangible fixed assets	*2.11.2 and 7.1.2*	31.3	32.3
Goodwill	*2.12 and 7.2*	481.4	889.0
Tangible fixed assets	*2.13 and 7.3*	151.7	208.2
Investments in associates	*7.4*	39.6	45.1
Other financial assets	*2.14 and 7.5*	21.0	10.7
Tax assets	*2.6 and 7.6*	57.1	52.4
Non-current assets		**930.6**	**1,330.5**
Inventories		**523.1**	**551.4**
Programmes and broadcasting rights	*2.16 and 7.7*	510.5	535.4
Raw materials and supplies		12.6	16.0
Trade and other debtors	*2.17 and 7.8*	1,252.7	1,217.0
Current tax assets		9.1	1.6
Foreign exchange derivative instruments	*2.4*	3.2	0.9
Interest rate derivative instruments	*2.4 and 7.11*	11.9	11.3
Cash and cash equivalents	*2.19 and 7.9*	175.8	158.9
Current assets		**1,975.8**	**1,941.1**
Held-for-sale assets	*2.10 and 4*	563.6	–
TOTAL ASSETS		**3,470.0**	**3,271.6**

SHAREHOLDERS' EQUITY AND LIABILITIES (€M)	NOTES	31.12.05 NET	31.12.04 NET
Share capital		42.8	43.0
Share premium and reserves		772.0	707.0
Net profit attributable to the group		236.3	224.7
Shareholders' funds (attributable to the Group)		**1,051.1**	**974.7**
Minority Interest		(1.3)	0.8
Shareholders' funds		**1,049.8**	**975.5**
Long-term debt	*2.20 and 7.11*	513.3	524.3
Non-current provisions	*2.21.1 and 7.12*	32.5	30.1
Non-current tax liabilities	*2.6 and 7.13*	48.6	62.6
Non-current liabilities		**594.4**	**617.0**
Short-term debt (1)	*2.20 and 7.11*	26.0	57.1
Foreign exchange derivative instruments	*2.4*	–	4.1
Interest rate derivative instruments	*2.4 and 7.11*	–	2.5
Trade and other creditors	*7.14*	1,403.5	1,533.0
Current tax liabilities		0.7	24.3
Current provisions	*2.21.2 and 7.15*	46.0	58.1
Current liabilities		**1,476.2**	**1,679.1**
Liabilities relating to held-for-sale assets	*2.10 and 4*	349.6	–
TOTAL SHAREHOLDERS'EQUITY AND LIABILITIES		**3,470.0**	**3,271.6**
(1) including current bank overdrafts		0.8	16.6

Consolidated profit and loss account

(€M)	NOTES	2005 CONTINUING ACTIVITIES	2005 HELD-FOR-SALE ACTIVITIES	2005 TOTAL CONSOLIDATED ACTIVITIES	2004 CONTINUING ACTIVITIES	2004 HELD-FOR-SALE ACTIVITIES	2004 TOTAL CONSOLIDATED ACTIVITIES
Net advertising revenue		1,790.4	–	1,790.4	1,781.1	–	1,781.1
• *TF1*		*1,647.5*	–	*1,647.5*	*1,645.5*	–	*1,645.5*
• *Others*		*142.9*	–	*142.9*	*135.6*	–	*135.6*
Diversification revenue		697.5	365.5	1,063.0	699.9	348.4	1,048.3
Technical services revenue		20.5	–	20.5	20.2	–	20.2
TURNOVER	*2.23 and 8.1*	**2,508.4**	**365.5**	**2,873.9**	**2,501.2**	**348.4**	**2,849.6**
Other operating revenue	*2.23*	0.5	–	0.5	3.2	–	3.2
External production costs	*8.2*	(648.9)	(77.1)	(726.0)	(560.4)	(84.0)	(644.6)
Other purchases and changes in inventory	*8.3*	(395.8)	(56.7)	(452.5)	(453.6)	(62.6)	(516.0)
Staff costs	*8.4*	(362.1)	(35.3)	(397.4)	(352.7)	(30.4)	(383.1)
External expenses	*8.5*	(475.3)	(139.1)	(614.4)	(474.5)	(137.1)	(611.6)
Taxes other than income taxes		(130.1)	(7.2)	(137.3)	(124.0)	(6.2)	(130.2)
Depreciation and amortisation, net		(80.3)	(23.4)	(103.7)	(75.1)	(25.5)	(100.6)
Provision, net		(43.3)	(5.5)	(48.8)	(38.4)	(4.9)	(43.3)
Other operating income and expenses	*8.6*	(34.1)	(4.2)	(38.3)	(44.7)	4.3	(40.4)
CURRENT OPERATING PROFIT		**339.0**	**17.0**	**356.0**	**381.0**	**2.0**	**383.0**
Other non-current operating income and expenses	*2.24 and 3.2.2.1*	14.2	–	14.2	–	–	–
OPERATING PROFIT		**353.2**	**17.0**	**370.2**	**381.0**	**2.0**	**383.0**
Cost of debt		(17.3)	(1.8)	(19.1)	(20.7)	(1.8)	(22.6)
Income from cash and cash equivalents		5.0	(1.5)	3.5	3.5	(1.5)	2.0
Cost of net debt	*2.25 and 8.7*	**(12.3)**	**(3.3)**	**(15.6)**	**(17.2)**	**(3.3)**	**(20.6)**
Other financial income and expenses	*8.8*	**0.6**	**1.6**	**2.2**	**4.4**	**(2.5)**	**2.0**
Income tax expense	*8.9*	(115.5)	(1.1)	(116.6)	(137.5)	1.3	(136.2)
Share of profit/losses of associates		(5.5)	–	(5.5)	(5.0)	–	(5.0)
NET PROFIT		**220.5**	**14.2**	**234.7**	**225.7**	**(2.5)**	**223.2**
Minority interests		1.6	–	1.6	1.5	–	1.5
NET PROFIT ATTRIBUTABLE TO THE GROUP		**222.1**	**14.2**	**236.3**	**227.2**	**(2.5)**	**224.7**
Average number of outstanding shares (in thousands)		214,044	–	214,044	214,229	–	214,229
Earning per share (€)	*2.26 and 8.10.1*	1.04	–	1.10	1.06	–	1.05
Diluted earnings per share (€)	*2.26 and 8.10.2*	1.04	–	1.10	1.06	–	1.04

Shareholders' funds

(€M)	NOTES	CONSOLIDATED PREMIUM AND RESERVES SHARE CAPITAL	SHARE PREMIUM	RETAINED EARNINGS	OTHER RESERVES TO CAPITAL	PROFIT ALLOCATED FUNDS	SHAREHOLDERS'
Shareholders' funds at 31 dec. 04		**43.0**	**50.0**	**28.0**	**850.7**	**3.0**	**974.7**
Capital increase (1)		0.1	6.4	–	–	–	6.5
Operations on treasury shares (2)	*7.10.2.1*	(0.3)	(32.3)	–	–	–	(32.6)
Share-based payments	*7.10.2.1*	–	–	–	–	4.9	4.9
Financial intruments (3)	*7.10.2.1*	–	–	–	–	–	0.0
Dividends	*7.10.2.2*	–	–	(138.7)	–	–	(138.7)
Profit allocation		–	–	155.4	(155.4)	–	0.0
2005 net profit		–	–	–	236.3	–	236.3
Shareholders'funds at 31 dec. 05 (4)		**42.8**	**24.1**	**44.7**	**931.6**	**7.9**	**1,051.1**

(1) Share options exercised.

(2) Repurchase and cancellation of 1,370,000 shares.

(3) Financial intruments: fair value variation and transfer to profit.

(4) Share capital is divided into 214,052,129 ordinary shares with a nominal value of €0.20 per share, fully subscribed.

(€M)	RESERVES	PROFIT	TOTAL
Minority interest at 31.12.2004	**2.3**	**(1.4)**	**0.9**
Capital increase	–	–	0.0
Change in the scope of consolidation	(0.3)	–	(0.3)
Dividends	(0.3)	–	(0.3)
Profit allocation	(1.4)	1.4	0.0
Net profit at December 31, 2005	–	(1.6)	(1.6)
Minority interest at 31.12.2005	**0.3**	**(1.6)**	**(1.3)**

Consolidated Cash Flow statement

(€M)	NOTES	2005	2004
Net profit		**234.6**	**223.2**
Depreciation, amortisation and provisions		**113.0**	**97.5**
• Intangible fixed assets		60.1	48.8
• Tangible fixed assets		44.0	48.4
• Financial assets		0.5	(6.6)
• Expenses to amortise		–	–
• Goodwill		–	10.8
• Provisions for liabilities and charges		8.4	(3.9)
Investments grants released to revenue		(13.0)	(7.7)
Unrealised gains/losses on fair value revaluation		(9.1)	(0.3)
Non-cash expense/income related to share-based payment		4.9	3.8
Gains on asset disposals		(19.3)	8.1
Share of profit/loss of associates		5.6	5,0
Dividend income from non-consolidated companies		(1.4)	(1.7)
Operating cash flow after cost of net debt and income taxes		**315.3**	**327.9**
Cost of net debt		20.3	25.8
Income tax expense (including deferred taxes)		116.6	136.2
Operating cash flow before cost of net debt and income taxes		**452.2**	**489.9**
Income taxes paid		(156.4)	(148.3)
Change in operating working capital needs		(47.0)	(10.0)
NET CASH INFLOW from operating activities		**248.8**	**331.6**
Incl. Held-for-sale operation	*4*	34.1	48.4
Cash outflows on acquisitions of property, plant and equipment and intangible assets		(113.8)	(70.4)
Cash inflows from disposals of property, plant and equipment and intangible assets		1.7	4.4
Cash outflows on acquisition of financial assets		(0.2)	(3.3)
Cash inflows from disposals of financial assets		1.3	2.2
Effect of changes in scope of consolidation	*3.2*	8.4	(54.4)
Dividends received		1.4	1.7
Change in loans and advances receivable		(13.2)	0.2
NET CASH used in investing activities		**(114.4)**	**(119.5)**
Incl. Held-for-sale operation	*4*	(23.8)	(7.1)
Subscriptions to share capital of associates		–	(3.3)
Cash received on exercise of stock options		6.6	3.7
Purchases and sales of treasury shares		(32.6)	1.3
Dividends paid during the year		(138.9)	(139.4)
Cash inflows from new debt contracted	*9.3*	50.2	15.0
Repayment of debt (including finance leases)	*9.3*	(24.2)	(104.2)
Net interest paid (including finance leases)		(20.2)	(25.2)
NET CASH used in financing activities		**(159.1)**	**(252.1)**
Incl. Held-for-sale operation	*4*	(9.5)	(41.3)
Effects of changes in exchange rates		–	–
Effects of changes in accounting policies		–	(1.9)
Effects of changes in fair value		–	–
Incl. Held-for-sale operation	*4*	–	(0.1)
TOTAL CHANGE IN CASH POSITION		**(24.7)**	**(41.9)**
Incl. Held-for-sale operation	*4*	0.8	(0.1)
Cash position at beginning of period		142.3	184.2
Change in cash position		(24.7)	(41.9)
Cash position at end of period	*9.1*	117.6	142.3

Notes to the consolidated financial statements

1. Declaration of compliance and basis of preparation

The consolidated financial statements of the TF1 Group include the financial statements of TF1 SA and its subsidiaries, and the TF1 Group's interests in associated undertakings. They are presented in millions of euros.

They were adopted by the Board of Directors on February 21, 2006, and will be submitted for approval by the shareholders at the forthcoming Ordinary General Meeting to be held on April 25, 2006.

The consolidated financial statements for the year ended December 31, 2005 are the first financial statements to have been prepared by the TF1 Group in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

TF1 has not elected for early application of the other standards, interpretations and amendments that have been approved by the European Union but which are not mandatorily applicable in 2005 (in particular IFRS 7, interpretations IFRIC 4 and IFRIC 6, and the amendments to IAS 1 and IAS 39). TF1 does not expect that the first-time application of these standards, interpretations and amendments will have a material impact on the financial statements.

The consolidated financial statements for the year ended December 31, 2004 as published have been restated to comply with IFRS. An IFRS transition note, on which an opinion was expressed by the statutory auditors, was published on May 31, 2005. A summary of the restatements made to the published 2004 balance sheet, profit and loss account and cash flow statement is provided in note 11 below.

2. Accounting policies

2-1. Consolidation methods

Subsidiaries

Companies over which TF1 exercises exclusive control are accounted for using the full consolidation method.

Exclusive control is presumed to exist where the parent company has the power directly or indirectly to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. Subsidiaries are included in the consolidation from the date on which control is effectively transferred to the Group. Divested subsidiaries are excluded from the consolidation from the date on which the Group ceases to have control.

Under the full consolidation method, all assets, liabilities, equity, income and expenses are combined on a line-by-line basis. Minority interests in equity and in net profit are identified separately under "Minority interests" in the consolidated balance sheet and the consolidated profit and loss account.

Jointly controlled entities

A jointly controlled entity is one in which the power to govern the financial and operating policies of the entity is contractually shared by TF1 with one or more other parties, none of which exercises exclusive control. TF1 accounts for interests in such entities using the proportionate consolidation method. Under this method, TF1 includes its own share of the subsidiary's assets, liabilities, equity, income and expenses in the relevant lines of its own consolidated financial statements.

Associates

An associate is an enterprise in which TF1 exercises significant influence, which means that TF1 has the power to participate in the financial and operating policy decisions of the investee without exercising control. Significant influence is presumed to exist if the parent company holds, directly or indirectly, 20% or more of the voting power of the investee.

TF1 accounts for investments in associates using the equity method. Under this method, TF1's share of the net assets of the associate is recognised on a separate line in the consolidated balance sheet, and TF1's share of the net profit or loss of the associate is recognised on a separate line in the profit and loss account.

2-2. Translation of the financials statement of foreign entities

The financial statements of foreign operations are translated into euros, the reporting currency of the TF1 Group. All assets and liabilities of foreign entities are translated at the closing exchange rate; income and expenses are translated at the average rate for the period. Translation differences arising from this treatment, and from retranslating the opening equity of foreign entities at the closing exchange rate, are taken to consolidated equity under "Share premium and reserves". On disposal of a foreign entity, these differences are taken to profit or loss as part of the gain or loss on disposal.

2-3. Translation of transactions denominated in foreign currencies

Transactions denominated in foreign currencies carried out by subsidiaries and jointly controlled entities are initially translated into the functional currency of the subsidiary or entity using the exchange rate at the transaction date. At the balance sheet date, monetary assets and liabilities denominated in foreign currencies are translated at the closing exchange rate. Any resulting translation differences are taken to profit or loss. Non-monetary assets and liabilities denominated in a foreign currency are recognised at historical cost and translated using the exchange rate at the transaction date.

2-4. Derivative financial instruments

TF1 uses derivative financial instruments such as swaps, interest rate options, forward currency purchases and currency options to hedge its exposure to fluctuations in interest rates and exchange rates. Group policy is to trade on the financial markets solely for hedging purposes related to its business activities, and not to trade for speculative purposes.

These derivative financial instruments are initially recognised at fair value as of the inception date of the contract, and are subsequently measured at fair value in accordance with IAS 39.

The fair value of interest rate and currency contracts is estimated on the basis of valuations obtained from the bank with which the instrument is contracted, or of financial modelling techniques in common use in the financial markets based on market data as of the balance sheet date.

2-4-1. Derivative financial instruments designated as hedges

For hedge accounting purposes, a hedge may be classified into one of two categories:

- fair value hedges, which hedge the exposure to changes in fair value of a recognised asset or liability, such as a fixed-rate loan or borrowing or an asset or liability denominated in a foreign currency;
- cash flow hedges, which hedge the exposure to variability in cash flows attributable to:
  - an asset or liability such as a floating-rate loan or borrowing;
  - a highly probable forecast transaction;
  - or a firm commitment.

At the inception of a hedge, TF1 formally designates the financial instrument to which hedge accounting will apply, and documents:

- the hedging relationship;
- the effectiveness of the hedging relationship, by conducting effectiveness tests both at inception and throughout all the financial reporting periods during which the hedge is designated.

Hedging instruments that qualify for hedge accounting are accounted for as follows:

- Fair value hedges: Changes in the fair value of the hedging instrument are recognised in profit or loss for the period symmetrically with changes in the fair value of the hedged item. The hedging instrument and the hedged item are both recognised in the balance sheet at fair value.
- Cash flow hedges: The gain or loss (net of taxes) arising on the effective portion of the hedging instrument is recognised in equity, and the gain or loss on the ineffective portion is recognised in profit or loss. The amounts recognised in equity are taken to profit or loss in the period in which the hedged transaction affects the profit and loss account.

2-4-2. Derivative financial instruments not designated as hedges

Gains and losses arising from changes in the fair value of derivative instruments not designated as hedges as defined in IAS 39 are recognised in the profit and loss account.

2-5. Current and non-current financial assets

Financial assets may be classified in one of four categories: available-for-sale securities, loans and receivables measured at amortised cost, held-to-maturity investments, and assets at fair value through profit or loss.

Financial assets are recognised at the settlement date.

In accordance with IAS 1, financial assets are classified as either current assets or non-current assets.

Available-for-sale securities

Available-for-sale securities comprise equity interests in companies over which TF1 exercises neither control nor significant influence.

These assets are initially recognised at fair value, which corresponds to acquisition cost plus transaction costs.

At subsequent balance sheet dates, available-for-sale securities are remeasured at fair value.

The fair value of listed securities is determined on the basis of the stock market price quoted on the balance sheet date. If fair value cannot be measured reliably, available-for-sale securities are carried at cost, and assessed for objective evidence of impairment. An asset is impaired if its carrying amount is greater than its estimated recoverable amount as determined by impairment tests. Impairment losses are recognised in profit or loss and may not be subsequently reversed.

Changes in fair value are recognised in equity, and are not transferred to the profit and loss account until the securities in question are sold.

Loans and receivables at amortised cost

This category includes loans and advances to non-consolidated equity investments, other loans and receivables, current account advances to associates and non-consolidated entities, deposits and caution money, trade debtors and other debtors.

These assets are initially recognised at fair value plus directly attributable transaction costs. At each subsequent balance sheet date, they are measured at amortised cost using the effective interest method.

Loans and receivables are assessed for objective evidence of impairment, and are regarded as impaired if the carrying amount is greater than the estimated recoverable amount as determined in impairment tests. Impairment losses are recognised in profit or loss, but may be reversed if the recoverable amount increases in subsequent periods.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to hold until maturity. Held-to-maturity investments are measured and carried at amortised cost calculated using the effective interest method, and are assessed for objective evidence of impairment.

An investment is regarded as impaired if its carrying amount is greater than the estimated recoverable amount as determined in impairment tests. Impairment losses are recognised in profit or loss.

Assets at fair value through profit or loss

Assets at fair value through profit or loss include assets classified as held for trading, which comprise assets acquired for the purpose of reselling them in the near term at a profit or which are part of a portfolio of financial instruments that are managed together and for which there is a pattern of short-term profit taking. Assets may also be classified as held for trading if they are designated as such by the Group on initial recognition.

These assets are measured at fair value, with changes in fair value recognised in profit or loss.

The principal assets held by TF1 in this category are cash and cash equivalents, derivative financial instruments, and other financial assets used for treasury management purposes.

2-6. Deferred taxation

Deferred taxation is recognised using the liability method on all temporary differences existing at the balance sheet date between the carrying amount of assets and liabilities in the consolidated balance sheet and their tax base, except in the specific cases mentioned in IAS 12 (primarily goodwill).

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax assets arising on deductible temporary differences and on the carry-forward of unused tax losses are recognised only to the extent that it is probable that they can be offset against future taxable profits.

Taxes on items recognised directly in equity are taken to consolidated reserves.

2-7. Equity-settled share-based payment transactions

TF1 has granted share subscription options to employees which on exercise will result in the issuance of new shares by means of a capital increase. In accordance with IFRS 2 (“Share-Based Payment”), the cost of equity-settled share-based payment transactions is recognised as an expense in “Staff costs”, with the credit entry recognised in equity. The expense is measured at the grant date of the options using the Black-Scholes-Merton model, and is recognised over the vesting period.

2-8. Treasury shares

Treasury shares acquired by the TF1 Group are deducted from consolidated equity. No gains or losses arising on the purchase, sale or cancellation of treasury shares are recognised in the profit and loss account.

2-9. Segment reporting

TF1 organises its operating activities into strategic business units, each of which is managed appropriately to the nature of the products and services sold and the specific economic environment.

The primary level of segment reporting adopted by TF1 is the business segment, because risks and returns on investment are affected by the nature of the products or services sold. The secondary level of segment reporting is the geographical segment.

Segmental results, assets and liabilities include items directly or indirectly attributable to the relevant segment.

Segmental capital expenditure represents total acquisitions of property, plant and equipment and intangible assets as recognised in the corresponding balance sheet line items.

The business segments used in primary-level segment reporting are:

Broadcasting France

This segment includes the TF1 channel, associated and spin-off activities regarded as inseparable from this channel, and other free-to-air or pay-TV channels broadcasting primarily to France.

Activities inseparable from TF1 include the in-house advertising airtime sales agency, and companies involved in the production or co-production of programmes intended exclusively for the TF1 channel, such as Ushuaïa, Alma Productions and Glem.

Distribution

This segment mainly comprises subscription-based distribution of the TPS pay-TV offering, broadcast largely by satellite.

At the start of 2006, TF1 signed an agreement to sell the TPS Group. Consequently, TPS is presented as a held-for-sale operation in the financial statements for the year ended December 31, 2005, in accordance with IFRS 5 (see note 4 below).

Broadcasting International

This segment comprises subsidiaries involved in the development and broadcasting of pay-TV programmes primarily broadcast outside France, in particular Eurosport.

Audiovisual Rights

Subsidiaries whose principal activity is the production, publishing or distribution of audiovisual rights not exclusively intended for TF1 Group channels are included in this segment.

Production activities include delegated productions or co-productions of films. Publishing and distribution activities include all media (CD, DVD, etc) and all channels (cinemas, TV channels, and all retail distribution channels).

Other Activities

This segment comprises all activities not included in any of the segments described above.

2-10. Discontinued or held-for-sale operations

The impact of operations or groups of operations of which the sale is highly probable, and which meet the criteria specified in IFRS 5, is shown separately in the consolidated financial statements. The assets and liabilities of discontinued or held-for-sale operations are measured at the lower of fair value less costs to sell or carrying amount.

2-11. Intangible assets

Separately acquired intangible assets are initially recognised at acquisition cost or (if acquired in a business combination) at fair value as of the acquisition date.

Subsequent to the acquisition date, intangible assets are measured at initial recognition cost less accumulated amortisation and impairment losses.

Intangible assets with finite useful lives are amortised over their expected useful lives.

Intangible assets with indefinite useful lives are not amortised.

2-11-1. Audiovisual rights

This item includes shares in films and audiovisual programmes produced or co-produced by TF1 Films Production, TF1 Vidéo, Glem, Glem Film and Téléma; distribution and trading rights owned by TF1 International, TCM DA, TF1 Entreprises and CIBY DA; and music rights owned by Une Musique and Baxter.

Audiovisual rights are recognised as an asset in the balance sheet at historical cost under “Audiovisual rights” on the following dates:

- date of end of shooting or censor's certificate for film co-productions,
- date of signature of contract for acquired audiovisual distribution and/or trading rights and music rights.

Amortisation periods for these categories of audiovisual rights are as follows:

- shares in film co-productions: amortised in line with revenues, with a minimum of three years straight-line,
- audiovisual distribution rights: amortised in line with revenues, with a minimum of three years straight-line,
- audiovisual trading rights: straight-line basis over five years,
- Music rights: amortised over two years, 75% in the first year and the remaining 25% in the second year.

The amortisation method used for films co-produced by TF1 Films Production and Téléma is consistent with industry practice (amortisation in line with revenues subject to a minimum of straight-line amortisation over three years).

A provision for impairment is recorded individually if estimated future revenues do not cover the net carrying amount.

2-11-2. Other intangible assets

Other acquired intangible assets are carried at acquisition cost less accumulated depreciation and impairment losses. These mainly comprise operating licences (other than broadcasting licences and audiovisual rights), trademarks and similar rights, and software.

These assets are amortised on a straight-line basis over their expected useful lives, except for certain trademarks owned by the TF1 Group and regarded as having an indefinite useful life, which are not amortised.

2-12. Goodwill

Goodwill arising on a business combination is the excess of the cost of the combination over the share of the fair value of the identifiable assets and liabilities acquired. If the share of the fair value of the identifiable assets and liabilities acquired exceeds the cost of the combination, the excess is recognised immediately in the profit and loss account.

Subsequently, goodwill is measured at cost less any impairment losses, determined using the method described in note 2-15 below. Impairment losses (see note 2-15) are charged against operating profit in the profit and loss account.

2-13. Property, plant and equipment

2-13-1. Property, plant and equipment owned outright

Property, plant and equipment is carried at acquisition cost net of accumulated depreciation and impairment losses.

Depreciation is charged on a straight-line basis over the expected useful life of the asset, taking account of any residual value of the asset:

Buildings:	25 to 50 years
Technical facilities:	3 to 7 years
Other property, plant and equipment:	2 to 10 years

The land in Boulogne on which the head office is built is not depreciated.

Where an asset is made up of components with different useful lives, these components are recorded as separate items within property, plant and equipment.

Gains or losses on disposals of property, plant and equipment represent the difference between the sale proceeds and the net carrying amount of the asset, and are included in "Other operating income and expenses".

2-13-2. Property, plant and equipment acquired under finance leases

Property, plant and equipment held under leases which transfer substantially all the risks and rewards of ownership of the asset to the TF1 Group is recognised as an asset in the balance sheet at the inception date of the lease, at the lower of the fair value of the leased asset or the present value of the minimum lease payments. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability; the finance charge is recognised in the profit and loss account under "Cost of net debt".

Assets held under finance leases are depreciated over the same periods as assets of the same type owned outright.

2-14. Other financial assets

Other financial assets mainly comprise loans and equity investments in non-consolidated companies; the latter are included in the "Available-for-sale securities" category, and accounted for as described in note 2-5.

2-15. Impairment of non-current assets

At each balance sheet date, TF1 assesses whether there are internal or external events or circumstances which indicate that a non-current asset may have been impaired. If there is such an indication, or if the asset is required to be tested for impairment annually (goodwill, and intangible assets with indefinite useful lives), the recoverable amount of the asset is estimated.

The recoverable amount of an asset is the higher of value in use or "fair value less costs to sell". The value in use of assets to which independent cash flows can be directly allocated is determined individually. All other assets are grouped within cash-generating units (CGUs) to determine their value in use. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

The value in use of an asset or a CGU is measured using the discounted cash flow (DCF) method, applying a pre-tax discount rate back-calculated from the post-tax discount rate of the asset or CGU in question.

The fair value less costs to sell of an asset or CGU is measured, where possible, by reference to the price in a binding sale agreement in an arm's length transaction. If there is no sale agreement and no organised market, fair value less costs to sell is based on an estimate of the potential proceeds from a sale of the asset or CGU in an arm's length transaction.

An impairment loss is recognised if the recoverable amount of an asset or CGU is less than its carrying amount.

2-16. Programmes and broadcasting rights

In order to secure broadcasting schedules for future years, the TF1 Group enters into binding contracts, sometimes for a period of several years, under which the Group acquires (and the other party agrees to deliver) programmes and sports transmission rights.

These contracts are valued as follows:

Programmes and broadcasting rights

Rights acquisition contracts not yet recognised in inventory at the balance sheet date are priced at the contractual amount (or the estimated future cash outflow in the case of "output deal" contracts), less any advance payments made under the contract. Advance payments are recognised in the balance sheet as a supplier prepayment in "Trade and other debtors".

Sports transmission rights

Acquisitions of sports transmission rights under irrevocable orders placed before the balance sheet date are priced at the contractual amount less any sums already paid at that date.

A programme is treated as ready for broadcast and recognised in inventory under "Programmes and broadcasting rights" when the following two conditions are met: technical acceptance (for in-house and external productions), and opening of rights (for external productions).

Any programme acquisition advance payments made before these conditions are met are treated as supplier prepayments.

The line "Programmes and broadcasting rights" in the balance sheet includes:

- in-house productions, made by TF1 Group companies for the TF1 channel;
- external productions, comprising broadcasting rights acquired by the TF1 Group's channels and co-production shares of broadcasts made for the TF1 Group's channels.

External productions that have not been broadcast, and the rights to which have expired, are expensed as a component of current operating profit.

The value of programmes and broadcasting rights is measured as follows:

- in-house production: at overall production cost (direct costs plus a portion of indirect production costs);
- broadcasting rights and co-productions: at purchase cost, less consumption for the year calculated at each balance sheet date.

TF1 SA programmes (which account for most of the Group's programme inventory) are deemed to have been consumed as transmitted. If they are acquired for a single transmission, they are regarded as having been consumed in full at the time of transmission. If they are acquired for two or more transmissions, consumption is calculated as follows, according to the type of programme:

	PROGRAMME TYPE		
	DRAMAS WITH A RUNNING TIME OF AT LEAST 52 MINUTES	FILMS, TV MOVIES, SERIALS AND CARTOONS	OTHER PROGRAMMES AND BROADCASTING RIGHTS
1st transmission	80%	50%	100%
2nd transmission	20%	50%	–

"Other programmes and broadcasting rights" in the table above refers to children's programmes other than cartoons, entertainment shows, plays, factual and documentary programmes, news, sport, and dramas with a running time of less than 52 minutes.

A provision for impairment is recorded once it becomes probable that a given programme will not be transmitted.

2-17. Trade and other debtors

These financial assets are classified as "Loans and receivables at amortised cost", and as such are accounted for using the measurement rules described in note 2-5.

This item includes advance payments in respect of acquisitions of programmes and sports transmission rights.

Irrecoverable receivables are written off to profit or loss as soon as they are identified as irrecoverable.

2-18. Financial assets used for treasury management purposes

Financial assets used for treasury management purposes are securities held for trading purposes which although they are monetary investments do not qualify as cash equivalents. These assets come within the category of "assets at fair value through profit or loss", and are accounted for using the measurement rules described in note 2-5.

2-19. Cash and cash equivalents

The line "Cash and cash equivalents" in the balance sheet comprises cash, cash equivalents and treasury current accounts.

Cash consists of bank current accounts and sight deposits.

Cash equivalents are assets held in order to meet short-term treasury needs. Investments qualify as cash equivalents if they are readily convertible into cash, are subject to an insignificant risk of changes in value, and have a maturity of less than three months.

Cash and cash equivalents are classified as held for trading, with changes in fair value taken to profit or loss.

Treasury current accounts represent cash invested with non-consolidated equity investees or with associates, plus the uneliminated portion of treasury current accounts with companies consolidated by the proportionate consolidation method.

The cash position presented in the cash flow statement includes cash, cash equivalents, and treasury current accounts.

2-20. Debt

2-20-1. Bond issues

Bond issues are initially recognised at the amount of the issue proceeds net of issue costs.

Subsequently, bond issues are measured at amortised cost using the effective interest method. The effective interest rate takes account of issue costs and redemption premium, which are deducted from the nominal value of the bond issue in the balance sheet and amortised using the effective interest method over the term of the bond issue. Amortisation and interest charges are recognised in the profit and loss account under "Cost of debt". The portion of accrued interest falling due within less than one year is recorded in "Short-term debt".

Where a bond issue is wholly or partially hedged by an interest rate instrument, the hedged portion is accounted for under fair value hedge accounting rules (see note 2-4-1). As a result, changes in the fair value of the hedged portion of the debt are recognised in the profit and loss account under "Cost of debt".

2-20-2. Other debt

This item mainly comprises finance lease obligations (see note 2-13-2).

Commitments to buy out minority shareholders are recognised as debt. Any excess of the amount of the debt over the carrying amount of the related minority interests is recognised as goodwill.

2-21. Provisions and contingent liabilities

A provision is recorded when a legal or constructive obligation to a third party arising from a past event will certainly or probably result in an outflow of resources that can be measured reliably. Provisions are reviewed at each balance sheet date, and adjusted where necessary to reflect the best estimate of the obligation as of that date.

Contingent liabilities are obligations whose existence will be confirmed only by the occurrence of future events or for which the outflow of resources cannot be measured reliably. No provision is recorded for contingent liabilities.

2-21-1. Non-current provisions

The main types of non-current provisions are:

Provisions for retirement benefits.

These cover the Group's obligations to pay retirement benefits to its employees, in the form of lump-sum benefits specified in the relevant collective agreements. The obligation is calculated using the projected unit credit method at the expected retirement age, based on final salary. The calculation takes account of the following factors:

- vested benefit entitlements under collective agreements for each category of employee based on length of service;
- staff turnover rate, calculated using historical average data for employees leaving the Group;
- salaries and wages, including a coefficient for employer's social security charges as currently payable;
- an annual salary inflation rate;
- life expectancy of employees, determined using statistical tables;
- a discount rate, applied to the obligation and reviewed annually.

Actuarial gains or losses that exceed the greater of (i) 10% of the amount of the obligation or (ii) 10% of the value of plan assets, are amortised over the expected average remaining working lives of active employees.

The Group's obligation is partially covered by an insurance contract. The provision for retirement benefits recognised in the balance sheet represents the total obligation less the value of this contract.

Provisions for long-service leave.

These provisions cover entitlement to additional compensated absence awarded by some TF1 Group companies to employees based on length of service. The calculation of the cost of vested compensated absence rights takes into account length of service, salary at the time the rights will be taken up, and staff turnover. The provision is discounted at the same rate as the provision for retirement benefit obligations.

2-21-2. Current provisions

Current provisions mainly comprise provisions for disputes. The provision is measured as the probable outflow of resources resulting from ongoing disputes arising from an event prior to the balance sheet date.

Provisions for disputes include the estimated amount payable to third parties in respect of disputes, and provisions for charges relating to disputes with the tax and social security authorities. The amount shown on reassessment notices issued by the authorities is provided for unless the company concerned regards it as highly probable that it will successfully defend its position against the authorities. The undisputed portion of reassessment notices is recognised as a liability as soon as the amount is known.

2-22. Government grants

Government grants received are recognised as a liability in the balance sheet under "Trade and other creditors". Grants that are non-refundable are recognised in the profit and loss account on the same basis and over the same period as the depreciation charged against the asset financed by the grant.

Grants received from the French National Centre for Cinematography are recognised as profit in the period in which the audiovisual production to which they relate is completed.

2-23. Operating revenue

The TF1 Group recognises operating revenue when:

- it is probable that the economic benefits associated with the transaction will flow to the Group;
- the amount of revenue can be measured reliably;
- at the transaction date, it is probable that the amount of the sale will be recovered.

Revenue recognition policies specific to certain types of business activity are as follows:

Sales of advertising space are recognised on transmission of the commercial. Revenue from exchanges of goods or services is recognised if the goods or services exchanged are dissimilar in nature, and the revenue from the exchange has economic substance and can be measured reliably. Revenue from exchanges of goods and services is measured at the fair value of the goods or services received, after adjusting for cash flows associated with the exchange.

Sales of audiovisual rights under licence are recognised when the licensee has acknowledged that the programme conforms with the terms of the licence (technical acceptance).

Revenue from sales of merchandise and products by the Group's publishing and distribution activities is reported net of (i) provisions for expected goods returns and (ii) paybacks made in connection with some distribution contracts.

Subscriptions to the TPS satellite TV service are recognised as revenue on a straight-line basis over the period during which the service is supplied. Free subscription months granted to customers when they subscribe to offers are deducted from turnover for the month(s) in question. Other subscriber acquisition costs are recognised as an operating expense as incurred.

Fees charged by theme channels to cable and satellite operators that broadcast them are calculated on a per subscriber basis or, less frequently, as a fixed annual fee invoiced to the operator. Subscriber-based fees are recognised monthly on the basis of statements received from the operator. Fixed annual fees are recognised as revenue on a straight-line basis over the course of the year.

Other operating revenues mainly comprise sales-based royalties invoiced under licence agreements.

2-24. Other non-current operating income and expenses

This item comprises a very limited number of income and expense items, which are unusual and occur infrequently but are material to the consolidated financial statements. TF1 reports these items on a separate line in order to give users of the financial statements a better understanding of the Group's ongoing operational performance.

2-25. Cost of net debt

"Cost of net debt" represents cost of debt minus income generated by cash, cash equivalents and assets used for treasury management purposes.

Cost of debt comprises:

- gross interest expense on current and non-current debt;
- amortisation of financial assets and liabilities measured at amortised cost;
- gains or losses arising on interest rate hedges;
- changes in the fair value of interest rate derivative instruments;
- gains and losses arising from the remeasurement of loans and debt at fair value.

Income generated by cash, cash equivalents and financial assets used for treasury management purposes comprises:

- interest income and expense on cash, cash equivalents and financial assets used for treasury management purposes;
- revenues from cash equivalents and financial assets used for treasury management purposes;
- gains and losses on disposal and changes in fair value arising on cash equivalents and financial assets used for treasury management purposes.

Interest expense is recognised in the period in which it is incurred.

2-26. Earnings per share

Basic earnings per share is obtained by dividing net profit for the period by the weighted average number of shares outstanding during the period.

All shares conferring unrestricted rights upon the shareholder are included. Shares in the parent company held by the company itself or by consolidated companies are excluded from the average number of shares outstanding.

Diluted earnings per share is calculated by including all financial instruments giving future access to the capital of the parent company, whether these instruments are issued by the parent company itself or by a subsidiary. The dilutive effect is calculated separately for each instrument, based on the conditions prevailing at the balance sheet date. Anti-dilutive instruments are excluded.

2-27. Reliance on estimates and judgement

In preparing the consolidated financial statements, TF1 management uses assumptions and estimates that may have a significant effect on the amounts reported in the financial statements. Actual amounts may differ. Assumptions and estimates are used principally in impairment tests, and in measuring provisions for programmes and provisions for risks.

3. Changes in scope of consolidation

3-1. Scope of consolidation

The consolidated financial statements of TF1 for the year ended December 31, 2005 include the financial statements of the companies listed in note 12 below.

The change in the scope of consolidation during the year ended December 31, 2005, as described below, do not have a material effect on the comparability of the consolidated financial statements of TF1.

3-2. Changes in scope of consolidation

3-2-1. Newly-consolidated entities and increases in percentage interest

3-2-1-1. Acquisition of interest in Tele Monte Carlo (TMC)

During the first quarter of 2005, TF1 and AB Group completed the acquisition of TMC from the Pathé group, following approval of the transaction by the French audiovisual regulator, the CSA. TF1 and AB now each own 50% of a holding company, Monte Carlo Participations (MCP), which in turn owns an 80% interest in the TMC channel and its subsidiary Monégasque Des Ondes (MDO). The Principality of Monaco has retained the remaining 20% of the capital.

TMC holds an analogue terrestrial frequency for the Provence-Alpes-Côte d'Azur (south-east) region of France, and a national digital terrestrial broadcasting licence.

All three companies (TMC, MDO and MCP) have been consolidated by TF1 using the proportionate consolidation method with effect from January 1, 2005.

3-2-1-2. Incorporation of the French International News Channel

The French International News Channel (Chaîne Française d'Information Internationale – CFII), which was launched in December 2005 and is held in equal shares by TF1 and France Télévision, has been consolidated by TF1 using the proportionate consolidation method at December 31, 2005.

3-2-1-3. Acquisition of minority interests

In November 2005, Eurosport SA bought out the 40% minority interests in its subsidiary Kigema Sport Organisation (KSO), which in turn owns Super Racing Weekend (SRW). These two companies are now fully consolidated (100% interest).

The acquisition during the first quarter of 2005 of an additional stake in TV Breizh increased the TF1 Group's interest in this subsidiary from 71.1% to 73.8%.

3-2-1-4. Other changes

The following companies were also newly consolidated by TF1 in 2005, and are consolidated using the full consolidation method (100% interest):

- Ushuaïa TV: theme TV channel founded by TF1 which began broadcasting in March 2005;
- TF1 Hors Média: entity specialising in developing non-media (below the line) promotional activities, incorporated in September 2005;
- Infoshopping ("infomercial" production), Shopping à la une (online shopping) and Top Shopping (stores): new businesses launched in 2005 by Téléshopping;
- Eurosport Italie: distribution subsidiary for the Eurosport channel in Italy, previously not consolidated because it generated no revenues, which now trades as an in-house advertising airtime sales agency;
- Eurosport Asia Ltd (Hong Kong): subsidiary formed in 2005 to distribute the channel in Asia.

At end 2005, Ciby 2000 absorbed the feature-length film production company Les Films du Levant, which it had previously acquired.

Cash flows relating to acquired assets and liabilities

THE IMPACT OF ACQUISITIONS ON CASH FLOWS WAS AS FOLLOWS

(€M)	2005
Cash and cash equivalents	7.5
Financial assets, including investments in associates	–
Other assets	17.4
Minority interests	0.0
Other liabilities	(11.9)
Net assets acquired (A)	***13.0***
Goodwill (B)	***24.9***
Cash outflow (A) + (B)	**37.9**
Cash acquired	(7.5)
Cash of companies newly consolidated but not acquired during the period	(0.5)
Net cash outflow	**29.9**

In aggregate, newly-acquired companies made a positive contribution of €5.1 M to turnover, a negative contribution of €4.5 M to operating profit, and a negative contribution of €5.1 M to net profit for the year ended December 31, 2005.

3-2-2. Divestments and reductions in percentage interest

3-2-2-1. Divestment of Visiowave

At the end of the first half of 2005, TF1 completed the sale of its entire 80% interest in the capital of Visiowave to General Electric Security. The pre-tax gain of €14.2 M arising on the sale was recognised in the profit and loss account in "Other non-current operating income and expenses".

3-2-2-2. Divestment of Studios 107

On May 25, 2005, TF1 and AMP signed an agreement under which TF1 sold 100% of the shares of Studios 107 to AMP.

Visiowave and Studios 107 were deconsolidated with effect from March 31, 2005.

Cash flows relating to divested assets and liabilities

THE IMPACT OF DIVESTMENTS OF SUBSIDIARIES ON CASH FLOWS WAS AS FOLLOWS

(€M)	2005
Cash and cash equivalents	(0.6)
Financial assets, including investments in associates	(0.1)
Other assets	(40.5)
Minority interests	0.3
Other liabilities	22.5
Net assets divested	**(18.4)**
Cash inflow	38.9
Cash divested	(0.6)
Net cash inflow	**38.3**

3-2-3. Internal reorganisation

As part of the ongoing rationalisation of the legal structure of companies holding direct or indirect interests in TF1 Group companies, especially in TPS, the following transactions were carried out:

- transfer of SACAS to TF1 Expansion;
- conversion of GIE Aphélie from an economic interest grouping to a general partnership, and transfer of the interests in Aphélie held by TF1 SA and Calif to TF1 Expansion.

In 2005, Eurosport SA transferred its shares in Eurosport France to TF1 SA.

4. Held-for-sale operations

As a result of the agreement regarding TPS signed on January 6, 2006 by Vivendi Universal, TF1 and M6 (see note 10-8), TPS was regarded as of December 31, 2005 as a held-for-sale operation, and consequently is presented in the consolidated financial statements in accordance with IFRS 5 and the accounting policy described in note 2-10.

- In the consolidated profit and loss account, the impact of the held-for-sale operation is shown in a separate column for both 2004 and 2005.
- In the consolidated balance sheet as of December 31, 2005, the impact of the held-for-sale operation is shown on two separate lines: "Assets of held-for-sale operations" and "Liabilities of held-for-sale operations".

The impact on the profit and loss account and balance sheet corresponds to the contribution of the held-for-sale operation to the consolidated financial statements, and to the effects of eliminating intercompany transactions between continuing operations and the held-for-sale operation.

DETAILS OF THE IMPACT OF THE HELD-FOR-SALE OPERATION ON THE BALANCE SHEET AS OF DECEMBER 31, 2005 ARE PRESENTED BELOW

ASSETS (€M)	**31.12.05** NET
Intangible assets	6.4
Goodwill	420.3
Property, plant and equipment	46.5
Other financial assets	0.3
Non-current tax assets	4.3
Non-current assets	***477.8***
Programmes and broadcasting rights	30.2
Trade and other debtors	114.4
Current tax assets	(1.6)
Foreign exchange derivative instruments	0.2
Cash and cash equivalents	(57.4)
Current assets	***85.8***
Total assets of held-for-sale operations	**563.6**

LIABILITIES (€M)	**31.12.05** NET
Long-term debt	10.4
Non-current provisions	0.6
Non-current tax liabilities	0.9
Non-current liabilities	***11.9***
Short-term debt	37.9
Foreign exchange derivative instruments	0.2
Interest rate derivative instruments	0.4
Trade and other creditors	270.1
Current provisions	29.1
Current liabilities	***337.7***
Total liabilities of held-for-sale operations	**349.6**

■ In the cash flow statements for the years ended December 31, 2004 and 2005, the contribution of the held-for-sale operation to cash generated by or used in operating activities, investing activities and financing activities is shown on separate lines. The contribution of the held-for-sale operation to cash and cash equivalents is shown in note 9-1.

5. Interests in jointly controlled entities

The TF1 Group owns interests in jointly controlled entities, a list of which is provided in note 12.

The table below shows the share of the assets, liabilities, turnover and operating profit of these entities as included in the consolidated financial statements.

TF1 SHARE, YEAR ENDED 31/12/05 (€M)	TPS		TF6 / SÉRIE CLUB		OTHER	
	2005	2004	**2005**	2004	**2005**	2004
Non-current assets	473.5	475.7	22.3	21.6	62.8	33.7
Current assets	163.6	137.3	7.2	7.0	33.2	5.5
Total Assets	**637.1**	**613.0**	**29.5**	**28.6**	**96.0**	**39.2**
Shareholders' equity	212.1	196.6	24.0	22.8	23.1	6.2
Non-current liabilities	72.2	76.2	(1.6)	(1.3)	15.8	5.7
Current liabilities	352.7	340.2	7.1	7.1	57.1	27.3
Total Liabilities and Equity	**637.0**	**613.0**	**29.5**	**28.6**	**96.0**	**39.2**
Turnover	396.9	375.7	10.2	10.2	12.1	15.9
Operating profit	17.0	2.0	1.9	1.7	(1.5)	0.4

6. Segment information

The contribution of each business segment to the consolidated financial statements for the year ended December 31, 2005 was as follows:

2005 (€M)	BROADCASTING FRANCE	DISTRIBUTION	AUDIOVISUAL RIGHTS	BROADCASTING INTERNATIONAL	OTHER ACTIVITIES	ELIMINATIONS	CONSOLIDATED TOTAL
Third-party turnover	2,010.6	396.9	228.5	243.0	(5.1)	–	2,873.9
Inter-segment turnover	29.3	4.5	19.4	15.5	–	(68.7)	0.0
Total turnover	**2,039.9**	**401.4**	**247.9**	**258.5**	**(5.1)**	**(68.7)**	**2,873.9**
Current operating profit	**292.5**	**16.4**	**22.6**	**29.9**	**(5.4)**	**–**	**356.0**
Other non-current operating income and expenses	–	–	–	–	14.2	–	14.2
Depreciation and amortisation, net	(33.4)	(23.4)	(41.0)	(5.2)	(0.7)	–	(103.7)
Provisions, net	(33.7)	(6.1)	(9.1)	(0.5)	0.6	–	(48.8)
Share of profits/losses of associates	–	–	–	(6.0)	0.5	–	(5.5)
Net profit of discontinued and held-for-sale operations	–	14.2	–	–	–	–	14.2
Net cash generated by operating activities	**132.3**	**34.1**	**64.3**	**22.8**	**(4.7)**	**–**	**248.8**
Net cash generated by/(used in) investing activities	(56.2)	(23.8)	(47.7)	(21.4)	34.7	–	(114.4)
Net cash generated by/(used in) financing activities	8.6	(9.5)	(8.7)	(117.1)	(32.4)	–	(159.1)
Segmental assets	167.0	52.9	125.3	39.2	0.0	–	384.4
Investments in associates	–	–	–	15.8	23.8	–	39.6
Capital expenditure	30.0	23.6	89.4	12.5	0.7	–	156.2

The contribution of each business segment to the consolidated financial statements for the year ended December 31, 2004 was as follows:

2004 (€M)	BROADCASTING FRANCE	DISTRIBUTION	AUDIOVISUAL RIGHTS	BROADCASTING INTERNATIONAL	OTHER ACTIVITIES	ELIMINATIONS	CONSOLIDATED TOTAL
Third-party turnover	1,989.7	375.7	226.0	238.6	19.6	–	2,849.6
Inter-segment turnover	25.3	3.9	10.0	15.1	–	(54.3)	0.0
Total turnover	**2,015.0**	**379.6**	**236.0**	**253.7**	**19.6**	**(54.3)**	**2,849.6**
Current operating profit	**341.3**	**2.0**	**13.9**	**26.7**	**(0.9)**	**–**	**383.0**
Other non-current operating income and expenses	–	–	–	–	–	–	0.0
Depreciation and amortisation, net	(36.3)	(25.5)	(31.7)	(4.9)	(2.2)	–	(100.6)
Provisions, net	(27.0)	(4.9)	(9.3)	0.4	(2.5)	–	(43.3)
Share of profits/losses of associates	–	–	–	(2.5)	(2.5)	–	(5.0)
Net profit of discontinued and held-for-sale operations	–	(2.5)	–	–	–	–	(2.5)
Net cash generated by operating activities	**216.4**	**48.4**	**59.8**	**15.4**	**(8.3)**	**–**	**331.7**
Net cash generated by/(used in) investing activities	(78.5)	(7.1)	(23.6)	(7.6)	(2.8)	–	(119.6)
Net cash generated by/(used in) financing activities	(179.6)	(41.3)	(34.8)	(7.0)	11.6	–	(251.1)
Segmental assets	172.7	55.2	70.2	32.2	3.0	–	333.3
Investments in associates	0.0	–	–	21.8	23.3	–	45.1
Capital expenditure	33.3	8.1	24.4	3.5	2.8	–	72.1

6-1. Geographical segments

For geographical segment reporting purposes, segmental turnover is allocated according to the location of the customer, while segmental assets and capital expenditure are allocated according to the location of the asset.

2005 (€M)	FRANCE	CONTI-NENTAL EUROPE	OTHER COUNTRIES	CONSO-LIDATED TOTAL
Third-party turnover	2,617.9	228.1	27.9	2,873.9
Assets	383.4	0.9	0.1	384.4
Capital expenditure	154.8	1.3	0.1	156.2

2004 (€M)	FRANCE	CONTI-NENTAL EUROPE	OTHER COUNTRIES	CONSO-LIDATED TOTAL
Third-party turnover	2,572.1	230.8	46.7	2,849.6
Assets	329.6	3.7	–	333.3
Capital expenditure	68.8	3.3	–	72.1

7. Notes to the consolidated balance sheet

7-1. Intangible assets

7-1-1. Audiovisual rights

Movements during the period were as follows:

CONTINUING OPERATIONS (€M)	01.01.05	CHANGE IN SCOPE OF CONSOLIDA-TION, RECLAS-SIFICATIONS	INCREASES	DECREASES	31.12.05
Gross value	730.1	18.1,	102.1	(2.1)	848.2
Amortisation	(620.5)	0.5	(52.9)	1.5	(671.4)
Impairment	(16.8)	(12.1)	(6.9)	7.5	(28.3)
Net value	**92.8**	**6.5**	**42.3**	**6.9**	**148.5**

7-1-2. Other intangible assets

(€M)	01.01.05	CHANGE IN SCOPE OF CONSOLIDA-TION, RECLAS-SIFICATIONS	INCREASES	DECREASES	31.12.05
Astra satellite advance	10.4	–	8.5	–	18.9
Concessions, patents and similar rights	45.2	(0.5)	0.7	(3.0)	42.4
Other intangible assets	7.7	(4.5)	2.2	(0.3)	5.1
Gross value	***63.3***	***(5.0)***	***11.4***	***(3.3)***	***66.4***
Astra satellite advance	(2.6)	–	(1.7)	–	(4.3)
Amortisation	(29.2)	2.1	(2.4)	0.3	(29.2)
Impairment	(4.5)	0.4	(0.2)	2.7	(1.6)
Amortisation and impairment	***(36.3)***	***2.5***	***(4.3)***	***3.0***	***(35.1)***
Net value – continuing operations	**27.0**	**(2.5)**	**7.1**	**(0.3)**	**31.3**
Net value – TPS	**5.3**	**(0.1)**	**1.3**	**(0.1)**	**6.4**

7-2. Goodwill

For the purpose of impairment testing, goodwill has been allocated to cash generating units (CGUs) as follows:

CGU (€M)	GROSS VALUE 01.01.05	CHANGE IN SCOPE OF CONSOLIDA-TION, RECLAS-SIFICATIONS	GROSS VALUE 31.12.05	NET VALUE 31.12.05
Broadcasting France	127.0	18.1	145.1	145.1
Eurosport International	327.5	8.8	336.3	336.3
Visiowave	14.2	(14.2)	0.0	0.0
Total continuing operations	**468.7**	**12.7**	**481.4**	**481.4**
TPS	**420.3**	**–**	**420.3**	**420.3**

Based on impairment tests conducted using the methods described in note 2-15, no impairment of goodwill was identified as of December 31, 2005.

The methods used to determine the recoverable amount of CGUs to which material amounts of goodwill are allocated are described below.

TPS CGU

The recoverable amount of the TPS CGU was determined on the basis of fair value less costs to sell as stated in the sale agreement signed on January 6, 2006 by TF1 M6 and Vivendi Universal.

Eurosport International CGU

The recoverable amount of the Eurosport International CGU was determined by calculating the value in use using the DCF method, based on five-year cash flow projections compiled from plans and budgets approved by management. The pre-tax discount rate used (9.9%) was back-calculated from a post-tax discount rate of 7.8%. Cash flows beyond the five-year projection timeframe were extrapolated at a perpetual growth rate of 3.75%. This rate is consistent with the growth potential of the markets in which Eurosport International operates, and with its competitive position in those markets.

An analysis of the sensitivity of this calculation to changes in key parameters identified no probable scenario in which the recoverable amount of the CGU would fall below its carrying amount.

Broadcasting France CGU

The recoverable amount of the Broadcasting France CGU was determined by calculating the value in use using the DCF method, based on five-year cash flow projections compiled from plans and budgets approved by management. The pre-tax discount rate used (10.6%) was back-calculated from a post-tax discount rate of 7.8%. Cash flows beyond the five-year projection timeframe were extrapolated at a perpetual growth rate of 2.5%. This rate is consistent with the growth potential of the markets in which the CGU's entities operate, and with their competitive positions in those markets.

An analysis of the sensitivity of this calculation to changes in key parameters identified no probable scenario in which the recoverable amount of the CGU would fall below its carrying amount.

7-3. Property, plant and equipment

Movements in property, plant and equipment during the period were as follows:

(€M)	01.01.05	CHANGE IN SCOPE OF CONSOLIDATION, RECLASSIFICATIONS	INCREASES	DECREASES	31.12.05
Land	45.7	–	–	–	45.7
Buildings	58.0	–	–	–	58.0
Technical facilities	140.7	(2.3)	10.3	(2.7)	146.0
Technical facilities held under finance leases	12.7	0.6	–	(0.1)	13.2
Other property, plant and equipment	91.7	(6.3)	6.6	(3.4)	88.6
PP&E held under finance leases	1.6	–	0.3	(0.3)	1.6
Fixed assets under construction	1.9	(2.6)	2.9	–	2.2
Gross value	***352.3***	***(10.6)***	***20.1***	***(6.5)***	***355.3***
Buildings	(9.1)	–	(2.4)	1.6	(9.9)
Technical facilities	(112.5)	3.2	(12.3)	2.4	(119.2)
Technical facilities held under finance leases	(8.9)	–	(1.7)	0.1	(10.5)
Other property, plant and equipment	(62.5)	4.6	(8.2)	3.2	(62.9)
PP&E held under finance leases	(1.0)	–	(0.3)	0.2	(1.1)
Depreciation	***(194.0)***	***7.8***	***(24.8)***	***7.5***	***(203.6)***
Net value – continuing operations	**158.3**	**(2.8)**	**(4.7)**	**1.0**	**151.7**
Net value – TPS	**49.9**	**(2)**	**(1.2)**	**(0.2)**	**46.5**

7-4. Investments in associates

Investments in associates as reported in the balance sheet relate to the following companies:

(€M)	COUNTRY	01.01.05	SHARE OF NET PROFIT/(LOSS)	31.12.05
Metro France Publications	France	11.1	0.1	11.2
Europa TV	Italy	21.8	(6.0)	15.8
Prima TV	Italy	12.2	0.4	12.6
Total investments in associates		**45.1**	**(5.5)**	**39.6**

The table below gives summary financial information about investments in associates:

TF1 GROUP SHARE (€M)	METRO FRANCE PUBLICATIONS	PRIMA TV	EUROPA TV
Non-current assets	0.2	0.6	0.3
Current assets	6.8	7.0	6.8
Total Assets	**7.0**	**7.6**	**7.1**
Shareholders' equity	0.1	3.0	(4.5)
Non-current liabilities	1.2	0.0	0.0
Current liabilities	5.7	4.6	11.6
Total Liabilities	**7.0**	**7.6**	**7.1**
Turnover	9.3	9.8	3.8
Operating profit	0.1	0.0	(6.2)

7-5. Other financial assets

(€M)	01.01.05	CHANGE IN SCOPE OF CONSOLIDATION, RECLASSIFICATIONS	INCREASES	DECREASES	31.12.05
Investments in and loans to non-consolidated companies	8.7	(0.2)	0.1	(2.5)	6.1
Loans	0.3	–	13.3	(0.8)	12.8
Deposits and caution money	1.6	–	0.6	(0.1)	2.1
Net value – continuing operations	**10.6**	**(0.2)**	**14.0**	**(3.4)**	**21.0**
Net value – TPS	**0.1**	**–**	**0.2**	**–**	**0.3**

Impairment testing of equity investments in non-consolidated companies indicated no evidence of impairment.

Equity investments in non-consolidated companies comprise:

(€M)	GROSS VALUE	IMPAIRMENT	NET VALUE	% INTEREST	TOTAL ASSETS	TOTAL CURRENT AND NON-CURRENT LIABILITIES	TURNOVER	NET PROFIT/LOSS
French companies								
Sylver (1)	3.7	–	3.7	49.0%	9.0	5.2	14.3	2.9
TF1 Publications (2)	0.5	(0.5)	0.0	99.9%	0.0	1.4	0	0.0
Pink TV (2)	0.5	(0.5)	0.0	11.4%	6.6	9.8	0.9	(5.3)
LVH	0.8	(0.8)	0.0	50.0%	–	–	–	–
SHIP (2)	0.8	(0.8)	0.0	27.4%	2.8	0.0	0.0	0.0
Other	1.7	(0.2)	1.5	–	–	–	–	–
Foreign companies								
Soread	1.6	(1.6)	0.0	8.4%	–	–	–	–
Swonke (3)	0.9	(0.5)	0.4	100.0%	0.7	0.0	0.0	0.2
Other	0.5	–	0.5	–	–	–	–	–
Total	**11.0**	**(4.9)**	**6.1**					

(1) 2005 figures; (2) 2004 figures; (3) 2003 figures.

7-6. Non-current tax assets

(€M)	01.01.05	CHANGE IN SCOPE OF CONSOLIDATION, RECLASSIFICATIONS	INCREASES	DECREASES	31.12.05
Deferred tax assets	49.0	(0.1)	8.2	–	57.1
Other	–	–	–	–	–
Total continuing activities	**49.0**	**(0.1)**	**8.2**	**–**	**57.1**
TPS	**3.4**	**–**	**0.9**	**–**	**4.3**

The main sources of deferred tax assets are as follows:

(€M)	CONTINUING OPERATIONS	TPS
Non-deductible provisions	33.9	1.2
comprising: drama programmes provision	9.0	–
provisions for retirement benefit obligations	8.7	0.2
provisions for trade debtors and deferred charges	6.1	–
other provisions	10.1	1.0
Statutory employee profit-sharing scheme	4.6	–
Unused tax losses	11.9	–
Other	6.7	3.1
Total	**57.1**	**4.3**

Movements in deferred tax assets during the period were as follows:

CONTINUING OPERATIONS (€M)	DEFERRED TAX ASSETS 01.01.05	CHANGE IN SCOPE OF CONSO-LIDATION	OTHER MOVEMENTS	DEFERRED TAX ASSETS 31.12.05
Unused tax losses	0.0	–	11.9	11.9
Temporary differences	49.0	(0.1)	(3.7)	45.2
Total	**49.0**	**(0.1)**	**8.2**	**57.1**

The main movement during the year was the recognition of deferred tax assets related to tax losses that became available for carry-forward indefinitely and for which offset against future profits is highly probable.

The impact of TPS on deferred tax assets at December 31, 2005 was €4.3 M, and was due to temporary differences.

The table below shows the estimated period to recovery of deferred tax assets:

(€M)	LESS THAN 2 YEARS	2 TO 5 YEARS	MORE THAN 5 YEARS	TOTAL
Deferred tax assets	42.3	5.9	8.9	57.1

Unrecognised deferred tax assets amounted to €42.4 M (compared with €62.9 M at December 31, 2004), and comprise tax losses and deferred tax depreciation the recovery of which is not sufficiently probable to justify recognition.

7-7. Programmes and broadcasting rights

The table below shows the movement in programme and broadcasting rights inventory, valued in accordance with the accounting policy described in note 2-16.

(€M)	01.01.05	CHANGE IN SCOPE OF CONSOLIDA-TION, RECLAS-SIFICATIONS	OTHER MOVEMENTS, NET	31.12.05
TF1 channel	627.4	(4.3)	18.2	641.3
TF6	2.8	–	0.1	2.9
Série Club	1.6	–	(0.3)	1.3
Odyssée	0.8	–	–	0.8
Histoire	0.6	–	(0.1)	0.5
TV Breizh	3.8	–	1.0	4.8
Ushuaïa TV	–	0.7	–	0.7
Monégasque Des Ondes	–	3.0	(0.8)	2.2
Gross value	**637.0**	**(0.6)**	**18.1**	**654.5**
Impairment	(123.6)	0.6	(21.0) (1)	(144.0)
Net value – continuing operations	**513.4**	**0.0**	**(2.9)**	**510.5**
Net value – TPS	**22.0**	**–**	**8.2**	**30.2**

(1) €75.8 M of charges to impairment losses net of €54.8 M of reversals of impairment losses.

The table below shows the maturity of broadcasting and sports transmission rights acquisition contracts entered into by TF1 to secure future programming schedules:

(€M)	LESS THAN 1 YEAR	1 TO 5 YEARS	MORE THAN 5 YEARS	TOTAL 2005	TOTAL 2004
Programmes and broadcasting rights (1)	490.9	850.3	292.1	1,633.3	1,024.5
Sports transmission rights	212.5	456.8	270.7	940.0	494.2
Total	**703.4**	**1,307.1**	**562.8**	**2,573.3**	**1,518.7**

(1) From 2005, these contracts include output deal contracts signed by TF1 SA.

Some of these contracts are expressed in foreign currencies: €30.5 M in Swiss francs, €88.8 M in pounds sterling and €417.7 M in US dollars.

Programmes and broadcasting rights:

These contracts are valued in accordance with the accounting policy described in note 2-16, and relate primarily to TF1 SA (€1,277.2 M) and TPS (€236.2 M).

Sports transmission rights:

These commitments relate to TF1 SA (€608.9 M), Eurosport (€314.2 M) and TPS (€17.0 M).

7-8. Trade and other debtors

(€M)	31.12.05 GROSS VALUE	IMPAIRMENT	NET VALUE	31.12.04 NET VALUE
Supplier prepayments	280.4	(1.4)	279.0	241.6
Trade debtors	678.6	(11.3)	667.3	611.9
Other operating debtors (1)	219.9	–	219.9	190.1
Other debtors (2)	99.3	(40.9)	58.4	56.2
Prepayments	28.1	–	28.1	20.5
Total – continuing operations	**1,306.3**	**(53.6)**	**1,252.7**	**1,120.3**
TPS	**120.8**	**(6.3)**	**114.5**	**96.7**

(1) Primarily amounts due to the government, local authorities, employees and social security authorities.

(2) Primarily TF1 Vidéo guaranteed minimums.

7-9. Cash and cash equivalents

This item comprises:

(€M)	31.12.05
Cash	35.0
Money-market mutual funds	43.1
Treasury current account with TPS	92.9
Other treasury current accounts (1)	4.8
Total cash and cash equivalents – continuing operations	**175.8**
TPS cash and cash equivalents	3.9
Elimination of 66% of currency account with TF1	(61.3)
Total cash and cash equivalents – held-for-sale operations	**(57.4)**

(1) These accounts are with associates and non-consolidated companies.

As of December 31, 2005, the TF1 Group did not hold any financial assets for treasury management purposes.

7-10. Consolidated shareholders' equity

7-10-1. TF1 share capital

As of December 31, 2005, the share capital of TF1 SA comprised 214,052,129 ordinary shares, all fully paid. Movements in share capital during 2005 were as follows:

	01.01.05	INCREASES	DECREASES	AU 31.12.05
Shares	214,759,729	662,400	(1,370,000)	214,052,129
Total number of shares	214,759,729	662,400	(1,370,000)	214,052,129
Par value	€0.2	€0.2	€0.2	€0.2
Share capital (in euros)	**42,951,946**	**132,480**	**(274,000)**	**42,810426**

7-10-2. Changes in shareholders' equity not affecting the profit and loss account

7-10-2-1. Changes in specific reserves

(€M)	31.12.04	CHANGE	31.12.05
Treasury shares (1)	(7.4)	–	(7.4)
Financial instruments designated as cash flow hedges (2)	(0.8)	–	(0.8)
Cumulative translation adjustment (3)	0.1	(0.1)	0.0
Share-based payment (4)	3.8	4.9	8.7

(1) The treasury shares reserve comprises the cost of TF1 SA shares held by the TF1 Group. During 2005, TF1 carried out two share buy-backs followed by cancellation of the repurchased shares, details of which are as follows:

DATE	NUMBER OF SHARES	AMOUNT (€M)
15/02/05	700,000	17.5
27/05/05	670,000	15.1
Total	**1,370,000**	**32.6**

(2) This reserve is used to recognise changes in the fair value of the effective portion of financial instruments designated as cash flow hedges.

(3) The cumulative translation adjustment at January 1, 2004 was transferred to consolidated reserves as of that date using the option allowed under IFRS 1.

The cumulative translation adjustment at December 31, 2005 therefore represents translation adjustments since that date.

The main translation adjustments arising in 2005 related to foreign companies whose financial statements are expressed in pounds sterling, Swedish krona and Hong Kong dollars.

(4) The matching entry for the movement in this reserve during the period is charged to "Staff costs" in the profit and loss account.

7-10-2-2. Dividends

Dividends paid by the parent company are as follows:

	31.12.05	31.12.04
Total dividend paid (€M)	138.7	139.0
Dividend paid per ordinary share (€M)	0.65	0.65

7-11. Net debt

Net debt as reported by the TF1 Group comprises the following items:

(€M)	31.12.05	31.12.04
Cash and cash equivalents	175.8	155.7
Financial assets held for treasury management purposes	0.0	0.0
Total cash and cash equivalents (A)	***175.8***	***155.7***
Fair value of interest rate derivative instruments (B)	***11.9***	***10.5***
Non-current debt	513.3	511.9
Current debt	26.0	49.6
Total debt (C)	***539.3***	***561.5***
Net debt (C) – (B) – (A) continuing operations	***351.6***	***395.3***
TPS	**106.0**	**18.4 (1)**
Net debt: TF1 Group	**457.6**	**413.7**

(1) Since TPS was not shown in the 2004 balance sheet in accordance with IFRS 5, the €18.4 M relates solely to the share (66%) of TPS's net debt at December 31, 2004 due to third parties. The 66% share of TPS's total net debt amounted to €114.5 M. The difference between €18.4 M and €114.5 M corresponds to the amount of TPS's financing provided by shareholders' current accounts.

The TF1 Group has issued €500 M of fixed-rate bonds maturing 2010. Of this issue, €300 M is hedged against interest rate risk. The effective interest rate of the bonds at December 31, 2005 was 4.53% before hedging and 3.45% after hedging.

The fair value of this bond recognised in the balance sheet at December 31, 2005 was €509.3 M. This value, determined by discounting future cash flows on the basis of interest rates as of December 31, 2005 and factoring in credit risk, breaks down as follows:

(€M)	31.12.05
Value on redemption (nominal value)	500.0
Issue premium and issue costs	(4.6)
Amortisation of issue premium and issue costs (amortised cost)	1.3
Remeasurement of fair value of the liability	12.6
Fair value of bond issue	**509.3**

The table below shows the net debt of the TF1 Group by type and maturity at December 31, 2005:

(€M)	LESS THAN 1 YEAR	MATURITY 1 TO 5 YEARS	MORE THAN 5 YEARS	TOTAL
Bond issue	–	509.3	–	509.3
Finance lease obligations	–	2.0	0.3	2.3
Other	–	0.8	0.9	1.7
Subtotal: non-current debt	***0.0***	***512.1***	***1.2***	***513.3***
Finance lease obligations	1.1	–	–	1.1
Confirmed bilateral credit facilities (1)	7.7	–	–	7.7
Current accounts and other items	13.5	–	–	13.5
Accrued bond interest	2.9	–	–	2.9
Bank overdrafts	0.8	–	–	0.8
Subtotal: current debt	***26.0***	***–***	***–***	***26.0***
Interest rate derivative instruments	0.0	–	–	0.0
Total debt	**26.0**	**512.1**	**1.2**	**539.3**
Cash	(35.0)	–	–	(35.0)
Short-term investments	(43.1)	–	–	(43.1)
Treasury current accounts	(97.7)	–	–	(97.7)
Interest rate derivative instruments	–	(11.9)	–	(11.9)
Net debt – continuing operations	**(149.8)**	**500.2**	**1.2**	**351.6**
TPS	**95.6**	**10.4**	**–**	**106.0**
Net debt: TF1 Group	**(54.2)**	**510.6**	**1.2**	**457.6**

(1) Included Telema: €7.6 M

For an analysis of the TF1 Group's exposure to liquidity risk, refer to note 10-3-2 below.

The split of net debt between fixed-rate and floating-rate, after taking account of all interest rate hedges in place at the balance sheet date, is as follows:

	31.12.05
Fixed-rate debt	80.5%
Floating-rate debt	19.1%
No interest rate exposure	0.4%

For details, refer to note 10-3-2.

For an analysis of the sensitivity of the TF1 consolidated financial statements to interest rate movements, see note 10-3-4 below.

None of the debt carried by the TF1 Group is subject to pledges, guarantees or collateral.

7-12. Non-current provisions

These provisions are established in accordance with the accounting policy described in note 2-21. Movements during the period were as follows:

(€M)	**01.01.05**	CHANGE IN SCOPE OF CONSO-LIDATION, RECLAS-SIFICATION	CHARGES AND INCREASES	REVERSALS USED	REVERSALS UNUSED	**31.12.05**
Retirement benefit obligations	23.9	0.2	4.7	(2.0)	(1.2)	25.6
Long-service leave	5.5	0.1	1.5	(0.5)	(0.3)	6.3
Other provisions	0.3	(0.1)	0.4	–	–	0.6
Total – continuing operations	**29.7**	**0.2**	**6.6**	**(2.5)**	**(1.5)**	**32.5**
TPS	**0.4**	**0.2**	**–**	**–**	**–**	**0.6**

7-12-1. Provisions for retirement benefit obligations

EXPENSES RECOGNISED IN THE PROFIT AND LOSS ACCOUNT

(€M) **2005**	CONTINUING OPERATIONS	TPS
Current service cost	(1.6)	(0.1)
Interest expense on obligation	(0.9)	immaterial
Expected return on plan assets	0.1	immaterial
Actuarial gains/losses recognised, net	(1.2)	immaterial
Past service cost	–	–
Expense recognised	**(3.7)**	**(0.1)**
of which: charged to provisions	(1.5)	immaterial
benefits recognised as expense	(2.2)	0.0
Actual return on plan assets	***0.1***	***0.0***

AMOUNTS RECOGNISED IN THE BALANCE SHEET

(€M)	**31.12.05**	31.12.04
Present value of obligation	28.2	26.4
Fair value of plan assets	(2.6)	(2.5)
Unrecognised actuarial gains/losses, net	–	–
Unrecognised past service cost	–	–
Net liability recognised – continuing operations	**25.6**	**23.9**
TPS	**0.6**	**0.4**

MAIN ACTUARIAL ASSUMPTIONS

	31.12.05	31.12.04
Discount rate	3.4%	3.6%
Expected rate of return on plan assets	4.0%	4.0%
Salary inflation	2.0%	2.0%

7-13. Non-current tax liabilities

Movements in deferred tax liabilities by source were as follows:

(€M)	DEFERRED TAX LIABILITIES 01.01.05	MOVEMENT	DEFERRED TAX LIABILITIES 31.12.05
Accelerated tax depreciation	48.3	(13.4)	34.9
Head office depreciation period	10.3	(0.6)	9.7
Other temporary differences	3.4	0.6	4.0
Total – continuing operations	**62.0**	**(13.4)**	**48.6**
TPS	**0.6**	**0.3**	**0.9**

TPS deferred tax liabilities relate to accelerated tax depreciation.

7-14. Trade and other creditors

(€M)	31.12.05	31.12.04
Trade creditors	694.1	690.7
Advance payments received	8.4	11.3
Tax and employee-related liabilities	340.1	294.1
Amounts due in respect of non-current assets	70.8	18.4
Other creditors	251.0	240.8
Investment grants	9.4	5.8
Deferred and prepaid income and similar items	29.7	19.2
Total	**1,403.5**	**1,280.3**
TPS	**270.1**	**252.7**

Tax and employee-related liabilities mainly comprise VAT and corporate income taxes payable.

The change in "Other creditors" was mainly due to an increase in the accrual for credit notes to be issued to advertisers.

Investment grants mainly comprise grants from the French National Centre for Cinematography to TF1 Films Production. The amount released to the profit and loss account in 2005 was €13.0 M, compared with €7.7 M in 2004.

"Deferred and prepaid income and similar items" mainly comprises prepaid income (including for TPS €32.7 M of advance subscriptions).

7-15. Current provisions

(€M)	01.01.05	CHANGE IN SCOPE OF CONSOLIDATION, RECLASSIFICATION	CHARGES AND INCREASES	REVERSALS USED	REVERSALS UNUSED	31.12.05
Provisions for disputes (1)	20.6	(0.6)	20.2	(1.5)	(8.0)	30.7
Other provisions (2)	9.3	0.1	7.9	(2.0)	–	15.3
Total – continuing operations	**29.9**	**(0.5)**	**28.1**	**(3.5)**	**(8.0)**	**46.0**
TPS	**28.2**	**–**	**6.9**	**(1.7)**	**(4.3)**	**29.1**

(1) Provisions for disputes comprise (€M):

• provisions for disputes with customers	5.3
• provisions for other legal disputes with private-sector companies	6.4
• provisions for disputes with government agencies and public bodies	17.7
• provisions for disputes with employees	1.3
Total	30.7

(2) Other provisions relate to the following risks and charges (€M):

• risks associated with "SOFICAs" (tax-efficient film industry investment vehicles)	12.5
• restructuring and other	2.6
• related companies	0.2
Total	15.3

No material contingent liabilities (i.e. disputes liable to result in a possible outflow of resources) were identified as of the balance sheet date.

The provisions recorded by TPS cover the following risks and charges (€M):

• replacement of cards due to illegal copying	5.4
• lost or stolen set-top boxes	2.9
• disputes with government agencies and public bodies	15.5
• disputes with private-sector companies	4.0
• other	1.3
Total	29.1

7-16. Debtors and creditors by maturity

The maturity of amounts included in debtors and creditors is as follows:

CONTINUING OPERATIONS (€M)	LESS THAN 1 YEAR	1 TO 5 YEARS	MORE THAN 5 YEARS	TOTAL
Trade and other debtors	1,232.2	20.5	0.0	1,252.7
Trade and other creditors	1,403.5	0.0	0.0	1,403.5

TPS (€M)	LESS THAN 1 YEAR	1 TO 5 YEARS	MORE THAN 5 YEARS	TOTAL
Trade and other debtors	106.5	7.9	0.0	114.4
Trade and other creditors	212.8	32.1	25.2	270.1

8. Notes to the consolidated profit and loss account

8-1. Operating revenues

Operating revenues comprise:

(€M)	31.12.05	31.12.04
Advertising revenues	1,790.4	1,781.1
Distribution of consumer products	281.7	289.3
Subscriptions	0.0	0.0
Cable and satellite revenues	225.4	191.9
Production/distribution of audiovisual rights	98.0	104.4
Turnover from other activities	112.9	134.5
Impact of held-for-sale operations	365.5	348.4
Total turnover	**2,873.9**	**2,849.6**
Royalty income	0.5	3.2
Total operating revenues	**2,874.4**	**2,852.8**

8-2. External production costs

External production costs comprise costs incurred on programmes acquired from third parties and broadcast on TF1 Group channels (TF1 TPS, and the theme channels TV Breizh, TMC, TF6, Série Club, Odyssée, TFOU, Histoire and Ushuaïa TV).

The increase in this item relative to 2004 was mainly due to bought-in dramas broadcast on the TF1 channel.

8-3. Other purchases and changes in inventory

This line consists of the following items:

(€M)	31.12.05	31.12.04
Purchases of services	(249.4)	(270.6)
Purchases of broadcasting rights	(78.0)	(69.7)
Purchases of goods	(58.2)	(52.6)
Other	(10.2)	(60.7)
Impact of held-for-sale operations	(56.7)	(62.6)
Total	**(452.5)**	**(516.2)**

The main reason for the decrease in this item relative to 2004 was a reduction in rights acquisition costs and production costs for sports programmes.

8-4. Staff costs

Staff costs comprise:

(€M)	31.12.05	31.12.04
Salaries and wages	(236.1)	(228.9)
Social security charges	(106.1)	(101.2)
Other staff costs	(1.4)	(2.6)
Statutory employee profit-sharing	(13.6)	(16.2)
Share options	(4.9)	(3.8)
Impact of held-for-sale operations	(35.3)	(30.4)
Total	**(397.4)**	**(383.1)**

The cost of share options recognised in "Staff costs" breaks down as follows:

(€M)	GRANT DATE	MINIMUM RETENTION PERIOD	TOTAL FAIR VALUE	STAFF COSTS 2005	STAFF COSTS 2004
Plan nº. 7	12/03/2003	3 years	10.2	3.4	3.4
Plan nº. 8	16/09/2004	3 years	4.6	1.5	0.4
Total				**4.9**	**3.8**

The assumptions used in calculating the cost of share options were as follows:

	MODEL USED	REFERENCE SHARE PRICE	EXERCISE PRICE	EXPECTED VOLATILITY	AVERAGE MATURITY	RISK-FREE RATE	PAYOUT RATIO	LIQUIDITY DISCOUNT	FAIR VALUE PER OPTION
Plan no. 7	Black-Scholes	€20.48	€20.20	29%	6.8 years	3.49%	2.60%	(15%)	€4.69
Plan no. 8	Black-Scholes	€23.66	€23.46	26%	6.6 years	3.65%	2.75%	(15%)	€4.83

The average maturity used is lower than the contractual life of the option in order to take account of exercises by grantees ahead of the contractual expiry date. The volatility assumptions used are consistent with the implied volatility reflected in the price offered at the date of grant by leading banks for TF1 share options with the same maturity.

Total employees of the TF1 Group at each balance sheet date by business segment were as follows:

	2005	2004
Broadcasting France	2,579	2,475
Distribution	610	552
Broadcasting International	561	502
Audiovisual Rights	185	170
Other activities	0	75
Total employees	**3,935**	**3,774**

The table below shows the split of employees by grade, based on the classifications defined in the collective agreement for the French communication and audiovisual production industry:

	2005	2004
Clerical, administrative and manual	50	79
Supervisory	852	812
Managerial	2,512	2,389
Journalists	521	494
Total employees	**3,935**	**3,774**

The tables above show the number of employees of fully-consolidated and proportionately-consolidated companies at the balance sheet date.

8-5. External expenses

External expenses comprise:

Year ended (€M)	**31.12.05**	31.12.04
Subcontracting	(148.4)	(149.0)
Rent and associated charges	(48.4)	(50.8)
Agents' fees and professional fees	(108.4)	(104.0)
Advertising, promotion and public relations	(103.8)	(92.8)
Other external expenses	(66.3)	(77.9)
Impact of held-for-sale operations	(139.1)	(137.1)
Total	**(614.4)**	**(611.6)**

8-6. Other operating income and expenses

Other operating income and expenses comprise:

Year ended (€M)	**31.12.05**	31.12.04
Royalties and paybacks to rights-holders	(80.2)	(80.5)
Reversal of unused provisions	18.5	12.2
In-house production capitalised, cost transfers	22.5	32.3
Bad debts written off	(5.0)	(4.9)
Operating grants	13.0	7.7
Other operating income and expenses	(2.9)	(11.5)
Impact of held-for-sale operations	(4.2)	4.3
Total	**(38.3)**	**(40.4)**

8-7. Cost of net debt

The cost of net debt comprises the following items:

Year ended (€M)	**31.12.05**	31.12.04
Interest expense on debt	(19.8)	(24.1)
Change in fair value of bond issue	0.3	(11.3)
Change in fair value of swap (bond issue)	(0.4)	11.7
Change in fair value of other swap contracts	2.6	3.0
Impact of held-for-sale operations	(1.8)	(1.8)
Cost of debt	**(19.1)**	**(22.5)**
Proceeds on disposals of short-term investments, net of impairment losses	3.2	3.8
Income from short-term investments	0.1	0.1
Interest income/(expense) on cash, cash equivalents and current accounts	1.7	(0.4)
Impact of held-for-sale operations	(1.5)	(1.5)
Income from cash and cash equivalents	**3.5**	**2.0**
Cost of net debt	**(15.6)**	**(20.5)**

8-8. Other financial income and expenses

Other financial income and expenses comprise:

Year ended (€M)	**31.12.05**	31.12.04
Dividends	1.4	1.7
Change in value of forward currency purchase contracts	4.4	(1.8)
Impairment of financial assets	(2.6)	(0.8)
Other	(2.6)	5.3
Impact of held-for-sale operations	1.6	(2.5)
Total	**2.2**	**1.9**

8-9. Income tax expense

Year ended (€M)	31.12.05	31.12.04
Current income taxes	(137.2)	(149.0)
Deferred income taxes	21.7	11.5
Impact of held-for-sale operations	(1.1)	1.3
Total income tax expense	**(116.6)**	**(136.2)**

The tax rates used in the deferred tax calculation for the year ended December 31, 2005 were 34.43% (standard rate) and 8.26% (reduced rate).

TAX PROOF

Year ended	31.12.05	31.12.04
Net profit	***236.3***	***224.7***
Added back:		
Income tax expense	(116.6)	(136.2)
Share of profits/losses of associates	(5.6)	(5.0)
Minority interests	1.6	1.5
Net profit before tax, minority interests and associates	**356.9**	**364.4**
Standard tax rate in France	***34.9%***	***35.4%***
Capital gain on Visiowave shares and current account	(1.9%)	–
Amortisation/impairment of goodwill	–	1.0%
Recognition of tax losses available for carry-forward indefinitely	(3.3%)	–
Tax losses not liable to tax	1.4%	1.5%
Offset of tax losses and tax credits	(1.6%)	–
Effect of tax reassessments	3.3%	–
Other differences, net	(0.1%)	(0.6%)
Effective tax rate	**32.7%**	**37.4%**

TF1 made a group tax election on January 1, 1989, and has renewed this election regularly since that date. Tax savings arising from the use of the tax losses of subsidiaries included in the group tax election are passed on to the relevant subsidiary in all cases.

8-10. Earnings per share

8-10-1. Basic earnings per share

Basic earnings per share was calculated on the basis of net profit for the year attributable to ordinary shareholders of €236.3 M (2004: €224.7 M), and of the weighted average number of ordinary shares outstanding during the year.

	2005	2004
Number of shares on January 1,	214,759,729	215,154,149
Effect of treasury shares	(251,537)	(1,245,387)
Increase in share capital on exercise of share options *(time-weighted)*	551,321	243,006
Reduction in share capital related to share buy-backs *(time-weighted)*	(1,015,699)	(69,130)
Other effects	–	146,647
Weighted average number of ordinary shares	**214,043,814**	**214,229,285**

8-10-2. Diluted earnings per share

Because potentially dilutive ordinary shares have no adjusting effect on net profit for the year, diluted earnings per share was calculated on the basis of net profit for the year attributable to ordinary shareholders of €236.3 M (2004: €224.7 M), and the weighted average number of ordinary shares outstanding during the year adjusted for the effects of all potentially dilutive ordinary shares.

	2005	2004
Weighted average number of ordinary shares	214,043,814	214,229,285
Dilutive effect of share option plans	186,301	771,930
Average number of ordinary shares after dilution	**214,230,115**	**215,001,215**

9. Notes to the consolidated cash flow statement

9-1. Definition of cash position

The cash flow statement analyses movements in the net cash position, which includes net cash of continuing operations and the impact of held-for-sale operations on cash.

(€M)	31.12.05	31.12.04
Cash and cash equivalents in the balance sheet	175.8	158.9
Bank overdrafts	(0.8)	(16.6)
Impact of held-for-sale operations on cash (1)	(57.4)	–
Cash position at end of period, as reported in cash flow statement	**117.6**	**142.3**

(1) Comprises: TPS cash and equivalents 3.9
treasury current account between TF1 and TPS (61.3)

9-2. Capital expenditure with no cash outflow

Two new finance leases were contracted in 2005. In accordance with the policy described in note 2-13-2, the accounting treatment applied involved the recognition of:

- an asset, recorded in property, plant and equipment;
- a matching liability, recorded in debt.

Because these transactions involved no cash outflow, they are not shown in the cash flow statement, in accordance with IAS 7. Consequently, they do not appear on the "Capital expenditure" or "Change in net debt" lines in the cash flow statement.

The finance leases contracted during 2005 represent a total amount of €0.9 M.

9-3. Change in debt

The impact on the TF1 Group's cash position during 2005 of changes in debt breaks down as follows:

Credit facility drawdowns: TPS	35.7
Repayment of debt (finance lease obligations) (1)	(9.2)
Other movements	(0.5)
Net change	**26.0**

(1) Represents the debt repayment component of lease payments made during the period.

10. Other information

10-1. Off balance sheet commitments

Off balance sheet commitments are stated at the amount of the outflow or inflow of resources specified in the contract. In the case of renewable contracts, the commitment is measured on the basis of the period until the next renewal date.

A commitment is reciprocal if the future commitment given by the TF1 Group is inseparable from the commitment given by the other party to the contract. In such cases, the commitment given and the commitment received are measured on the basis of the net cash outflow for the TF1 Group.

The tables below give details of the TF1 Group's off balance sheet commitments by type and maturity at December 31, 2005:

COMMITMENTS GIVEN (€M)	LESS THAN 1 YEAR	1 TO 5 YEARS	MORE THAN 5 YEARS	TOTAL **2005**	TOTAL 2004
Image transmission	81.6	301.9	3.1	386.6	446.8
Operating leases	13.6	26.9	0.2	40.7	52.0
Guarantees	0.3	0.7	0.4	1.4	1.5
Other commitments	41.0	58.8	26.7	126.5	130.0
Total	**136.5**	**388.3**	**30.4**	**555.2**	**630.3**

COMMITMENTS RECEIVED (€M)	LESS THAN 1 YEAR	1 TO 5 YEARS	MORE THAN 5 YEARS	TOTAL **2005**	TOTAL 2004
Image transmission	81.6	301.9	3.1	386.6	446.8
Operating leases	13.6	26.9	0.2	40.7	52.0
Guarantees	8.0	–	–	8.0	8.2
Confirmed bilateral credit facilities	90.1	769.8	–	859.9	840.6
Other commitments	33.0	38.5	7.8	79.3	36.3
Total	**226.3**	**1,137.1**	**11.1**	**1,374.5**	**1,383.9**

Image transmission

Image transmission commitments relate to the supply of television broadcasting services (Télédiffusion de France), and to the leasing of satellite capacity and transponders from private-sector companies.

Operating leases

This line shows (in both commitments given and commitments received) the minimum future lease payments under non-cancellable operating leases in place at the balance sheet date. Only leases that are material to the consolidated financial statements are included. Most of the leases included relate to property, in particular the premises occupied by TF1 SA, TPS, and the French companies of the Eurosport group.

Guarantees

This item covers guarantees provided in connection with commercial contracts and leases.

Other commitments

These mainly comprise:

- various equipment and service contracts entered into as part of the ongoing operations of Group companies, in particular TPS set-top box supply contracts and related systems and technical maintenance;
- a financial contribution offered by TPS to France Télécom and Neuf Télécom in connection with the TPSL activity;
- the sale of TF1 call options (see note 2-3 to the TF1 SA individual company financial statements).

None of the non-current assets held by TF1 (intangible assets, property, plant and equipment or financial assets) is subject to any pledge or mortgage.

The TF1 Group had not contracted any complex commitments as of December 31, 2005.

No material off balance sheet commitments, as defined in the applicable accounting standards, are omitted from the above disclosures.

10-2. Principal exchange rates

The principal exchange rates used for the translation of the financial statements of foreign subsidiaries for the year ended December 31, 2005 are as follows:

	CLOSING RATE	AVERAGE RATE
1 Swiss franc	€0.645745	€0.647235
1 pound sterling	€1.459215	€1.464040
1 Hong Kong dollar	€0.109321	€0.103872
1 Swedish krona	€0.106513	€0.107530

NB: the only TF1 subsidiary to use the Swiss franc as its functional currency, Visiowave, was deconsolidated with effect from March 31, 2005. Consequently, the Swiss franc exchange rates used are those for the first quarter of 2005.

10-3. Market risks

10-3-1. Risk management policy

At the end of each year, the Administration and Finance Department sets all budget exchange rates and interest rates for the following year. These rates are approved by the General Management, and become the target rates for hedging purposes.

The markets are tracked daily in real time using dedicated financial information software.

Monthly meetings are held with the General Management to discuss unhedged positions and approve strategies aimed at achieving the target rates.

The TF1 Group manages its exposure to exchange rate and interest rate risk by using hedging instruments such as swap contracts, forward purchases and sales, and currency and interest rate options. Derivative instruments are used solely for hedging purposes and are never used for speculative purposes.

10-3-2. Liquidity risk (including held-for-sale operations)

The TF1 Group has confirmed credit facilities of €921.3 M, mostly expiring in one to five years, and a €500 M bond issue maturing in 2010. As of December 31, 2005, 39% of available credit facilities were drawn down by the Group.

DESCRIPTION (€M)	FIXED/ FLOATING	AUTHORISED FACILITIES EXPIRING LESS THAN 1 YEAR	AUTHORISED FACILITIES EXPIRING 1 TO 5 YEARS	AUTHORISED FACILITIES EXPIRING MORE THAN 5 YEARS	TOTAL	DRAWDOWNS EXPIRING LESS THAN 1 YEAR	DRAWDOWNS EXPIRING 1 TO 5 YEARS	DRAWDOWNS EXPIRING MORE THAN 5 YEARS	TOTAL	AVAILABLE FACILITIES
Confirmed bilateral credit facilities	Floating	135.7	769.8	–	905.5 (1)	45.6	–	–	45.6	859.9
Finance leases	Floating	3.1	12.4	0.3	15.8	3.1	12.4	0.3	15.8	–
Total bank facilities	**–**	**138.8**	**782.2**	**0.3**	**921.3**	**–**	**–**	**–**	**–**	**–**
Bond issue	Fixed/floating	–	500.0	–	500.0	–	500.0	–	500.0	–
Total	**–**	**138.8**	**1,282.2**	**0.3**	**1,421.3**	**48.7**	**512.4**	**0.3**	**561.4**	**859.9**

(1) Including TF1 SA: 715.5 and TPS: 164.7

10-3-3. Credit and counterparty risk (including held-for-sale operations)

The bank loans contracted by the TF1 Group do not contain any clauses requiring maintenance of financial ratios or repayment clauses triggered by credit ratings.

In order to limit counterparty risk, TF1 places investments only with high-quality institutions.

10-3-4. Interest rate risk (including held-for-sale operations)

MATURITY AND FIXED/FLOATING RATE SPLIT OF NET DEBT AT DECEMBER 31, 2005

(€M)	LESS THAN 1 YEAR	1 TO 5 YEARS	MORE THAN 5 YEARS	TOTAL 31.12.05
Fixed-rate	3.1	512.0	0.3	515.4
Floating-rate	58.2	–	–	58.2
No exposure (1)	1.8	12.6	–	14.4
Total debt	**63.1**	**524.6**	**0.3**	**588.0**
Fixed-rate	–	–	–	–
Floating-rate	118.5	–	–	118.5
No exposure (1)	–	11.9	–	11.9
Cash, cash equivalents and floating-rate financial instruments	**118.5**	**11.9**	**0.0**	**130.4**
Net debt	**(55.4)**	**512.7**	**0.3**	**457.6**

(1) Includes fair value remeasurement of €12.6 M.

(2) Fair value of interest rate hedging derivatives.

MATURITY OF INTEREST RATE DERIVATIVE INSTRUMENTS AT DECEMBER 31, 2005

(€M)	LESS THAN 1 YEAR	1 TO 5 YEARS	MORE THAN 5 YEARS	TOTAL	FAIR VALUE
Swap: pay fixed rate	52.8	100.0	–	152.8	0.6
Swap: pay floating rate (1)		300.0	–	300.0	10.9
Total					**11.5**

(1) The TF1 Group has converted €300 M of its bond issue to floating-rate using a swap designated as a fair value hedge.

INTEREST RATE RISK HEDGING AND SENSITIVITY

(€M)	FIXED-RATE	FLOATING-RATE	NO EXPOSURE	TOTAL
Financial liabilities (1)	515.4	58.2	14.4	588.0
Financial assets (2)	–	(118.5)	(11.9)	(130.4)
Net position before hedging	**515.4**	**(60.3)**	**2.5**	**457.6**
Interest rate hedge – swap: pay floating rate	(300.0)	300.0	–	–
Interest rate hedge – swap: pay fixed rate	152.8	(152.8)	–	–
Net position after hedging	**368.2**	**86.9**	**2.5**	**457.6**

(1) Debt plus interest rate hedging derivatives.

(2) Cash and cash equivalents plus interest rate hedging derivatives.

The TF1 Group's interest rate risk management policy is to lock in at fixed rate the portion of total debt corresponding to the Group's financing needs (equivalent to net debt) and to retain or convert any residual net debt as floating-rate, so as to provide inherent balance sheet matching.

After taking account of interest rate hedges in place as of December 31, 2005, the Group had a net fixed-rate debt position of €368.3 M and a net floating-rate debt position of €87.5 M. Consequently, an immediate reduction of one point in the short-term interest rate would increase net financial expense by €0.9 M; this would represent an increase of 5.6% in the cost of net debt for the year ended December 31, 2005.

10-3-5. Foreign exchange risk (including held-for-sale operations)

Foreign exchange derivative instruments

The main purpose of foreign exchange derivative instruments is to hedge foreign-currency programme purchases. The table below breaks down these instruments by currency:

(€M)	CURRENCY	NOMINAL AMOUNT OF HEDGE	FAIR VALUE	OF WHICH DESIGNATED AS FAIR VALUE HEDGE
Forward purchases	USD	44.8	1.9	–
Knock-out forward purchases (1)	USD	12.3	0.8	–
Forward purchases	GBP	13.7	0.3	13.7
Knock-out forward purchases (1)	GBP	6.2	0.1	6.2
Forward purchases	CHF	7.1	0.0	–
Forward sales	other	11.1	0.1	–
Total hedges			**3.2**	**19.9**

(1) A knock-out forward purchase offers a guaranteed minimum exchange rate, but also allows the holder to benefit from favourable exchange rate movements up to an agreed upper limit or "barrier". Once this barrier is crossed, the contract rate returns to the guaranteed minimum.

Notes to the consolidated financial statements

FOREIGN EXCHANGE RISK HEDGING AND SENSITIVITY

AT 2005 CLOSING EXCHANGE RATES (€M)	USD (1)	CHF	GBP (2)	OTHER (3) CURRENCIES	TOTAL
Assets	12.9	(1.3)	8.0	11.3	
Liabilities	(20.9)	(2.3)	(5.0)	(2.5)	
Off balance sheet	(417.7)	(30.5)	(88.8)	–	
Position before hedging	(425.7)	(34.1)	(85.8)	8.8	
Hedges (1)	57.1	7.1	19.9	(11.1)	
Net position after hedging	**(368.6)**	**(27.0)**	**(65.9)**	**(2.3)**	**(463.8)**
Sensitivity	(3.1)	(0.2)	(1.0)	(0.0)	(4.3)

(1) Net exposure in USD: In the course of their business, a number of TF1 Group entities (TF1 TPS, Eurosport) enter into rights acquisition contracts extending over several years, which explains the high level of off balance sheet exposure. These off balance sheet commitments are not hedged in full as it is highly probable that they will be offset by future recurring revenues in USD.

(2) Off balance sheet commitments expressed in GBP relate to the sports transmission rights for the Rugby World Cup and the English *Premier League*.

(3) The principal currencies involved are the Norwegian krone, the Swedish krona and the Danish krone. The net position after hedging arises from hedges for which the underlying hedged item is a future revenue stream not recognised as an off balance sheet commitment.

After taking account of hedges, the net consolidated foreign currency exposure (translated into euros at the closing exchange rate) is €463.8 M. Consequently, the risk of loss on the overall net foreign currency position from a uniform unfavourable movement of €0.01 in the exchange rate against all the currencies involved would be €4.3 M.

10-3-6. Equity risk

TF1 is not exposed to any risk of fluctuations in the price of equity instruments held by the Group.

10-4. Related-party information

10-4-1. Executive compensation

The amount of compensation paid to the eight senior executives of the Group (the three corporate officers and the five heads of corporate functions) during 2005 was €6.5 M, comprising:

Fixed compensation	€4.0 M
Variable compensation	€2.4 M
Benefits in kind	€0.1 M

Additional information:

- the portion of total share option expense for the year relating to these senior executives was €1.1 M;
- the portion of the total retirement benefit obligation relating to these senior executives was €1.9 M.

The Bouygues Group offers the members of its Executive Committee, which includes Patrick Le Lay, a complementary pension of 0.92% of the reference salary for each year of service in the scheme, which represents a post-employment benefit. The expense (invoiced to TF1 by Bouygues) relating to the contribution paid in 2005 to the investment fund of the insurance company which manages the scheme was €0.8 M.

Apart from loans made to senior executives who are also members of the Board of Directors in connection with their duties, no material loans or guarantees were extended to senior executives or members of the Board of Directors.

10-4-2. Transactions with other related parties

Transactions with other related parties (primarily Bouygues SA and its subsidiaries) are summarised below:

(€M)	**2005**	2004
Income	19.1	18.9
Expenses	(17.7)	(17.8)
Debtors	6.4	5.5
Creditors	6.3	6.2

10-5. Dependence on licences

On April 16, 1987, TF1 SA was granted a 10-year licence to use pre-allocated frequencies as a national broadcaster.

Article 28.1 of Law 94-88 of February 1, 1994 stipulates that such licences will be “renewed by the Conseil Supérieur de l’Audiovisuel (CSA), barring a call for tenders, on no more than two occasions, in each case for a period of 5 years, [..] unless [it] judges that sanctions or penalties imposed upon the licence-holder, by virtue of the seriousness of the actions to which such sanctions or penalties relate, justify non-renewal, barring a call for tenders”. On March 26, 1996, the CSA automatically renewed TF1’s initial frequency licence for a period of 5 years. A CSA decision of November 20, 2001 automatically renewed TF1’s licence for the years 2002 to 2007.

Under Article 82 of the Law of September 30, 1986, as amended, this licence has been automatically extended for 5 years (until 2012) under the arrangements for the “simulcast” switchover of the channel to digital terrestrial television. In a decision of June 10, 2003, the CSA amended the TF1 licensing decision and the agreement with TF1 so as to incorporate provisions relating to the switchover of programming to digital terrestrial television.

10-6. Share options

DETAILS OF SHARE OPTION PLANS

	PLAN NO. 3	PLAN NO. 4	PLAN NO. 5	PLAN NO. 6	PLAN NO. 7	PLAN NO. 8
Date of Shareholders' Meeting	12/06/1995	12/06/1995	18/04/2000	18/04/2000	23/04/2002	23/04/2002
Date of Board meeting	18/03/1998	20/09/1999	06/12/2000	11/12/2001	24/02/2003	31/08/2004
Date of grant	18/03/1998	20/09/1999	06/12/2000	11/12/2001	12/03/2003	16/09/2004
Type of plan	subscription	subscription	subscription	subscription	subscription	subscription
Number of shares that may be subscribed or purchased	2,300,000	2,300,000	840,000	2,071,300	2,300,500	1,008,000
• of which: corporate officers	*570,000*	*400,000*	*0*	*550,000*	*550,000*	*0*
• of which: the 10 employees granted the highest number of options	*800,000*	*620,000*	*100,000*	*370,000*	*390,000*	*100,000*
Options exercisable from	18/03/2001	20/09/2002	06/12/2003	11/12/2004	12/03/2006	16/09/2007
Expiration date	18/03/2005	20/09/2006	06/12/2007	11/12/2008	12/03/2010	16/09/2011
Subscription/purchase price	€10.02	€23.27	€53.04	€27.80	€20.20	€23.46
Terms of exercise	Exercisable after 3 years, transferable after 5 years	Exercisable after 3 years, transferable after 5 years	Exercisable after 3 years, transferable after 4 years	Exercisable after 3 years, transferable after 4 years	Exercisable after 3 years, transferable after 4 years	Exercisable after 3 years, transferable after 4 years
Number of shares subscribed at 21/02/06	2,180,000	0	0	0	0	0

10-6-2. Movements in number of options outstanding

	OPTIONS OUTSTANDING AT **01.01.05**	OPTIONS GRANTED	OPTIONS CANCELLED OR LAPSED	OPTIONS EXERCISED	OPTIONS EXPIRED	OPTIONS OUTSTANDING AT **31.12.05**	OPTIONS EXERCISABLE AT **31.12.05**
Number of options	9,002,700	0	(142,000)	(662,400)	0	8,198,300	4,894,800
Weighted average subscription/purchase price (€)	25.07	–	19.54	9.93	–	26.39	29.90
Weighted average share price on date of exercise (€)	–	–	–	25.29	–	–	–

10-7. Emerging markets risk

The operations and results of TF1 have not been affected by crises in emerging markets.

10-8. Post balance sheet events

On 6 January 2006, Vivendi Universal, TF1 and M6 signed an industry agreement intended to combine the French pay-TV activities of the Canal+ group and TPS into a structure controlled by Vivendi Universal.

On completion of this combination, TF1 and M6 will hold 9.9% and 5.1% respectively of the new structure, which will be under the exclusive control of Vivendi Universal.

This agreement is subject to approval from the French competition authorities. If it is approved, TF1 and M6 would have a put option over their interests in the new structure for a 36-month period following completion of the asset transfers required for the combination. This put option will be valued at the higher of:

- €1,130 M (TF1 share: €745.8 M);
- an expert valuation at the date of exercise of the option.

Notes to the consolidated financial statements

10-9. 2003 and 2004 consolidated financial statements (French GAAP)

CONSOLIDATED PROFIT AND LOSS ACCOUNT

(€M)	2004	2003
Turnover	***2,861.5***	***2,768.7***
Net advertising revenue *• TF1* *• Others*	1,781.2 *1,645.5* *135.7*	1,663.2 *1,543.7* *119.5*
Diversification revenue	1,034.1	1,056.1
Technical services revenue	20.1	23.6
Other revenue	26.1	25.8
Operating expenses	***(2,462.7)***	***(2,434.8)***
External production costs	(644.6)	(593.3)
Staff costs	(379.2)	(363.9)
Other operating expenses	(1,340.3)	(1,316.0)
Depreciation, amortisation and provisions (net) • Depreciation • Provisions	 (100.5) 1.9	 (117.5) (44.1)
OPERATING PROFIT	**398.8**	**333.9**
Financial revenue	20.1	15.5
Financial expenses	(38.6)	(29.9)
FINANCIAL LOSS	**(18.5)**	**(14.4)**
PROFIT BEFORE TAX AND EXCEPTIONAL ITEMS	**380.3**	**319.5**
Exceptional items	(1.2)	(8.1)
Goodwill amortisation	(19.3)	(12.0)
Corporate income tax	(136.2)	(114.7)
Share in net earnings of companies consolidated under The equity method	(5.0)	0.0
NET PROFIT BEFORE MINORITY INTEREST	**218.6**	**184.7**
Minority interest	1.5	6.8
NET PROFIT ATTRIBUTABLE TO THE GROUP	**220.1**	**191.5**
Shares in circulation (in thousands)	214,229	213,281
Earnings per share (€)	1.03	0.90
Diluted earnings per share (€)	1.02	0.89

CONSOLIDATED BALANCE SHEET

ASSETS (€M)	31.12.04 NET VALUE	31.12.03 NET VALUE
Intangible fixed assets	***890.1***	***894.9***
Audiovisual rights	92.8	99.7
Other intangible fixed assets	797.3	795.2
Goodwill	***107.8***	***114.9***
Tangible fixed assets	***176.7***	***197.5***
Land	45.7	45.7
Freehold buildings	32.3	34.7
Other tangible assets	98.7	117.1
Financial assets	***55.7***	***13.3***
Investments consolidated under the equity method	45.1	1.0
Investments and loans to associated undertakings	6.4	6.4
Other financial assets	4.2	5.9
FIXED ASSETS	**1,230.3**	**1,220.6**
Programmes and film rights	535.4	693.4
Raw materials and supplies	16.0	10.5
Trade debtors	912.4	621.7
Other debtors and adjustment accounts	372.9	481.7
Marketable securities and cash at bank in hand	160.6	185.1
CURRENT ASSETS	**1,997.3**	**1,992.4**
TOTAL ASSETS	**3,227.6**	**3,213.0**

SHAREHOLDERS' EQUITY AND LIABILITIES (€M)	31.12.04 NET VALUE	31.12.03 NET VALUE
Share capital	43.0	43.0
Share premium	50.0	63.7
Other reserves	638.8	568.0
Profit attributable to the group	220.1	191.5
Shareholders' funds	***951.9***	***866.2***
Minority interest	(0.7)	(0.1)
Provisions for liabilities and charges	88.2	102.9
Financial creditors and borrowings (1) and (2)	572.8	628.3
Trade creditors	891.9	919.1
Other creditors and adjustment accounts	723.5	696.6
Creditors	***2,188.2***	***2,244.0***
TOTAL SHAREHOLDERS' FUNDS AND LIABILITIES	**3,227.6**	**3,213.0**
(1) Including current bank overdrafts	16.6	0.6
(2) Less than one year	58.1	116.3

CONSOLIDATED CASH FLOW STATEMENT

(€M)	31.12.04	31.12.03
1 – Operating activities		
Net profit	218.6	184.7
Depreciation, amortisation and provisions	***95.5***	***155.9***
• Intangible fixed assets	48.0	50.5
• Tangible fixed assets	48.1	58.9
• Financial assets	(6.6)	5.9
• Expense to amortise	1.5	2.0
• Goodwill	19.3	12.0
• Provisions for liabilities and charges	(14.8)	26.6
Investment grants release to revenue	(7.7)	(12.3)
Expense to amortise	0.0	(1.5)
Capital gains/(losses) on disposal of fixed assets	8.1	(3.4)
Change in deferred taxation	(12.0)	(2.8)
Share of investments consolidated under the equity method	5.0	0.0
Cash flow	***307.5***	***320.6***
Stocks	(39.1)	(20.4)
Trade debtors	(11.0)	52.9
Trade creditors	53.4	(54.3)
Net advances from third parties	(12.4)	14.5
Change in working capital needs	***(9.1)***	***(7.3)***
NET CASH INFLOW FROM OPERATING ACTIVITIES	**298.4**	**313.3**
2 – Investing activities		
Purchase of intangible fixed assets	(51.5)	(58.2)
Purchase of tangible fixed assets	(29.5)	(42.0)
Disposal of fixed assets	6.6	5.5
Purchase of financial asset investments	(61.3)	(17.1)
Change in liabilities on purchase of financial asset investments	0.0	(50.2)
Increase/(decrease) in other financial assets	0.2	(1.9)
Increase/(decrease) in fixed assets creditors	1.8	8.9
Consolidation adjustments	(0.2)	1.9
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	**(133.9)**	**(153.1)**
3 – Financing activities		
Increase in shareholders' funds	13.7	20.1
Increase in capital subscribed by minorities	0.0	2.4
Decrease in loans	(79.2)	103.8
Dividends paid	(139.4)	(138.3)
NET CASH OUTFLOW FROM FINANCING ACTIVITIES	**(204.9)**	**(12.0)**
TOTAL INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**(40.4)**	**148.2**
Cash at beginning of period	184.5	36.3
Net inflow/outflow	(40.4)	148.2
Cash at end of period	144.1	184.5

11. Specific information concerning the transition to IFRS

11-1. Standards applied and elective treatments on first-time adoption

11-1-1. Standards applied

For the purposes of the 2004 IFRS financial information presented here, the TF1 Group has applied:

- all IFRS standards and IFRIC interpretations in force as of January 1, 2005 and adopted by the European Union;
- in advance of the mandatory application date: IAS 32 and IAS 39 on financial instruments. The TF1 Group is not affected by any of the paragraphs of IAS 39 not adopted by the European Union.

11-1-2. Elective accounting treatments

The 2004 IFRS financial information has been prepared in accordance with IFRS 1 *("First-Time Adoption of International Financial Reporting Standards")*, which requires retrospective application from January 1, 2004 of the accounting policies used for the preparation of the first financial information to be reported under IFRS. The effect of restatements arising from this retrospective application is taken to equity.

However, the TF1 Group has applied the following elective exemptions from retrospective application, allowed to first-time adopters under IFRS 1:

Business combinations

The TF1 Group has elected not to restate business combinations pre-dating January 1, 2004 in accordance with IFRS 3.

Share-based payment

The TF1 Group has elected to restrict the application of IFRS 2 on share-based payment to equity instruments granted after 7 November 2002 and not fully vested as of December 31, 2003.

Cumulative translation adjustment

The TF1 Group has transferred to consolidated reserves the cumulative translation adjustment as of January 1, 2004 arising on the translation into euros of the financial statements of subsidiaries whose functional currency is not the euro. This reclassification has no effect on the total amount of consolidated shareholders' equity.

In the case of all other IFRS, the values of assets and liabilities in the balance sheet as of January 1, 2004 have been restated retrospectively, as though IFRS had always been applied.

11-2. Reconciliations between French GAAP and ifrs financial statements

11-2-1. Changes in consolidated shareholders' equity between January 1, and December 31, 2004

The table below provides a reconciliation of changes in consolidated shareholders' equity under French GAAP and under IFRS:

(€M)	JANUARY 1, 2004	EXERCISE OF SHARE SUBSCRIPTION OPTIONS	TREASURY SHARE TRANSACTIONS	DIVIDEND DISTRIBUTED	CURRENCY MOVEMENTS	OTHER MOVEMENTS	2004 NET PROFIT	DECEMBER 31, 2004
French GAAP shareholders' equity	**866.1**	**3.7**	**1.1**	**(139.5)**	**0.0**	**1.2**	**218.6**	**951.2**
Restatement of head office	30.9	–	–	–	–	–	–	30.9
Financial instruments	(2.8)	–	–	–	–	(0.8)	1.0	(2.6)
Own equity instruments	2.1	–	–	–	–	(7.0)	(1.3)	(6.2)
Share-based payment	–	–	–	–	–	3.8	(3.8)	0.0
Goodwill	–	–	–	–	–	–	8.6	8.6
Other adjustments	(0.2)	–	–	–	–	(0.2)	0.1	(0.3)
Deferred tax	(8.6)	–	–	–	–	2.5	–	(6.1)
IFRS shareholders' equity	**887.5**	**3.7**	**1.1**	**(139.5)**	**0.0**	**(0.5)**	**223.2**	**975.5**
comprising:								
Minority interests	1.4	–	–	(0.4)	–	1.3	(1.5)	0.8
Attributable to the Group	886.1	3.7	1.1	(139.1)	0.0	(1.8)	224.7	974.7

11-2-2. Profit and loss account for the year ended December 31, 2004

The impact of the transition to IFRS on the profit and loss account has been split into two categories, explained separately:

- restatements which have an impact on consolidated net profit;
- reclassifications which are mainly concerned with the classification of items in the profit and loss account.

(€M)	YEAR TO DECEMBER 2004 FRENCH GAAP	IFRS RESTATE-MENTS	IFRS RECLAS-SIFICATIONS	YEAR TO DECEMBER 2004 IFRS	
Turnover	**2,835.4**	**–**	**14.2**	**2,849.6**	**Turnover**
Other revenue	26.0	–	(22.8)	3.2	Other operating revenue
Total operating revenue	2,861.4				
External production costs	(644.6)	–	–	(644.6)	External production costs
		–	(516.0)	(516.0)	Other purchases and changes in inventory
Staff costs	(379.2)	(3.8)	–	(383.0)	Staff costs
		0.4	(612.0)	(611.6)	External expenses
		–	(130.2)	(130.2)	Taxes other than income taxes
Other operating expenses	(1,340.1)		1,340.1		
Depreciation and amortisation, net	(100.5)	(0.1)	–	(100.6)	Depreciation and amortisation, net
Provisions, net	1.8	(10.8)	(34.4)	(43.4)	Provisions, net
		–	(40.4)	(40.4)	Other operating income and expenses
Total operating expenses	(2,462.6)				
Operating profit	**398.8**	**(14.3)**	**(1.5)**	**383.0**	**Current operating profit**
Financial revenue	20.1		(20.1)	0.0	
Financial expenses	(38.6)	0.5	38.1	0.0	
Financial loss	**(18.5)**	**0.5**	**18.0**		
		2.8	(25.3)	(22.5)	Cost of debt
		–	2.0	2.0	Income from cash and cash equivalents
		2.8	**(23.3)**	**(20.5)**	**Cost of net debt**
		(3.7)	**5.6**	**1.9**	**Other financial income and expenses**
Profit before tax and exceptional items	**380.3**				
Exceptional items	(1.2)		1.2	0.0	
Goodwill amortisation	(19.3)	19.3		0.0	
Corporate income tax	(136.2)	–	–	(136.2)	Income tax expense
Share in net earnings of companies consolidated under the equity method	(4.9)	–	–	(4.9)	Share of profits/losses of associates
Net profit before minority interests	**218.7**	**4.6**	**0.0**	**223.3**	**Net profit from continuing operations**
Minority interests	1.4	–	–	1.4	Minority interests
Net profit	**220.1**	**4.6**	**0.0**	**224.7**	**Net profit**

11-2-3. Balance sheet at December 31, 2004

The impact of the transition to IFRS on the consolidated balance sheet has been split into two categories, explained separately:

- restatements which have an impact on consolidated shareholders' equity;
- reclassifications which are primarily concerned with the classification of items on the balance sheet.

ASSETS (€M)	31/12/04 FRENCH GAAP	2004 RESTATE-MENTS	2004 RECLAS-SIFICATIONS	31/12/04 IFRS	
Intangible fixed assets	**890.1**	**(1.4)**	**(763.6)**	**125.1**	
Audiovisual rights	92.8			92.8	Audiovisual rights
Other intangible fixed assets	797.3	(1.4)	(763.6)	32.3	Other intangible assets
Goodwill	**107.8**	**8.5**	**772.7**	**889.0**	**Goodwill**
Tangible fixed assets	**176.7**	**31.5**		**208.2**	
Land	45.7			45.7	Land
Buildings	32.3	15.2		47.5	Buildings
Other tangible fixed assets	98.7	16.3		115.0	Other tangible fixed assets
Financial assets	**55.7**		**0.0**	**55.7**	
Investments consolidated under the equity method	45.1			45.1	Investments in associates
Investments and loans to associated undertakings	6.4			6.4	Other financial assets
Other financial assets	4.2			4.2	Other financial assets
Non-current tax receivables	0.0	4.4	48.0	52.4	Tax assets
Fixed assets	**1,230.3**	**43.0**	**57.1**	**1,330.4**	**Non-current assets**
Programmes and film rights	535.4			535.4	Programmes and broadcasting rights
Raw materials and supplies	16.0			16.0	Raw materials and supplies
Trade debtors	912.4		306.2	1,218.6	Trade and other debtors
Other debtors and adjustment accounts	372.8	(9.5)	(363.3)	0.0	
Foreign exchange derivative instruments		0.9		0.9	Foreign exchange derivative instruments
Interest rate derivative instruments		11.3		11.3	Interest rate derivative instruments
Marketable securities, cash at bank and in hand	160.7	(1.7)		159.0	Cash and cash equivalents
Current assets	**1,997.3**	**1.0**	**(57.1)**	**1,941.2**	**Current assets**
TOTAL ASSETS	**3,227.6**	**44.0**	**0.0**	**3,271.6**	**TOTAL ASSETS**

LIABILITIES AND EQUITY (€M)	31/12/04 FRENCH GAAP	2004 RESTATE-MENTS	2004 RECLAS-SIFICATIONS	31/12/04 IFRS	
Share capital	42.9	–	–	42.9	Share capital
Share premium	50.0	–	(50.0)	0.0	
Other reserves	638.8	18.3	50.0	707.1	Share premium and reserves
Profit attributable to the group	220.1	4.6	–	224.7	Net profit for year
Shareholders' funds attributable to the group	**951.8**	**22.9**	**0.0**	**974.7**	**Shareholders' equity before minority interests**
Minority interests	(0.7)	1.5	–	0.8	Minority interests
Total shareholders' funds	**951.1**	**24.4**	**0.0**	**975.5**	**Shareholders' equity**
Provisions for liabilities and charges	88.2	–	(58.1)	30.1	Provisions for liabilities and charges
		9.5	514.8	524.3	Long-term debt
		–	62.6	62.6	Non-current tax liabilities
Non-current liabilities	**88.2**	**9.5**	**519.3**	**617.0**	**Non-current liabilities**
Current financial creditors and borrowings	572.8	(0.9)	(514.8)	57.1	Short-term debt
Foreign exchange derivative instruments		4.1	–	4.1	Foreign exchange derivative instruments
Interest rate derivative instruments		2.5	–	2.5	Interest rate derivative instruments
Trade creditors	891.9	–	665.4	1,557.3	Trade and other creditors
Other creditors and adjustment accounts	723.6	4.4	(728.0)	0.0	
			58.1	58.1	Current provisions
Current liabilities	**2,188.3**	**10.1**	**(519.3)**	**1,679.1**	**Current liabilities**
TOTAL LIABILITIES and EQUITY	**3,227.6**	**44.0**	**0.0**	**3,271.6**	**TOTAL LIABILITIES and EQUITY**

11-2-4. Description of the main IFRS restatements

Restatement of head office

IAS 16 requires:

- property, plant and equipment to be depreciated over its expected useful life;
- separate recognition of individually material components of assets.

Applying these principles has resulted in the TF1 Group retrospectively restating the value of its head office premises, based on the parameters shown below:

	GROSS VALUE (€M)	DEPRECIATION PERIOD UNDER FRENCH GAAP	PERIOD UNDER IFRS
Buildings	57.9	15 to 25 years	25 to 50 years (1)
Fixtures and fittings	61.0	10 years	12 to 15 years (1)

(1) according to identified components

In accordance with IAS 16, an estimated residual value of €30.1 M has been attributed to the "Structural" component, which is included in "Buildings".

The result is an increase of €30.9 M in the value of the TF1 head office as measured at the IFRS transition date (January 1, 2004). The impact on equity in the opening balance sheet is split between an amount of €29.3 M attributable to the group and €1.5 M attributable to minority interests, reflecting the fact that the subsidiary that owns the head office is not 100% owned by the Group.

The restatement of the head office has no significant impact on the amortisation charges in 2004.

Derivative financial instruments

Changes in the fair value of financial instruments measured in accordance with IAS 32 and IAS 39 have a net positive effect of €1.0 M (before deferred tax) on IFRS net profit for the year ended December 31, 2004, comprising a positive effect of €3.4 M in "Cost of net debt" and a negative effect of €2.4 M in "Other financial income and expenses".

The impact on the "cost of net debt" breaks down as follows:

change in fair value of bond issue:	(11.3)
change in fair value of fixed-to-floating rate swap (€300 M):	11.6
change in fair value of other interest rate derivative instruments:	3.1
	3.4

The impact on "other financial income and expenses" breaks down as follows:

change in fair value of foreign exchange hedging instruments:	(2.7)
elimination of premium on TF1 cap (€139.5 M) (1)	0.6
elimination of reset to nominal on fixed-to-floating rate swap(2)	(0.4)
other restatements:	0.1
	2.4

(1) included in the change of the value of interest rate derivative instruments

(2) included in the market value of the interest rate derivative instruments

The main effects on the balance sheet are described below:

On the liabilities side, the most significant effect is a change of €9.2 M in the value of the bond issue, primarily as a result of:

- remeasurement at fair value of the hedged portion of the issue (+€12.8 M);
- deduction of issue costs from the nominal value of the issue (-€4.5 M).

On the assets side, the fixed-to-floating rate swap has been recognised at its fair value as of December 31, 2004 (€11.3 M).

Measurement of bond issue at amortised cost

Measuring the bond issue at amortised cost has a negative effect of €0.2 M on IFRS net profit for the year ended December 31, 2004, made up as follows:

elimination of amortisation charged against issue premium (1):	0.4
interest differential (effective rate vs. nominal rate):	(0.6)
	(0.2)

(1) included in the amortised cost of the bond.

Share-based payment

As explained in note 11-1, share subscription plans issued after 7 November 2002 and not fully vested as of January 1, 2004 have been restated in compliance with IFRS 2.

The following plans are affected:

- share option plan no.7, granted on March 12, 2003;
- share option plan no.8, granted on September 16, 2004.

The corresponding expense is recognised in "Staff costs" over the vesting period of the benefits granted, in this case on a straight-line basis over 3 years from the grant date.

This restatement has no impact on shareholders' equity as of January 1, or December 31, 2004, because the matching entry for this expense is an increase in consolidated reserves. The expense recognised in the year ended December 31, 2004 is €3.8 M.

Goodwill

Under French GAAP, the TF1 Group amortised goodwill on a straight-line basis over periods not exceeding 20 years, recording an exceptional amortisation charge if loss in value was indicated by an impairment test. Under IFRS 3, goodwill is no longer amortised. Instead, impairment tests must be performed on a systematic basis in accordance with IAS 36.

The elimination of goodwill amortisation has a favourable effect of €8.5 M on net profit for the year ended December 31, 2004, corresponding to the amount of straight-line goodwill amortisation charged under French GAAP. The impairment losses of €10.8 M on the goodwill relating to Glem and Histoire, identified as a result of impairment tests, have been retained in the IFRS financial statements but reclassified as an operating item.

Finance leases

As of December 31, 2004, the net carrying amount of non-current assets held under finance leases in the TF1 consolidated balance sheet was €43.9 M. These assets mainly comprise set-top boxes leased to TPS subscribers, which were already recognised as assets under French GAAP rules relating to "crédit-bail" leases.

As part of the transition process, an exercise was conducted to identify leases, other than leasing, that qualified as finance leases under IFRS. This resulted in the recognition in the opening balance sheet of non-current assets with a gross value of €1.1 M, and a liability of the same amount recorded in "Debt". The effect of restating these additional leases on net profit for each financial period through the useful lives of these assets is highly immaterial.

As of December 31, 2004, the carrying amount of these assets was €0.6 M, and the corresponding debt was €0.7 M.

Own equity instruments

In accordance with IAS 32, own equity derivative instruments have been reclassified to consolidated reserves. This reclassification applies to two distinct types of transaction:

- The Group has collected premium on the sale of TF1 share purchase options in connection with capital increases reserved for employees ("TF1 Avenir 1" and "TF1 Avenir 2"). Under French GAAP, this premium was recognised as a current liability and released to profit on maturity of the plans. Under IFRS, this premium (an amount of €2.1 M) has been reclassified to consolidated reserves in the opening balance sheet. During the year 2004, the "TF1 Avenir 1" plan matured. The premium arising on the sale of the corresponding call options was taken to the profit and loss account under French GAAP. Under IFRS, the profit and loss impact (an amount to €1.3 M) has been eliminated and the amount involved taken to reserves.
- TF1 has bought TF1 share purchase options to cover share option plan no.8. The call option premium of €7.0 M has been reclassified under IFRS from other debtors

Deferred taxation

The impact of first-time adoption of IFRS on deferred taxation during 2004 corresponds to the tax effects of the various restatements described above. The most significant effect, recognised in the balance sheet as of January 1, 2004, relates to the deferred tax impact of the restatement of the head office.

Restatements of deferred taxation under IFRS do not have a material impact on net profit for the year ended December 31, 2004.

11-2-5. Description of the main IFRS reclassifications

11-2-5-1. Profit and loss account format

The TF1 Group has opted to present its IFRS consolidated profit and loss account in accordance with recommendation 2004-R.02 issued by the French National Accounting Council (the CNC).

In addition to the presentational differences required as a result of applying IAS 1 and other IFRS, which include the deletion of some lines (e.g. exceptional items and goodwill amortisation), adoption of the format recommended by the CNC results in a number of reclassifications, the main ones being:

- The "Other operating expenses" line has been split between "Other purchases and changes in inventory", "Taxes other than income taxes" and "Other operating income and expenses".
- Write-backs of unused provisions and most other items previously recorded in "Other operating revenue" have been reclassified to "Other operating income and expenses".
- "Financial loss" has been split between "Cost of net debt" and "Other financial income and expenses" in accordance with CNC recommendation 2004-R.02.

11-2-5-2. Balance sheet format

In addition to the recognition of assets and liabilities not recognised under French GAAP (in particular financial instruments, as required under IAS 39), the new balance sheet format essentially complies with IAS 1 ("Presentation of Financial Statements").

Applying IAS 1 does not involve major changes to the French GAAP consolidated balance sheet previously published by the TF1 Group. In particular, the current/non-current distinction, which is the preferred treatment under IAS 1 and as such has been adopted by TF1 does not significantly alter the distinctions previously adopted under French GAAP between fixed/current assets and long-term/short-term debt.

Current assets are those that the Group expects to realise or consume in the normal course of its operating cycle. All other assets are non-current assets, in particular deferred tax assets, which under IAS 12 must be classified as non-current. Under French GAAP, deferred tax assets were included in current assets.

Current liabilities are those that the Group expects to settle in the normal course of its operating cycle. All other liabilities are non-current liabilities.

The most significant presentational effects of the current/non-current distinction are on the liabilities side of the balance sheet. In addition to deferred tax liabilities being reclassified as non-current (to be consistent with the treatment of deferred tax assets), the current and non-current portion of debt and provisions for liabilities and charges must be separated, splitting up items previously shown on a single line in the balance sheet.

The TF1 Group believes that the majority of its provisions for liabilities and charges are part of its normal operating cycle. They are therefore classified as current liabilities. The only provisions identified as non-current by the Group are those relating to retirement benefits and long-service leave, which by definition have a remote settlement date.

Debt is split between current and non-current based on its maturity.

11-2-5-3. Reclassification as goodwill of the "business goodwill" recognised as an intangible asset in connection with business combinations

"Business goodwill" recognised as an intangible asset in connection with business combinations under French GAAP (mainly the combinations with the Eurosport and TPS groups) does not meet all the conditions for recognition as an asset under IAS 38. These items have therefore been reclassified in full to "Goodwill" as of the IFRS transition date; the total amount reclassified is €772.7 M.

11-2-6. Main effects of IFRS on the cash flow statement

In presentational terms, the format for the cash flow statement defined in IAS 7 as supplemented by CNC recommendation no. 2004-R.02 is fairly close to that already used by the TF1 Group under French GAAP. The main differences arise from the requirement to present separately cash flows relating to income taxes and net interest paid during the period.

Most of the IFRS restatements made by the TF1 Group have no effect on the net cash position. However, the treatment required under IAS 39 for the bond issue pre-hedging swap contracted by TF1 SA in 2003 has resulted in the transfer of interest received on the fixed leg of the swap to "Financial instruments – assets". This has the effect of reducing the net cash position by €1.7 M in 2004.

The other restatements relate primarily to differences in the measurement of existing assets and liabilities, and secondarily to the recognition of new items in the balance sheet or profit and loss account, neither of which have any effect on cash flows.

12. Scope of consolidation

COMPANY	CURRENCY	NATIONALITY	ACTIVITY	CONTROL % (1)	METHOD OF CONSOLIDATION
BROADCASTING France					
TF1 PUBLICITE	€	French	Marketing of TF1 advertising airtime	100.00	FC
TF1 FILMS PRODUCTION	€	French	Co-production of films	100.00	FC
TELESHOPPING	€	French	Home shopping	100.00	FC
TV BREIZH	€	French	Thematic Channel	73.81	FC
UNE MUSIQUE	€	French	Music publishing	100.00	FC
TF1 PUBLICITE PRODUCTION	€	French	Commercials and promos	100.00	FC
TF6	€	French	Thematic Channel	49.98	PC
TF1 ENTREPRISES	€	French	Merchandising products, edtion, games	100.00	FC
ALMA PRODUCTIONS	€	French	Production of programmes	100.00	FC
EUROSPORT FRANCE	€	French	Selling of the Eurosport channel in France	100.00	FC
EUROSHOPPING TRADING	€	French	Import-Export	100.00	FC
TF1 DIGITAL	€	French	Holding company of the theme channel division	100.00	FC
E-TF1	€	French	Creation/broadcasting of Internet services	100.00	FC
LA CHAINE INFO	€	French	News channel	100.00	FC
GLEM	€	French	Production of programmes	100.00	FC
BAXTER	€	French	Music publishing	100.00	FC
GLEM FILMS	€	French	Co-production of films	100.00	FC
TF6 GESTION	€	French	TF6's management company	50.00	PC
SERIE CLUB	€	French	Thematic Channel (series)	49.99	PC
TOUT AUDIOVISUEL PRODUCTIONS	€	French	Production of programmes	100.00	FC
MONTE CARLO PARTICIPATIONS	€	French	TMC Holding	50.00	PC
TOP SHOPPING	€	French	Shops distribution	100.00	FC
LES NOUVELLES EDITIONS TF1	€	French	Publishing	51.00	FC
LA CHAINE DOCUMENTAIRE	€	French	Thematic channel	100.00	FC
APHELIE	€	French	Real estate leasing	100.00	FC
TF1 PRODUCTION	€	French	Holding company	100.00	FC
YAGAN PRODUCTIONS	€	French	Audiovisual rights	100.00	FC
TF1 HORS-MEDIA	€	French	Off-media promotion	100.00	FC
QUAI SUD	€	French	Production of programmes	75.00	FC
TFOU	€	French	Thematic channel	100.00	FC
HISTOIRE	€	French	Thematic channel	100.00	FC
USHUAIA TV	€	French	Thematic channel	100.00	FC
TMC	€	Monaco	Thematic channel	40.00	PC
MONEGASQUE DES ONDES	€	Monaco	Advertising agency & marketing of TMC program	40.00	PC
INFOSHOPPING	€	French	Infomercials	100.00	FC
SHOPPING A LA UNE	€	French	Online Trading	100.00	FC

(1) There is no difference between the percentage of control and that of shares held.

Notes to the consolidated financial statements

COMPANY	CURRENCY	NATIONALITY	ACTIVITY	CONTROL % (1)	METHOD OF CONSOLIDATION
DISTRIBUTION					
TF1 DEVELOPPEMENT	€	French	Development of digital technology	100.00	FC
TF1 EXPANSION	€	French	Development of digital technology	100.00	FC
TPS	€	French	Selling of TPS programmes	66.00	PC
TPS GESTION	€	French	TPS's management company	66.00	PC
SACAS	€	French	Development of digital technology	100.00	FC
TF1 SATELLITE	€	French	Development of digital technology	100.00	FC
AUDIOVISUAL RIGHTS					
CIBY DROITS AUDIOVISUELS	€	French	Audiovisual rights	100.00	FC
CIBY 2000	€	French	Audiovisual rights	100.00	FC
CIC	€	French	Video distribution	100.00	FC
TF1 VIDEO	€	French	Video distribution	100.00	FC
TF1 INTERNATIONAL	€	French	Audiovisual rights	100.00	FC
TELEMA	€	French	Audiovisual rights production	49.00	PC
TCM DA	€	French	Audiovisual rights	50.00	PC
TCM GESTION	€	French	TCM DA's management company	50.00	PC
REGIE CASSETTE VIDEO	€	French	Video distribution	100.00	FC
INTERNATIONAL RIGHTS					
EUROSPORT SA	€	French	Selling of the Eurosport channel outside France	100.00	FC
EUROSPORT BV	€	Dutch	Selling of the Eurosport channel in Holland	100.00	FC
EUROSPORT TELEVISION LTD	GBP	English	Selling of the Eurosport channel in the UK	100.00	FC
EUROSPORT TV AB	SEK	Swedish	Selling of the Eurosport channel in Sweden	100.00	FC
EUROSPORT MEDIA GMBH	€	German	Selling of the Eurosport channel in Germany	100.00	FC
EUROSALES SCS	€	French	Eurosport advertising agency	100.00	FC
KIGEMA SPORT ORGANISATION LTD	€	English	Car race organization		
			race organisation	100.00	FC
SRW EVENTS LTD	€	English	Car race organization	100.00	FC
EUROSPORT ITALIA	€	Italian	Selling of the Eurosport channel in Italy	100.00	FC
EUROPA TV	€	Italian	Production and distribution of Sportitalia	29.00	CEM
EUROSPORT ASIA LTD	HKD	Hong-Kong	Selling of the Eurosport channel in Asia Eurosport	100.00	FC
LA CHAINE D'INFO INTERNATIONALE	€	French	Thematic channel	50.00	PC
OTHER ACTIVITIES					
SYALIS	€	French	Financing company	100.00	FC
METRO FRANCE PUBLICATIONS	€	French	Publishing	34.30	CEM
PRIMA TV	€	Italian	Multiplexe operator	49.00	CEM

(1) There is no difference between the percentage of control and that of shares held.

Statutory Auditors' report on the consolidated financial statements

Financial year ended december 31, 2005

To the Shareholders,

In accordance with our appointment by your Shareholders' Annual General Meeting, we have audited the accompanying consolidated financial statements of TF1, for the year ended December 31, 2005.

These consolidated financial statements have been approved by the Board of Directors. Our role is to express an opinion on these consolidated financial statements, based on our audit. These financial statements have been prepared for the first time in accordance with IFRSs as adopted by the European Union. They include comparative information for financial year 2004 restated in accordance with the same standards.

1 Opinion on the consolidated financial statements

We conducted our audit in accordance with the professional standards applicable 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 financial statements. An audit also includes assessing the accounting principles used and significant estimates made, 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 consolidated financial statements, prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the financial position and the results of operations of all the entities consolidated.

2 Basis of our conclusion

In conformity with the provisions of Article L. 823-9 of the French Commercial Code which require that we substantiate our conclusions, we bring to your attention the following matters:

- Section 2.15 of the notes presents the method used to depreciate non current assets. Based on the information available, we ensured that the approach adopted by the group was relevant, and that the assumptions made and resulting valuations were reasonable.
- Co-production shares and broadcasting rights are accounted for in accordance with the policy and methods described in section 2.16 of the notes which, in particular, defines amortisation principles and how the provisions for depreciation are to be determined. We ensured that the approach adopted by the group was relevant, and that the assumptions made and resulting valuations were reasonable.

These conclusions were formed as part of our audit of the consolidated financial statements taken as a whole and have therefore contributed to the formation of our unqualified opinion, given in the first part of this report.

3 Specific verification

We also verified the information provided in the group's management report. We have no comments to make as to its fair presentation and its conformity with the consolidated financial statements.

Paris La Défense and Paris, March 16, 2006.

The Statutory Auditors

MAZARS & GUERARD	SALUSTRO REYDEL Member of KPMG International
Michel ROSSE	Jean-Pierre CROUZET

This is a free translation into English of the statutory auditors' report issued in French and is provided solely for the convenience of English speaking users.

TF1 SA Balance Sheet (French GAAP)

ASSETS (€M)	NOTES	2005	2004	2003
Intangible fixed assets	*1.2 and 2.1*	**107.2**	**137.1**	**164.8**
Franchises and similar rights		0.0	0.1	0.1
Brand		0.0	0.0	0.0
Goodwill		0.0	0.0	0.0
Other intangible fixed assets		0.0	0.0	0.0
Co-production ready for broadcasting		48.6	70.0	91.4
Co-production rights available for rebroadcasting		43.3	56.3	45.5
Co-production in progress		15.3	10.7	27.8
Tangible fixed assets	*1.3 and 2.2*	**31.5**	**29.4**	**32.5**
Land		0.0	0.0	0.0
Freehold buildings		0.0	0.0	0.0
Technical facilities and equipment		11.8	8.5	10.7
Other tangible fixed assets		18.2	19.9	18.9
Tangible fixed assets under construction		1.5	1.0	2.9
Financial assets	*1.4 and 2.3*	**988.4**	**967.3**	**979.0**
Investments		722.6	599.4	589.7
Loans to associated undertakings		0.0	0.0	0.0
Other investments held as fixed assets		7.4	9.3	27.6
Loans		257.7	357.9	361.1
Other financial assets		0.7	0.7	0.6
FIXED ASSETS		**1,127.1**	**1,133.8**	**1,176.3**
Inventories	*1.5 and 2.4*	**417.9**	**403.0**	**468.0**
Raw materials and consumables		0.2	0.2	0.6
Goods held for resale		0.0	0.0	0.0
Rights ready for broadcasting		198.0	188.5	213.3
Rights available for rebroadcasting		218.8	212.7	137.1
Broadcasting rights in progress		0.9	1.6	117.0
Prepayments and accrued income	*2.5*	256.9	216.3	2.6
Trade debtors	*1.6 and 2.6.1*	373.7	352.5	344.8
Other debtors	*2.6.2*	370.8	383.8	449.6
Marketable securities and cash at bank and in hand	*1.7 and 2.7*	44.1	142.1	154.5
Prepaid expenses	*2.8*	4.5	4.1	117.7
CURRENT ASSETS		**1,467.9**	**1,501.8**	**1,537.2**
Expenses to be spread over several years		1.0	1.3	1.5
Premium on the redemption of the bond issues		2.1	2.6	3.0
Unrealised losses/gains on foreign exchange		0.1	0.0	0.0
TOTAL ASSETS		**2,598.2**	**2,639.5**	**2,718.0**

SHAREHOLDERS' EQUITY AND LIABILITIES (€M)	NOTES	31.12.05	31.12.04	31.12.03
Share capital		42.8	43.0	43.0
Share premium		24.1	50.0	63.7
Revaluation reserve		0.0	0.0	0.0
Legal reserve		4.3	4.3	4.3
Long-term capital gain reserve		0.0	25.0	25.0
Other reserves		759.0	734.0	734.0
Retained earnings		46.7	29.5	66.9
Net profit for the year		182.3	155.8	101.7
Government grants for investment	*1.8*	0.0	0.0	0.0
Regulated provisions : programme amortisation	*1.9*	84.1	117.9	132.5
SHAREHOLDERS' FUNDS	*2.9*	**1,143.3**	**1,159.5**	**1,171.1**
Provisions for contingencies		4.5	10.6	12.1
Provisions for charges		0.1	0.0	0.0
Other provisions for liabilities		39.2	24.3	29.4
PROVISIONS FOR LIABILITIES AND CHARGES	*1.10, 1.11, 1.12 and 2.10*	**43.8**	**34.9**	**41.5**
Bond loans		504.1	504.0	502.9
Bank borrowings (1)		0.3	16.4	0.0
Other financial creditors (2)		170.5	158.8	233.7
Trade creditors		378.6	392.3	420.9
Tax and social liabilities		165.4	179.6	169.4
Fixed assets creditors		16.9	23.4	2.5
Other creditors		170.5	163.9	166.7
Prepaid income		4.8	5.4	7.7
CREDITORS AND OTHER LIABILITIES	*2.11*	**1,411.1**	**1,443.8**	**1,503.8**
Unrealised losses / gains on foreign exchange		0.0	1.3	1.6
TOTAL SHAREHOLDERS' FUNDS AND LIABILITIES		**2,598.2**	**2,639.5**	**2,718.0**
(1) Including bank overdrafts		0.3	16.4	0.0
(2) Including current accounts with associated companies		170.5	158.8	233.7

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TF1 SA profit and loss account (French GAAP)

(€M)	NOTES	2005	2004	2003
Turnover	*1.14 and 3.1*	**1,736.7**	**1,710.5**	**1,596.2**
Advertising revenue	*3.1*	1,561.0	1,559.2	1,461.3
Technical services		2.3	1.6	1.6
Other operating revenue		16.3	11.3	10.4
Stored production		(0.9)	0.9	(1.3)
In-house production		0.1	0.0	1.5
Operating grant		0.0	0.0	0.0
Depreciation, amortisation and provisions releases		52.8	30.7	26.3
Expense transfers		95.4	98.9	93.5
Other revenue		9.7	7.9	2.9
Operating Expenses		**(1,443.3)**	**(1,352.7)**	**(1,278.0)**
Purchase of raw materials and consumables	*3.2*	(637.1)	(481.8)	(554.2)
Change in inventory		38.8	(52.6)	63.8
Other purchases and external expenses		(359.3)	(379.4)	(354.0)
Taxes and levies	*3.3*	(103.8)	(99.9)	(93.3)
Wages and salaries	*3.4*	(113.9)	(107.8)	(102.3)
Social security charges	*3.5*	(51.4)	(48.5)	(46.2)
Depreciation, amortisation and provisions	*3.6*			
• amortisation of broadcast co-production		(60.6)	(57.0)	(55.3)
• depreciation of other fixed assets		(11.3)	(11.8)	(12.1)
• amortisation of operating expenses to be spread		(0.2)	(0.2)	0.0
• provision for intangible assets and current assets		(66.7)	(30.2)	(41.2)
• provision for liabilities and charges		(7.6)	(11.6)	(13.4)
Other expenses	*3.7*	(70.2)	(71.9)	(69.8)
OPERATING PROFIT		**293.4**	**357.8**	**318.2**
Net profit from joint operations		**0.0**	**0.0**	**0.0**
Financial revenue		104.5	81.1	63.0
Financial expense		(104.0)	(141.6)	(144.1)
FINANCIAL PROFIT/(LOSS)	*3.8*	**0.5**	**(60.5)**	**(81.1)**
PROFIT BEFORE TAX AND EXCEPTIONAL ITEMS		**293.9**	**297.3**	**237.1**
Exceptional Income		**59.3**	**36.8**	**62.5**
Exceptional revenue on operations		0.1	0.1	0.6
Exceptional revenue on fixed assets		7.1	2.6	18.2
Provision releases		52.1	34.1	43.7
Exceptional Expenses		**(56.6)**	**(34.9)**	**(81.3)**
Exceptional expense on operations		(0.1)	(0.1)	(0.1)
Exceptional expense on fixed assets		(29.4)	(15.3)	(55.3)
Exceptional depreciation, amortisation and provisions		(27.1)	(19.5)	(25.9)
EXCEPTIONAL PROFIT/(LOSS)	*3.9*	**2.7**	**1.9**	**(18.8)**
Employee profit-sharing		(10.2)	(12.9)	(10.4)
Corporate income tax	*3.10 and 3.11*	(104.1)	(130.5)	(106.2)
NET PROFIT		**182.3**	**155.8**	**101.7**

TF1 SA Cash Flow statement (French GAAP)

(€M)	2005	2004	2003
1. Operating activities			
Net profit	182.3	155.8	101.7
Depreciation, amortisation and provisions (1) (2)	21.3	90.7	120.4
Investment grants released to revenue	0.0	0.0	0.0
Gain/(loss) on disposal of fixed assets	0.0	0.0	11.9
Cash Flow	**208.8**	**246.5**	**234.0**
Purchase of co-production (2)	(30.4)	(58.2)	(32.5)
Depreciation, amortisation and provisions of co-production (2)	26.4	42.3	37.2
Stocks	(14.9)	(51.4)	(43.0)
Trade debtors	(8.6)	55.6	(13.5)
Trade creditors	(10.2)	26.1	10.3
Expenses to amortise over several periods	0.0	0.0	(1.5)
Net advances from third parties	(40.6)	(2.1)	(0.9)
Change in working capital needs	**(78.3)**	**12.3**	**(43.9)**
NET CASH INFLOW FROM OPERATING ACTIVITIES	**130.5**	**258.8**	**190.1**
2 - Investing activities			
Purchase of fixed assets (1) (2)	(13.4)	(8.9)	(8.7)
Disposal of fixed assets (1) (2)	0.0	0.0	0.5
Purchase of fixed asset investments	(143.9)	(94.5)	(67.1)
Disposal of fixed asset investments	2.9	0.1	15.3
Increase/(decrease) in fixed assets creditors	(6.5)	20.9	(76.9)
Increase/(decrease) in other financial assets	101.3	16.1	3.7
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	**(59.6)**	**(66.3)**	**(133.2)**
3 – Financing activities			
Increase in shareholders' funds	(26.0)	(8.5)	10.6
Net change in loans	11.7	(73.8)	241.6
Dividends paid	(138.6)	(139.0)	(138.3)
NET CASH OUTFLOW FROM FINANCING	**(152.9)**	**(221.3)**	**113.9**
TOTAL INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**(82.0)**	**(28.8)**	**170.8**
Cash at beginning of period	125.8	154.6	(16.2)
Net inflow/(outflow)	(82.0)	(28.8)	170.8
Cash at end of period	43.8	125.8	154.6

(1) Co-produced programmes not included

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

Notes to the company financial statements

Accounting policies and presentation of the accounts for the year ended December 31, 2005

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

1. Principal accounting policies

1-1 Comparability of financial statements

The implementation, since January 1, 2005, of the 2002-10 and 2004-06 regulations of the French Accounting Regulation Committee on the depreciation and amortisation of assets and on the definition, accounting and valuation of assets respectively had no impact on the accounts.

1-2 Intangible fixed assets

1.2.1. General principles

In order to secure the programming grid for the coming years, TF1 Group has signed firm agreements to acquire production shares under which contractors commit themselves to providing such programmes.

Production shares of programmes are accounted for in intangible fixed assets when technical acceptance of them has occurred and the rights opened.

Payments on account for rights not fulfilling the preceding conditions are accounted for in prepayments and accrued income.

Programmes purchased for one broadcast only are depreciated at 100% when broadcast.

Purchased programmes intended for two or more broadcasts are depreciated according to their type and to the following amortisation methods:

	PROGRAMMES		
	PROGRAMMES OF DURATION EQUAL TO OR EXCEEDING 52 MINUTES	CARTOONS	OTHER PROGRAMMES
1st transmission	80%	50%	100%
2nd transmission	20%	50%	–

Other programmes include Children (excluding Cartoons), Variety, Theatre, Documentaries, News and programmes lasting less than 52 minutes.

A provision is made if it becomes probable that a given programme involving co-production will not be broadcast.

1.2.2. Co-productions ready for broadcasting

The items reported under this heading are all co-productions that have not yet been transmitted. They are accounted for at their purchase cost.

1.2.3. Co-production rights available for rebroadcasting

Co-productions which have already been transmitted once, and for which one or more further broadcasts are still possible, are accounted for under Co-production rights available for rebroadcasting and valued at 20% or 50% of their purchase cost.

1.2.4. Co-productions in progress

Co-productions that are not ready for production are reported under Co-productions in progress. These co-productions are recorded at the amount already paid by the end of the financial year. The contractual amounts of payments still to be made are included in Commitments and contingencies.

1-3 Tangible fixed assets

Depreciation methods are set out in the following table:

Technical facilities and equipment	Straight-line or reducing balance	3 to 7 years
Other tangible fixed assets	Straight-line	2 to 10 years

1-4 Financial assets

Financial assets are valued at their purchase cost.

When their value in use, determined by reference to their business and profitability prospects, is less than purchase cost, amortisation is provided. If necessary, a provision for liabilities and charges is made.

1-5 Inventories

1.5.1. General principles

In order to secure the programming grid for the coming years (and separate from the contracts to acquire production shares), TF1 has signed firm agreements for acquiring programme broadcasting rights and sports programme rebroadcasting rights under which contractors commit themselves to providing such programmes.

Programme broadcasting rights are accounted for in inventories when technical acceptance of them has occurred and the rights opened.

Payments on account for rights not fulfilling the preceding conditions are accounted for in prepayments and accrued income.

Programmes purchased for one broadcast only are depreciated at 100% when broadcast.

Programmes purchased for two or more broadcasts are depreciated according to their type as follows :

	PROGRAMMES		
	PROGRAMMES OF DURATION EQUAL TO OR EXCEEDING 52 MINUTES	MOVIES, TV DRAMAS AND CARTOONS	OTHER PROGRAMMES
1st transmission	80%	50%	100%
2nd transmission	20%	50%	–

Other programmes includes Children (excluding Cartoons), Variety, Theatre, Documentaries, News and programmes of a duration less than 52 minutes.

Some purchases of audiovisual rights are amortised according to the valuation of each transmission as contractually defined.

A provision is made if it becomes probable that a given programme will not be broadcast.

1.5.2. Rights ready for broadcasting

The items reported under this heading are all 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, excluding loan costs booked as an expense).

1.5.3. Rights available for rebroadcasting

Rights which have already been transmitted once, and for which one or more rebroadcastings are still possible, are accounted for under Rights available for rebroadcasting and valued at 50% or 20% of their purchase cost, according to their type.

1-6 Trade debtors

All trade debtors currently subject to claims are fully provided.

In addition, bad debts are covered by provisions for liabilities, as follows:

- 100%, excluding tax, for debts due prior to January 1, 2003;
- 50%, excluding tax, for debts due between January 1, 2003 and December 31, 2003.

Risks on receivables originating after December 31, 2003, and not yet collected at December 31, 2005, are not significant.

1-7 Marketable securities

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

1-8 Government grants

To the extent they are confirmed, Government grants for investment are credited to profit and loss account in line with depreciation on the related assets.

1-9 Regulated provisions

This item essentially relates to accelerated amortisation for tax purposes of shares in co-productions not yet broadcast. This amortisation is calculated from the first day of the month following the end of shooting in accordance with the rules laid down by the French Tax Authorities on July 3, 1970, which define monthly percentages as follows:

1st month	20%
2nd month	15%
3rd to 9th month	5%
10th to 24th month	2%

1-10 Provisions for liabilities and charges

The amount of these provisions is calculated according to the assessment of liabilities existing at the end of each accounting period.

1-11 Lump-sum paymants on retirement

TF1's pension commitments are limited to lump-sum payments on retirements laid down in the Collective Agreements of group companies. They are calculated by applying to the forecast final salary the rights as anticipated at the forecast retirement date; a provision for liabilities and charges is recorded.

1-12 Long-service leave

Supplementary days off are granted to employees in accordance with their years of service with the company. The charge related to these acquired long-service leave rights is computed by reference to the employees' years of service with the company, their salary at the date of taking the benefit and the rate of staff turnover. It is discounted and then accounted for in provisions for liabilities and charges.

1-13 Other provisions for liabilities and charges

Provisions for disputes have been calculated so as to cover those disputes, litigation and risks connected with the company's operating activities which may result in a probable outflow of resources. They include in particular cases relating to employment and tax. Provision is made for an increase in the tax assessment unless the company is of the view that the basis of its argument is extremely likely to prevail against that of the tax authorities. That part of the increased tax assessment which is not contested is recognised as a debt as soon as the amount is known.

1-14 Advertising

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

1-15 Commitments and contingencies

Image transmission contract commitments correspond to the fees payable to the operator in charge of the transmission service falling due up to the end of contract period.

Guarantees and pledges made in connection with commercial contracts and leases are reported as Commitments and Contingencies.

Confirmed credit lines by banks, which are not used by the balance sheet date, are reported as Commitments and contingencies.

1-16 Financial instruments

The Group uses financial instruments to protect itself from exposure to interest rate and exchange rate fluctuations. The Group operates on currency markets to hedge commitments linked to its business activity only and not for speculative purposes.

Gains and losses on financial instruments used for hedging purposes are determined and accounted for on a symmetrical basis with the losses and gains on the items hedged except in the case of currency and interest rate option premiums, which are charged when paid.

2. Notes to the balance sheet

2-1 Intangible fixed assets

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

SUMMARY OF MOVEMENTS

(€M)	**2005**	2004
Co-productions in progress	12.8	30.1
Co-productions ready for broadcasting	70.0	91.4
Co-productions available for rebroadcasting	56.4	45.6
Value of co-productions as of january 1	**139.2**	**167.1**
Add:		
Investments January 1 to December 31	50.3	73.4
Transfer to prepayments	**–**	**(29.1)**
Subtract:		
Disinvestments January 1 to December 31		
Cost of 1st transmission	(54.9)	(46.3)
Cost of 2nd transmission	(5.7)	(10.7)
Total cost of broadcasting	**(60.6)**	**(57.0)**
Rights expired	(12.1)	(8.1)
Rights retired	(4.9)	(4.6)
Rights sold (residual book value)	(2.9)	(2.5)
Total disinvestments January 1 to December 31	**(80.5)**	**(72.2)**
Value of co-productions as of december 31	**109.0**	**139.2**
Breakdown		
Co-productions in progress	16.8	12.8
Co-productions ready for broadcasting	48.6	70.0
Co-productions available for rebroadcasting	43.6	56.4
Total	**109.0**	**139.2**

As of December 31, 2005, the provision for risk of non-transmission of co-productions amounted to €26.5 M, of which €0.3 M is in provision for depreciation of assets and €26.2 M in existing regulated provisions made as described in note 1.9.

Furthermore, concerning the securing of the programming grid for the coming years, the schedule regarding the acquisition agreements of production shares of programmes is as follows:

(€M)	LESS THAN ONE YEAR	FROM ONE TO FIVE YEARS	MORE THAN FIVE YEARS	TOTAL 2005	REMINDER 2004
Production shares	25.3	1.9	1.4	28.6	40.5

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

(€M)	01.01.05	INCREASE	DECREASE	31.12.05
Technical facilities and equipment	58.4	9.0	1.4	66.0
Other fixed assets	57.9	3.9	1.1	60.7
Assets under construction	1.0	0.5	–	1.5
Total	**117.3**	**13.4**	**2.5**	**128.2**

DEPRECIATION

(€M)	01.01.05	INCREASE	DECREASE	31.12.05
Technical facilities and equipment	49.9	5.6	1.3	54.2
Other fixed assets	37.8	5.6	1.1	42.3
Total	**87.7**	**11.2**	**2.4**	**96.5**

2-3 Financial assets

Financial investments

In 2005,

TF1 purchased shares in:

- TV Breizh €0.6 M for 2.67% of the share capital

TF1 purchased from Eurosport its stake in:

- Eurosport France €126.8 M

TF1 contributed to TF1 Expansion its stake in:

- SACAS €154.7 M

TF1 subscribed to the capital increase of the following companies:

- TF1 Production €13.4 M
- Studios 107 €2.7 M
- GLEM €0.2 M

TF1 sold its interest in:

- Studios 107 €7.4 M

TF1 made a €18.1 M provision on shares in subsidiaries as follows:

- TF1 Production €13.4 M
- GLEM €4.2 M
- Pink TV €0.5 M

At December 31, 2005, the gross value of the shares reported in the balance sheet of TF1 SA amounted to €927.3 M, less provisions of €204.7 M.

Loans

This heading essentially relates to:

- an equity loan of €52.6 M (€31.0 M nominal value) granted to Aphélie. This loan, including rolled-up interest, would enable the purchase option on the leased building to be exercised in 2009, under the terms and conditions stated in Note 4.1;
- a long-term loan granted to Aphélie, bought back by TF1 from a bank pool on March 31, 2000, (residual value on December 31, 2005: €32.6 M);
- a loan granted to Eurosport (residual value on December 31, 2005: €160.0 M);
- a loan granted to A1 International (residual value on December 31, 2005: €12.4 M).

Other financial assets

As of December 31, 2005, this heading essentially relates to 251,537 TF1 shares, for a total amount of €7.4 M.

These shares have been purchased as part of a share buy-back programme as described in the information note (Visa 01-436) registered with the Commission des Opérations de Bourse (COB) on April 24, 2001.

In December 2001, TF1 carried out a capital increase reserved to the Group's employees. The subscribers financed personally only 10% of their investment. The remaining 90% was financed through an underwritten bank loan. As part of this operation, TF1 has sold a call option to a bank at a price of €29.26 covering 97,550 TF1 shares.

2-4 Inventories

This heading essentially relates to non-transmitted broadcasting rights.

(€M)	EXTERNAL PRODUCTION	IN-HOUSE PRODUCTION	TOTAL 2005	REMINDER 2004
Rights ready for 1st broadcasting	228.4	1.1	229.5	260.9
Rights available for rebroadcasting	263.1	–	263.1	173.4
Rights in progress	–	1.6	1.6	117.6
Value of programmes as of january 1	**491.5**	**2.7**	**494.2**	**551.9**
Add:				
Investments January 1 to December 31	637.0	262.6	899.6	886.8
Transfect to prepayments or commitments and contingencies	**–**	**–**	**–**	**(117.0)**
Subtract:				
Disinvestments January 1 to December 31				
Cost of 1st transmission	501.2	262.2	763.4	753.6
Cost of 2nd transmission	42.4	–	42.4	34.2
Total cost of broadcasting	**543.6**	**262.2**	**805.8**	**787.8**
Rights expired	45.3	–	45.3	23.0
Rights retired	7.8	1.3	9.1	12.7
Rights sold (residual book value)	1.4	–	1.4	4.0
Total disinvestments January 1 to December 31	**598.1**	**263.5**	**861.6**	**827.5**
Value of programmes as of december 31	**530.4**	**1.8**	**532.2**	**494.2**
Change in stock	**38.9**	**(0.9)**	**38.0**	**(57.7)**
Breakdown				
Rights ready for 1st broadcasting	230.9	0.9	231.8	229.5
Rights available for rebroadcasting	299.5	–	299.5	263.1
Rights in progress	–	0.9	0.9	1.6
Total	**530.4**	**1.8**	**532.2**	**494.2**

As of December 31, 2005, the provision for risk of non-transmission of rights amounted to €114.5 M.

Furthermore, concerning the securing of the programming grid for the coming years, the schedule regarding the acquisition agreements of programme broadcasting rights and sport rebroadcasting rights is the following :

(€M)	LESS THAN ONE YEAR	FROM ONE TO FIVE YEARS	MORE THAN FIVE YEARS	TOTAL 2005	REMINDER 2004
Broadcasting rights and programmes (1)	342.0	729.5	262.4	1,333.9	676.3
Sport rebroadcasting rights	134.4	268.8	205.7	608.9	228.5
Total	**476.4**	**998.3**	**468.1**	**1,942.8**	**904.8**

(1) Including output deal agreements as of 2005.

Some of these contracts are in a foreign currency: €227.2 M in US dollars, €14.1 M in Swiss francs and €78.8 M in pounds sterling.

2-5 Prepayments and accrued income

Prepayments and accrued income mainly concern purchase of broadcasting rights for €132.7 M and purchase of sport rebroadcasting rights for €121.6 M.

2-6 Debtors

2.6.1. Trade debtors

TF1 Publicité, as agent of TF1 SA, sells advertising space to advertising agencies. As consideration, TF1 Publicité receives fees indexed on turnover generated. The balance payable by TF1 Publicité to TF1 SA in respect of such purchases was €175.4 M at December 31, 2005, against €164.6 M at December 31, 2004. This balance is net of sales rebates yet to be granted and is included in Other creditors.

2.6.2. Other debtors

This heading essentially relates to VAT receivable for €60.7 M, and loans granted to subsidiaries under cash management agreements for €329.3 M.

2.6.3. Due dates for debtors

Debts linked to fixed assets and current assets, excluding prepayments and accrued income, total €1,047.5 M.

A proportion of the debts carried under fixed assets (€8.2 M) and current assets (€789.0 M) fall due within one year.

A proportion of the debts carried under fixed assets (€250.1 M) fall due between one and five years.

A proportion of the debts carried under fixed assets (€0.2 M) fall due after five years.

2-7 Cash and marketable securities

Marketable securities consist of money market funds for €31.4 M (on which there are no underlying capital gains these all having been realised at December 31, 2005).

2-8 Prepaid expenses

Prepaid expenses were €4.5 M on December 31, 2005 (€4.1 M in 2004).

2-9 Shareholders' funds

The share capital is divided into 214,052,129 fully paid ordinary shares each with a nominal value of €0.2.

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

(€M)	01.01.05	APPROPRIATION OF PROFIT (SHAREHOLDERS' GENERAL MEETING OF APRIL 12, 2005)	INCREASE	DECREASE	31.12.05
Share capital	43.0	–	0.1 (2)	0.3 (3)	42.8
Share premium	50.0	–	6.4 (2)	32.3 (3)	24.1
Legal reserve	4.3	–	–	–	4.3
Long-term capital gain reserve	25.0	–	–	25.0	–
Retained earnings	29.5	17.2	–	–	46.7
Other reserves	734.0	–	25.0	–	759.0
Net profit for the year	155.8	(155.8)	182.3	–	182.3
Subtotal	***1,041.6***	***(138.6)***	***213.8***	***57.6***	***1,059.2***
Regulated provisions	117.9	–	18.3	52.1	84.1
Total	**1,159.5**	**(138.6) (1)**	**232.1**	**109.7**	**1,143.3**

(1) Dividends payable on May 2, 2005.

(2) Exercise of share subscription options

(3) Cancellation of 700,00 shares on February 15, 2005 and of 670,000 share on May 27, 2005.

2-10 Provisions for liabilities and charges

In accordance with the methods described in Notes 1.10, 1.11 and 1.12 these provisions break down as shown in the following table:

(€M)	01.01.05	INCREASE	DECREASE USED	DECREASE NOT USED	31.12.05
Claims	10.6	13.6	0.1	6.7	17.4
Associated companies	1.9	2.5	1.7	–	2.7
Bad debts	2.7	–	–	–	2.7
Lump-sum payments on retirement	15.7	2.7	1.2	0.7	16.5
Provisions for long-service leave	4.0	0.9	0.4	0.2	4.3
Exchange loss	–	–	–	–	–
Total	**34.9**	**19.7**	**3.4**	**7.6**	**43.6**

The provision for bad debts comprises mainly TF1's share in the risk of non-collection of a debt due to TF1 Publicité.

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

No other potential liability (that might generate a potential cash outflow) has been identified at the year end.

2-11 Creditors

2.11.1. Bond loan

In November 2003, TF1 issued a 7-year €500 M bond redeemable in full at par in 2010, with a 4.375% coupon. This bond is subject to a €300 M interest rates hedge.

2.11.2. Bank borrowings

The company had €715.5 M of undrawn credit facilities with various banks at December 31, 2005.

2.11.3. Other financial creditors

Cash placed at TF1's disposal by its subsidiaries in accordance with cash management agreements is recorded under this heading and amounts to €170.5 M (€146.3 M in 2004).

2.11.4. Other creditors

This heading mainly comprises credit notes and rebates on tariffs to be granted to TF1 Publicité, amounting to €167.1 M in 2005 (€160.7 M in 2004).

2.11.5. Due dates for creditors

Of the total creditors (€1,406.3 M), €906.3 M falls due within one year. The heading Bond loan is due after more than 5 years, for €500 M.

3. Notes to the profit and loss account

3-1 Breakdown of turnover

Advertising revenue amounts to €1,561.0 M and correspond to TF1 Publicité's revenue, less the fees enabling that company to cover its operating costs (€149.6 M).

3-2 Purchase of raw materials and consumables

Purchases of broadcasting rights have been accounted for as inventories. Their consumption is determined by reference to the date they are broadcast or retired.

3-3 Taxes and levies

This heading essentially records TF1's contribution to the French National Cinema Council, for an amount of €81.7 M in 2005 (€81.5 M in 2004).

3-4 Wages and salaries

This heading includes €4.4 M of fees paid to freelance employees (€5.0 M in 2004).

3-5 Social security charges and employment expenses

This heading includes €3.9 M in respect of the employer's contribution to the Company Savings Plan.

3-6 Depreciation, amortisation and provisions

The heading Amortisation of broadcast co-productions concerns the amortisation of the shares of broadcast co-productions.

3-7 Other expenses

This item includes payments to authors amounting to €63.2 M in 2005 (€63.9 M in 2004).

3-8 Financial profit / (loss)

This breaks down as follows

(€M)	**2005**	2004
Dividends	45.9	26.8
Net interest received / (paid)	(0.4)	2.2
Losses on loans to associated undertakings	(0.8)	–
Provisions for depreciation of financial investments (1)	(13.4)	(84.7)
Provisions for depreciation of other debtors	(29.7)	(6.2)
Provisions for liabilities	(3.5)	(1.7)
Exchange differences	1.3	1.3
Profits on sales of marketable securities	1.5	2.2
Amortisation of bond redemption premium	(0.4)	(0.4)
Net	**0.5**	**(60.5)**

(1) See section 2-3

With respect to associated companies, interest paid amounts to €3.1 M and interest received to €20.1 M in 2005 (€3.0 M and €23.8 M respectively in 2004).

3-9 Exceptional items

Exceptional items break down as follows:

(€M)	**2005**	2004
Capital losses on disposal and retirement of programmes	(17.1)	(12.6)
Net provisions (including accelerated amortisation for tax purposes)	25.0	14.5
Capital gains/(losses) on disposal of financial assets	(5.2)	–
Other	–	–
Net	**2.7**	**1.9**

3-10 Corporate income tax

The difference between the charge based on the theoretical rate of tax (34.93%) and the actual rate of tax (36.35%) mainly results from:

- the reversal of provisions for financial investments (€13.4 M) (considered as long-term capital losses);
- the reversal of other debtors (€29.7 M), of provisions for liabilities (€10.0 M), and of provisions for lump-sum payments on retirement and long-service leave (€3.6 M);
- the inclusion of profits from e-TF1 (€5.6 M) and from the General Partnership TCM Droits Audiovisuels (€2.6 M);
- the deduction of dividends (€43.9 M) and employee profit-sharing (€2.7 M).

Since January 1, 1989, TF1 has chosen the status of tax consolidation, an option renewed on January 1, 1994 and on January 1, 1999. This option is now subject to tacit renewal.

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

3-11 Deferred taxation

(€M)	FUTURE INCREASE IN TAX	FUTURE DECREASE IN TAX
Regulated provisions	28.97	–
Employee profit-sharing, paid vacation, Organic tax and provisions for lump-sum payments on retirement and long-service leave, etc.	–	8.82

4. Other information

4-1 Commitments and contingencies

On December 31, 2005, the various types of commitments and their due dates are as follows:

COMMITMENTS GIVEN

(€M)	LESS THAN ONE YEAR	BETWEEN ONE AND FIVE YEARS	OVER FIVE YEARS	TOTAL 2005	REMINDER 2004
Real-estate leasing	16.0	45.4	–	61.4	83.5
Operating leases	7.3	8.9	–	16.2	27.4
Image transmission contracts	59.7	231.5	–	291.2	353.4
Guarantees	87.0	81.6	42.3	210.9	177.7
Others	3.1	1.0	0.3	4.4	4.8
Total	**173.1**	**368.4**	**42.6**	**584.1**	**646.8**

COMMITMENTS RECEIVED

(€M)	LESS THAN ONE YEAR	BETWEEN ONE AND FIVE YEARS	OVER FIVE YEARS	TOTAL 2005	REMINDER 2004
Real-estate leasing	16.0	45.4		61.4	83.5
Operating leases	7.3	8.9		16.2	27.4
Image transmission contracts	59.7	231.5		291.2	353.4
Confirmed lines of leasing	50.0	665.5		715.5	595.5
Others	8.4	7.8		16.2	14.5
Total	**141.4**	**959.1**		**1,100.5**	**1,074.3**

No complex obligation has been entered into by TF1 at December 31, 2005.

The above description omits no off-balance sheet items, which would be significant under the terms of accounting standards in force.

Group's commitments regarding real-estate leasing contracts

In June 1994, TF1 leased from GIE Aphélie the office building, 1 quai du Point du Jour in Boulogne, that it had been occupying since 1992. This capital lease contract has a 15 years' term and relates to an amount of €164.6 M (excluding interest charges):

- land: €45.7 M
- building: €57.9 M
- equipment: €61.0 M

Since June 30, 2001, TF1 has had an option to purchase the property at its net book value. This financial lease contract replaces the 12-years commercial lease originally contracted between TF1 and GAN.

(€M)		
Original value		164.6
Lease payments (1)		143.5
• accumulated	128.7	
• financial year	14.8	
"Theoretical" depreciation charges (2)		88.7
• accumulated	86.3	
• financial year	2.4	
Estimated remaining future lease payments (3)		
• less than one year	18.2	
• between one and five years	47.7	
• more than five years	–	
Purchase option on the building in 2009		67.1

(1) Including capital repayment of €54.5 M.

(2) Depreciation charges that would have been recognised if the company owned the building.

(3) Lease payments calculated using a theoretical interest rate of 6.25% for the period when the interest rate is not known.

4-2 Use of financial hedging instruments

4.2.1 Hedging of exchange rates

Because of its payments and receipts effected in foreign currency, TF1 SA makes use of forward currency purchase and sale contracts, in addition to purchase option contracts to provide against rate movements. These hedging operations on the foreign exchange market cover the majority of due dates falling in 2006 under contracts signed at December 31, 2005.

At that date, the aggregate exchange value of these outstanding amounts was €51.1 M:

- €25.1 M in forward purchases of US dollars;
- €14.2 M in forward purchases of Sterling;
- €7.1 M in forward purchases in Swiss Francs;
- €4.7 M in activating forward purchases of US dollars.

4.2.2 Hedging of interest rates

As part of the Group's policy for hedging interest rates (as described in the Notes to the 2005 consolidated accounts), TF1 subscribed:

- a €300 M interest rate swap in 2003;
- two €50 M interest rate swaps in 2005.

The impact of the hedging of interest rates at December 31, 2005 is included in financial income for €5.2 M.

4-3 Employees

The number of employees at the year end, according to the standards in force under the Collective Agreement on Communication and Audiovisual Production, was as shown below:

	2005	2004	2003
College 1 – Workers and clerical employees	22	28	34
College 2 – Technical staff	466	470	465
College 3 – Managerial and executive staff	772	742	701
College 4 – Journalists	248	245	236
Total	**1,508**	**1,485**	**1,436**

4-4 Directors' remuneration

The remuneration of the eight executive directors (composed of three board members of TF1 and five divisional group directors) for 2005 amounted to €6,548,972.

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 ain the context of their duties.

4-5 Share purchase options and share subscription options

Information relating to share purchase and share subscription options granted to employees is given in paragraph 5.5 of the Report of the Board of Directors.

4-6 Directors' fees

Directors' fees paid in 2005 amounted for €297,625.

4-7 Changes in provisions

(€M)	01.01.05	INCREASE	DECREASE	31.12.05
Regulated provisions				
• In respect of intangible fixed assets (programmes)	118.0	18.3	52.2	84.1
Provisions for liabilities and charges	34.8	19.9	11.0	43.7
Provisions for depreciation of fixed assets	3.2	0.3	0.8	2.7
Provisions on financial fixed assets				
• Financial investments	191.3	18.1	4.7	204.7
Related loans	–	–	–	–
Provisions for depreciation of current assets				
• Inventories	91.4	65.7	42.6	114.5
• Other debtors	15.7	43.9	13.7	45.9
Total	**454.4**	**166.2**	**125.0**	**495.6**

4-8 Financial and marketable investments held at December 31, 2005

FINANCIAL INVESTMENTS	NUMBER OF SHARES	%	BOOK VALUE (in €)
EUROSPORT	150,000,000	100.00	288,034,473
TF1 EXPANSION	1,564,011	100.00	88,408,308
EUROPA TV	1,885,000	29.00	48,410,047
SYALIS	2,307,025	100.00	44,257,189
TF1 FILMS PRODUCTION	169,995	100.00	22,907,218
TF1 ENTREPRISES	200,000	100.00	21,044,217
TF1 INTERNATIONAL	4,500,000	100.00	16,355,385
EUROSPORT FRANCE	150,000	100.00	13,646,252
TF1 PUBLICITE	30,000	100.00	13,254,483
E-TF1	999	99.90	6,372,987
TELESHOPPING	8,500	100.00	6,282,027
TCM DA	5,100	34.00	5,478,155
PRIMA TV	3,185,000	49.00	3,042,033
TAP	5,000	100.00	669,248
ALMA PRODUCTIONS	5,000	100.00	634,052
GLEM	5,000	100.00	495,096
YAGAN PRODUCTIONS	53,269	100.00	477,275
PUBLICATIONS METRO FRANCE	343	34.30	130,221
TF1 PRODUCTION	40,000	100.00	84,065
TAPAS 10	40,000	100.00	40,000
TAPAS 9	40,000	100.00	40,000
TAPAS 8	40,000	100.00	40,000
TAPAS 7	40,000	100.00	38,727
TAPAS 6	40,000	100.00	38,727
TAPAS 5	40,000	100.00	38,727
SAGIT	39,994	99.99	36,467
@ TF1	39,999	100.00	36,183
CFII	18,500	50.00	18,500
TCM GESTION	848	33.92	12,488
SMR6	15,000	20.00	4,543
TVB NANTES	440	11.00	3,931
LES NOUVELLES EDITIONS TF1	25	1.00	2,008
TF6	1,600	0.02	524
TELEMA	1	0.01	461
TF1 SATELLITE	1	0.04	398
ODYSSEE	1	0.20	395
SERIE CLUB	1	0.004	55
TRICOM ET CIE	2	0.07	33
EUROSHOPPING TRADING	1	0.02	20
TRICOM	1	0.003	11
TF6 GESTION	1	0.001	1
Total financial investments			**580,334,930**

Book value correspond to the proportion of net shareholders' equity owned by TF1 SA.

MARKETABLE SECURITIES	NUMBER OF SHARES	SHARE PRICE AT **31.12.05**	BOOK VALUE (in €)
NATEXIS SECURITE JOUR	369	49,683.00	18,333,027
FORTIS EURO TRESORERIE	254	49,397.44	12,546,950
CENTRALE USD	47	11,471.13	539,143
Total marketable securities			**31,419,120**
Total investments			**611,754,050**

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4-9 Subsidiaries and financial investments

COMPANIES OR GROUPS OF COMPANIES	CURRENCY	SHARE CAPITAL	RESERVES	INTEREST HELD	GROSS BOOK VALUE OF SHARES HELD	NET BOOK VALUE OF SHARES HELD	LOANS AND CREDITS GRANTED BUT NOT YET REPAID	GUARANTEES AND PLEDGES GRANTED	TURNOVER IN LAST ACCOUNTING PERIOD	NET RESULT IN LAST ACCOUNTING PERIOD	DIVIDENDS RECEIVED DURING THE PERIOD
		(€ thousands or foreign currency units if indicated)						(€ thousands)			
I - SUBSIDIARIES (holding of at least 50% of shares)											
TF1 PUBLICITE		2,400	2,743	100.00%	3,038	3,038	–	–	1,711,474	8,112	5,970
TF1 FILMS PRODUCTION		2,550	20,098	99.997%	1,768	1,768	–	–	11,915	260	500
TELESHOPPING		127	207	100.00%	130	130	–	–	89,229	5,947	6,684
TF1 PUBLICATIONS		75	(1,484)	99.88%	519	–	1,372	–	–	6	–
TF1 ENTREPRISES		3,000	428	100.00%	3,049	3,049	–	–	30,931	17,617	16,708
SYALIS		36,912	(1,894)	100.00%	41,680	41,680	–	–	–	9,239	–
TF1 US	USD	28	–	100.00%	24	24	–	–	–	–	–
SWONKE		18	416	100.00%	900	441	–	–	–	229	–
E-TF1		1,000	(44)	99.90%	999	999	–	–	71,006	5,424	1,647
TF1 DIGITAL		99,132	(130,223)	100.00%	99,132	–	54,949	–	1,328	(4,986)	–
@ TF1		40	(2)	100.00%	40	40	–	–	–	(2)	–
SAGIT		40	(2)	99.99%	40	40	–	–	–	(1)	–
EUROSPORT		15,000	259,482	100.00%	234,243	234,243	160,000	–	352,505	13,553	13,500
EUROSPORT France		2,325	9,963	100.00%	126,825	126,825	–	–	57,701	1,358	–
TF1 PRODUCTION		40	138	100.00%	13,440	40	–	–	–	(94)	–
TF1 EXPANSION		156	91,621	100.00%	249,611	249,611	54,059	–	–	(3,369)	–
TF1 INTERNATIONAL		15,210	2,133	100.00%	66,431	9,731	9,740	–	70,791	(988)	–
TV BREIZH		3,404	(5,338)	71.14%	19,613	3,013	6,834	–	10,749	(2,852)	–
YAGAN PRODUCTIONS		53	147	100.00%	53	53	–	–	3,863	277	–
USHUAIA TV		10	–	99.99%	10	10	3,455	–	2,093	(2,538)	–
TAP		80	263	100.00%	80	80	–	–	5,007	327	500
ALMA PRODUCTIONS		80	302	100.00%	80	80	5,026	–	4,123	252	–
GLEM		80	8	100.00%	14,052	80	1,802	–	35,438	407	–
TF1 PUBLICITE PRODUCTION		37	(271)	100.00%	37	37	–	–	12,715	165	–
TAPAS 5		40	–	100.00%	40	40	–	–	–	(1)	–
TAPAS 6		40	–	100.00%	40	40	–	–	–	(1)	–
TAPAS 7		40	–	100.00%	40	40	–	–	–	(1)	–
TAPAS 8		40	–	100.00%	40	40	–	–	–	–	–
TAPAS 9		40	–	100.00%	40	40	–	–	–	–	–
TAPAS 10		40	–	100.00%	40	40	–	–	–	–	–
II - FINANCIAL INVESTMENTS (holding 10% to 50% of shares)											
MEDIAMETRIE		930	6,963	10.75%	15	15	–	–	38,128	1,701	21
MERCURY INTERN. FILM	DEM	1,000	–	50.00%	255	255	–	–	–	–	–
A1 INTERNATIONAL		20	–	50.00%	61	61	12,357	–	–	–	–
CFII		37	–	50.00%	18	18	–	–	–	–	–
MONTE-CARLO PARTICIPATION		40	(273)	50.00%	20	20	–	–	3,201	(313)	–
TCM GESTION		40	(3)	33.92%	14	14	–	–	1	–	–
TCM DROITS AUDIOVISUELS		240	8,199	34.00%	82	82	6,376	–	19,009	7,674	358
PUBLICATIONS METRO FRANCE		100	101	34.30%	12,000	12,000	–	–	27,146	179	–
TVB NANTES		40	(4)	11.00%	4	4	–	–	–	–	–
SMR 6		75	–	20.00%	15	15	5	–	–	(52)	–
PINK TV		133	1,978	11.44%	497	–	2,081	–	889	(5,350)	–
EUROPA TV		6,500	(63)	29.00%	24,296	22,031	3,712	–	13,223	160,494	–
PRIMA TV		6,500	(300)	49.00%	13,790	12,740	–	–	19,951	8	–
III - FINANCIAL INVESTMENTS (holding of less than 10%)											
GIE CHALLENGER FORMATION		11	–	6.67%	1	1	–	–	1,556	–	–
MEDIAMETRIE EXPANSION		1,829	31	5.00%	91	–	–	–	–	260	–
TPS GESTION		72	(127)	0.021%	–	–	–	–	556	(115)	–
LES NOUVELLES EDITIONS TF1		40	(48)	1.00%	–	–	–	–	115	113	–
EUROSHOPPING TRADING		75	(1)	0.02%	–	–	460	–	328	23	–
TRICOM & CIE		45	7	0.07%	–	–	–	–	–	(2)	–
TF6		80	(7)	0.02%	–	–	–	–	18,016	2,546	–
TF6 GESTION		80	2	0.001%	–	–	–	–	7	(2)	–
SERIE CLUB		50	516	0.004%	2	2	–	–	8,202	804	–
SED ODYSSEE		8	(65)	0.20%	–	–	860	–	4,491	254	–
LA CHAINE INFO		4,500	50	0.0003%	–	–	480	–	44,369	(6,561)	–
TF1 SATELLITE		37	1	0.04%	62	62	–	–	–	957	–
TELEMA		1,000	3,394	0.01%	3	3	–	–	18,755	220	–
TRICOM		450	16	0.003%	–	–	–	–	–	(96)	–
TOTAL					**927,260**	**722,575**					

4-10 Post balance sheet events

On January 6, 2006, TF1, M6 and Vivendi Universal (VU) signed an agreement with a view to combining the two French satellite bundles.

TPS and the pay TV business of the VU Group would, following the agreement of the competition authorities, be combined within a legal entity exclusively controlled by VU, in which TF1 and M6 would have a 15% interest (9.9% for TF1 and 5.1% for M6).

The agreement has been submitted to the French competition authority.

TF1 and M6 would then have a put option on their shares in the new entity (exercisable in the 36 months following the contribution of their shares to the new entity) at the higher of the following two values:

- €1,130 M (€745.8 M for TF1) based on an overall valuation of the new group of €7.5 billion.
- The value, as determined by an expert, at the date of exercise of the option.

Statutory Auditors' report on the financial statements

Financial year ended December 31, 2005

In accordance with our appointment by your Shareholders' Annual General Meeting, we hereby report to you, for the year ended December 31, 2005, on:

- the audit of the accompanying financial statements of TF1,
- the basis of our conclusions,
- 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 Opinion on the financial statements

We conducted our audit in accordance with auditing standards generally accepted in France. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements, prepared in accordance with accounting principles generally accepted in France, give a true and fair view of the company's financial position and its assets and liabilities at December 31, 2005 and of the results of its operations for the year then ended.

Without calling into question the opinion given above, we draw your attention to the change in accounting method, mentioned in section 1-1 of the notes, regarding first application, in 2005, of new accounting principles 2002-10 and 2004-06 of French Accounting Regulation Committee.

2 Basis of our conclusions

In conformity with the provisions of Article L.823-9 of the French Commercial Code which require that we substantiate our conclusions, we bring to your attention the following matters:

- Section 1.4 of the notes describes the method used to determine the value in use of investments for which a provision for amortisation may be recorded and if necessary, a provision for liabilities and charges. Based on the information available to us, we ensured that the approach adopted by the company was relevant, and that the assumptions made and resulting valuations were reasonable.
- Co-production shares and broadcasting rights are accounted for in accordance with the policy and methods described in Section 1.2 and 1.5 of the notes which, in particular, define amortisation principles and how the provisions for depreciation are to be determined. We ensured that the approach adopted by the company was relevant, and that the assumptions made and resulting valuations were reasonable.

These conclusions were formed as part of our audit of the annual financial statements taken as a whole and have therefore contributed to the formation of our unqualified opinion, given in the first part of this report.

3 Specific verifications and information

We also carried out the specific verifications required by law, in accordance with French generally accepted auditing standards.

We have no comments to make as to the fair presentation and the conformity with the financial statements of the information given in the Board of Directors' management report, and in the documents sent to the shareholders with respect to the financial position and the annual financial statements.

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

Paris la Défense and Paris, March 16, 2006

The Statutory Auditors

MAZARS & GUERARD — SALUSTRO REYDEL, Member of KPMG International

Michel ROSSE — Jean-Pierre CROUZET

This is a free translation into English of the statutory auditors' report issued in French and is provided solely for the convenience of English speaking users.

Statutory Auditors' report on regulated contracts

Financial year ended December 31, 2005

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

Agreements entered into during the year

In accordance with Article L.225-40 of the French Commercial Code, we have been informed of the agreements which were previously authorised by your Board of Directors.

We are not required to investigate the possible existence of agreements, but to inform you, on the basis of the information provided to us, of the basic terms and conditions of the agreements which have been brought to our attention; nor are we required to express an opinion on their appropriateness or merit. It is your responsibility, according to the provisions of Article 92 of the Decree of March 23, 1967, to assess the purpose and benefits of these agreements, with a view to approving them.

We conducted our work in accordance with the auditing standards generally accepted in France. Those standards require that we plan and perform our work to enable us to verify that the information provided to us conforms with the source documentation from which it is derived.

Agreements with subsidiaries

The common service agreements between TF1 and its subsidiaries were extended from January 1, 2005 to include TF1's new subsidiaries Eurosport France, Glem, Histoire, TF1 Hors Média and Ushuaia TV.

These agreements provide for the invoicing of the specific services rendered at the request of the TF1 subsidiaries, by the administrative departments (management, human resources, legal and finance), and a proportion of the residual shared administrative service costs, which includes the amount invoiced by Bouygues to TF1 under the terms of the common services agreement between the two companies. The proportion is determined by applying key allocation criteria (number of employees and turnover) specific to each type of cost.

For financial year 2005, besides specific services rendered in conformity with market conditions, TF1 invoiced certain subsidiaries a proportion of the residual shared administrative costs, as defined in these agreements, as follows :

(€ thousands)	AMOUNT (EXCLUDING VAT)
EUROSPORT FRANCE	464
GLEM	281
HISTOIRE	49
TF1 HORS MEDIA	36
USHUAIA TV	14
TOTAL	**844**

Persons concerned: TF1 holds over 10% of the voting rights of Eurosport France, Glem, Histoire, TF1 Hors Média and Ushuaia TV, Claude Cohen for TF1 Hors Média.

Agreements with the Chaîne Info

Under the terms of an agreement with LCI which took effect on January 1, 2005, TF1 may broadcast from LCI programs, in case of major events, to ensure that breaking news events are covered immediately on TF1. The agreement provides for a flat annual payment of €5 million.

For financial year 2005, TF1 paid LCI €5 million under this agreement.

Person concerned: Etienne Mougeotte.

Agreements with Eurosport

Under the terms of a medium-term loan between TF1 and Eurosport, TF1 has granted Eurosport a medium term loan of €20 million, to be fully repaid by November 23, 2009.

TF1 has agreed that Eurosport can defer repayment of the principal for two years.

Interest is calculated on the basis of the three-month EURIBOR rate plus 0.375%.

For financial year 2005, TF1 invoiced €76,375 under this agreement.

Persons concerned: Olivier Bouygues, Claude Cohen and Etienne Mougeotte.

Statutory Auditors' report on regulated contracts

Agreements with Bouygues

Pursuant to a contract under the Insurance Code, signed by Bouygues, the company has granted its general management board which includes Patrick Le Lay, additional pension benefits amounting to 0.92% of the basic wage per year of service in the plan.

For financial year 2005, Bouygues invoiced TF1 €750,043.

Persons concerned: Patricia Barbizet, Patrick Le Lay, Martin Bouygues, Alain Pouyat, Olivier Bouygues, Olivier Poupart Lafarge and Philippe Montagner.

Agreements with Bouygues Relais

Under the terms of an agreement between Bouygues Relais and TF1, Bouygues Relais has granted TF1 a bridging loan on its confirmed credit lines up to the maximum amount of €100 million.

This agreement is effective from November 22, 2005 until March 1, 2007.

TF1 may use this funding as a day-to-day overdraft. Interest is calculated on the basis of the amounts drawn at a rate equal to EONIA, plus 10%.

This agreement did not have any effect on the 2005 financial statements.

Persons concerned: Patricia Barbizet, Patrick Le Lay, Martin Bouygues, Alain Pouyat, Olivier Bouygues, Olivier Poupart Lafarge and Philippe Montagner.

Agreements approved during previous years which were applicable during the period

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

Agreements with subsidiaries

The common service agreements provide for the invoicing of specific services rendered, at the request of TF1 subsidiaries, by the administrative departments (management, human resources, legal and finance) and a proportion of the residual shared administrative service costs, which includes the amount invoiced by Bouygues to TF1 under the terms of the common services agreement between them. This proportion is determined by applying the key allocation criteria (number of employees and turnover) specific to each type of cost.

During 2005, besides specific services rendered in conformity with market conditions, TF1 invoiced certain subsidiaries a proportion of the residual shared administrative service costs, as defined in these agreements, as follows:

(€ thousands)	AMOUNT (EXCLUDING VAT)
TF1 PUBLICITE	12,203
EUROSPORT	2,354
TF1 ENTREPRISES	382
TF1 VIDEO	1,243
LA CHAINE INFO	621
UNE MUSIQUE	36
E-TF1	928
YAGAN PRODUCTIONS	65
TELESHOPPING	847
TF1 FILMS PRODUCTION	107
STUDIOS 107	39
TF1 INTERNATIONAL	755
ODYSSEE	94
TF1 PUBLICITE PRODUCTION	226
TAP	60
ALMA PRODUCTION	27
TOTAL	**19,987**

Agreements with Bouygues

- The common services agreement (relating to management, human resources, company law, IT, advice and finance) entered into between TF1 and Bouygues on October 8, 1997, provides for the invoicing of specific services rendered, at TF1's request, by these common services and a proportion of the residual shared service cost. This proportion, determined by applying key allocation criteria (number of employees, long term capital and turnover) specific to each type of cost, cannot exceed 0.45% of TF1's consolidated turnover before tax.
- During 2005, the amount invoiced by Bouygues, excluding any specific services rendered as defined in this agreement, was €5.3 million.
- The company's investment management agreement enables TF1 to use Bouygues' central administrative department for investment management purposes.

During 2005, Bouygues invoiced €60,000 for these services.

- The air transport agreement regarding the aircraft owned by Bouygues enables TF1 to use Bouygues' Air Transport department, which operates the aircraft fleet of the Bouygues group. The fixed fee per flying hour was €5,400 in 2005.

During 2005, Bouygues invoiced €0.6 million including VAT for these services.

Agreements with Eurosport

Under the terms of a long-term loan contract between TF1 and Eurosport, TF1 granted Eurosport a long-term loan of €278.8 million (reduced to €268 million) to be fully repaid by January 2, 2009

In April 2005, €128.8 million partial repayment was made on the loan, bringing the outstanding balance to €140 million.

TF1 has agreed that Eurosport can defer for five years the repayment of the principal.

Interest is calculated on the basis of the three-month EURIBOR rate plus 0.375%.

TF1 has entered into an interest rate cap and swap on behalf of Eurosport to hedge against an increase in the three-month EURIBOR rate.

During 2005, TF1 invoiced €7.5 million, including interests and premiums on hedging instruments, under this agreement.

Agreements with TPS

Under an agreement entered into on December 15, 2004, TF1 granted TPS a bridging loan on its confirmed credit lines, using a current account. This was subject to the same terms and conditions as the previous one of December 2003, except that the maximum amount of the current account was increased from €270 million to €299 million. This agreement is valid for a one-year period.

TPS may draw funds from both (or one) of its shareholders (TF1 owns a 66% stake and Métropole Télévision – M6 a 34% stake).

This agreement enables TPS to:

- draw funds on a day-to-day basis with interest at the EONIA rate plus 0.25%;
- lock-in cash over a three-month period on the basis of the three-month Euribor rate plus 0.15%.

During 2005, TF1 invoiced €2.3 million under this agreement.

Paris La Défense and Paris, March 16, 2006

The Statutory Auditors

MAZARS & GUERARD — SALUSTRO REYDEL
Member of KPMG International

Michel ROSSE — Jean-Pierre CROUZET

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Statutory Auditors' report

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

Financial year ended December 31, 2005

As Statutory Auditors of TF1 and in accordance with the provisions of the final paragraph of Article L.225-235 of the French Commercial Code, we hereby present our report on the report prepared by the Chairman of your company in conformity with the provisions of Article L.225-37 of the French Commercial Code, for the year ended December 31, 2005.

The Chairman is required to report to you in particular on the manner in which the work of the Board is prepared and organised and on the internal control procedures implemented within the company.

Our role is to inform you of any observations we have on the disclosures and statements contained in the Chairman's report with regard to the internal control procedures applied for the preparation and treatment of accounting and financial information.

We conducted our review in accordance with the professional standards applicable in France. Those standards require us to plan and perform our work so as to assess the fairness of presentation of the information provided in the Chairman's report on the internal control procedures used for the preparation and treatment of accounting and financial information.

Those standards notably require that we:

- inform ourselves of the objectives and the general organisation of the internal control procedures used for the preparation and treatment of accounting and financial information presented in the Chairman's report.
- inform ourselves of the work underlying the information thereby provided in the report.

Based on our work, we have no comments to make on the disclosures and statements concerning the company's internal control procedures used for the preparation and treatment of the accounting and financial information contained in the report by the Chairman of the Board of Directors, prepared in conformity with the provisions of Article L.225-37 of the French Commercial Code.

Paris La Défense and Paris, March 16, 2006

The Statutory Auditors

MAZARS & GUERARD — SALUSTRO REYDEL, Member of KPMG International

Michel ROSSE — Jean-Pierre CROUZET

This is a free translation into English of the statutory auditors' report issued in French and is provided solely for the convenience of English speaking users.

Resolutions

Ordinary part

First resolution
(Approval of the company accounts)

The General Meeting, acting in compliance with the quorum and majority rules required for ordinary general meetings, having heard the Board of Directors' report and the Statutory Auditors' report on the activity and situation of the company for the financial year ended 31 December 2005 and on the said year's accounts, approves these reports and the annual accounts for the 2005 financial year comprising the Balance Sheet, the Profit and Loss Account and the Notes to the Financial Statements as submitted, as well as the operations reflected in these accounts and summarised in these reports.

The General Meeting approves the Directors' management of the Company for the 2005 financial year.

Second resolution
(Approval of the consolidated accounts)

The General Meeting, acting in compliance with the quorum and majority rules required for ordinary general meetings, having noted that the Board's report on the Group is included in the Directors' report and aware of the information contained in the Board's report and in the Statutory Auditors' report on the activity and situation of the Group for the financial year ended 31 December 2005 and on the consolidated accounts for the said financial year, approves these reports together with the consolidated accounts for 2005 comprising the Balance Sheet, the Profit and Loss Account and the Notes to the Financial Statements as submitted to them, as well as the operations reflected in these accounts and summarised in these reports.

Third resolution
(Approval of agreements covered by Article L. 225-38 of the French Commercial Code)

The General Meeting, acting in compliance with the quorum and majority rules required for ordinary general meetings, having noted the Statutory Auditors' special report on the agreements covered by Article L. 225-38 of the French Commercial Code, approves the said agreements and the operations contained therein.

Fourth resolution
(Appropriation and distribution of profits)

The General Meeting, acting in compliance with the quorum and majority rules required for ordinary general meetings, after noting that the distributable profit amounts to €229,000,185.57, given a net profit for the year of €182,330,514.72 and €46,669,670.85 in retained earnings from the previous year, approves the following appropriation and distribution of profits proposed by the Board of Directors:

■ Distribution of a dividend of (i.e. a net dividend of €0.65 per €0.2 nominal share)	€139,133,883.85
■ Leaving a balance to be carried forward of	€89,866,301.72

Dividends will become payable on May 2, 2006.

The General Meeting notes that, in accordance with paragraph 2, section 3 of Article 158 of the General Tax Code, this dividend is eligible for a 40% allowance to compensate natural persons fiscally domiciled in France for the suppression of the tax credit.

In compliance with the provisions of Article 225-210 of the French Commercial Code, the General Meeting authorises the inclusion, in Retained Earnings, of the amount of dividends relative to the TF1 shares that TF1 is authorised to hold as treasury shares.

The General Meeting notes that the dividends distributed for financial years 2002, 2003 and 2004 were respectively €0.65, €0.65 and €0.65 net for each share of a nominal value of €0.2. Depending on the tax status of the recipient, the corresponding tax credits were €0.325 for 2002 and €0.325 for 2003 on the basis on a 50% tax credit. For 2004, in accordance with new legislation, the distribution qualified for no tax credit; however, the dividend was eligible for a 50% allowance for natural persons fiscally domiciled in France.

Fifth resolution
(Renewal of a Director's term of office)

The General Meeting, acting in compliance with the quorum and majority rules required for ordinary general meetings, renews the term of office of Alain Pouyat, which expires at the end of this Meeting, for a further two years.

His new term of office shall end at the close of the General Meeting convened to rule on the accounts for the 2007 financial year.

Resolutions

Sixth resolution

(Noting of the election of Directors representing employees)

The General Meeting, acting in compliance with the quorum and majority rules required for ordinary general meetings, after having taken cognisance of the names of the Directors representing employees elected by the electoral colleges on March 23, 2006 and communicated by the Chairman of the Board prior to the reading of this resolution, notes their election and their designation as Directors representing employees.

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

Seventh resolution

(Share buy-back)

The General Meeting, acting in compliance with the quorum and majority rules required for ordinary general meetings, after hearing the report of the Board of Directors and in accordance with the provisions of Articles L. 225-209 and following articles of the French Code of Commerce, of regulation No. 2273/2003 dated December 22, 2003 of the European Commission in application of Directive 2003/6/CE dated January 28, 2003, and of Articles 241-1 to 241-8 of the General Regulations of the French stock exchange authority and any provision that may subsequently replace the above, authorises the Board of Directors – with delegation of powers under conditions stipulated by legislation and company Articles of Incorporation – to initiate the purchase by the company of its own shares up to a limit of 10% of the share capital whenever it deems appropriate. It is noted that, on the day this General Meeting is called, the 10% limit represents 21,380,059 shares.

The General Meeting rules that the Board of Directors, with delegation of powers as provided for by the law, may make these purchases, or arrange for them to be made:

- to cancel shares so acquired, as well as any shares that may have been purchased through previously authorised share buy-back programmes; this involves an authorisation given by an Extraordinary General Meeting;
- in the framework of employee participation in the fruits of company growth or with a view to allocating shares to employees and/or corporate officers, notably for share option programmes or group savings schemes;
- through an independent investment services provider, acting in the name of and for the account of the company but without being influenced by the company, within the terms of a liquidity contract conforming to a code of conduct recognised by the French stock exchange authority or any other applicable provisions;
- for the delivery or exchange of shares, particularly when issuing or exercising rights attached to marketable securities entitling the holder to receive shares of the company, immediately or subsequently, or on the occasion of external growth operations, mergers, spin-offs or contributions;
- for any other purpose authorised or to be authorised by prevailing legislation or regulations. In this case, the company will advise shareholders by means of a communiqué or any other means provided for by prevailing regulations.

And to do this, the Board of Directors is authorised to keep the purchased shares, sell or transfer them by any method conforming with current rules and regulations – notably through disposal on the open market or off-market, by public offering or share exchange offer, options or derivatives – and/or cancel them, as well as those purchased under previous buy-back authorisations, subject to authorisation by an Extraordinary General Meeting.

The maximum unit purchase price is set at €45 and the minimum unit selling price at €15. It is to be noted that these prices will not be applicable to the buy-back of shares used to exercise options (or to allocate free shares to employees), in which case the selling price or value will be determined according to the specific provisions applicable.

The maximum funds the company may devote to this operation are €962,102,655.

The General Meeting delegates powers to the Board of Directors to adjust these prices and this amount to take account of any operations that might impact the value of the share – notably those affecting the capital, and in particular, splitting or re-classifying shares, capital increases through incorporation of reserves or allocation of free shares. The prices and the amount will be adjusted by application of a coefficient equal to the difference between the number of shares making up the share capital before the operation and the number after the operation.

The General Meeting rules that shares may be purchased, sold or transferred by any method, including the use of options, derivatives or coupons, and notably by purchasing call options under the conditions specified by the financial market authorities. The General Meeting further rules that the proportion of the capital that can be transacted as block trades can account for the entire buy-back programme.

The General Meeting rules that the company may use this resolution and carry through the buy-back programme even in the event of a public offering on shares or securities issued or initiated by the company.

The Board of Directors is vested with full powers, including that of delegation under conditions specified by the law and the Articles of Incorporation, to execute the present resolution, to specify the terms, if necessary, and determine the process, place orders, conclude agreements, file all documents and in general do whatever is needed to fulfil this resolution.

As laid down by the law, the Board of Directors' report to the Annual General Meeting will advise shareholders of any purchases, transfers, disposals or cancellations of shares in this connection.

The present authorisation is valid until the next General Meeting of the company, convened to approve the accounts for financial year 2006.

Extraordinary part

- Reading of Board of Directors' reports and of Statutory Auditors' reports,
- Authorisation to be given to the Board of Directors to reduce the company's capital through the cancellation of treasury shares,
- Discontinuation of the 0.5% limit on shareholding and voting rights leading to the statutory obligation of declaration – modification of Article 7 of the Articles of Incorporation;
- Directors' participation in Board meetings by means of telephone – modification of Article 13 of the Articles of Incorporation;
- Harmonisation of the company's Articles of Incorporation with the provisions of Law No. 2005-842 dated July 26, 2005 on economic confidence and modernisation.
- Powers for registration and formalities

Legal framework

Memorandum and articles of incorporation

Article 1 - Legal form

A public liability company governed by current and future legislation in force, and by these Articles and Memorandum of Incorporation, has been formed between the owners of shares hereinafter created and of any shares subsequently created.

Article 2 - Object

The object of the company is:

To operate an audiovisual communication service, as authorised by the laws and regulations in force, comprising the conception, production, programming and broadcasting of television programmes, and including all advertising messages and announcements.

To carry out any industrial, commercial, financial, securities or property operations, within or outside France, directly or indirectly connected to this object and to any similar, related or complementary objects, or any operations likely to facilitate their realisation or development or to any company asset, including:

- devising, producing, acquiring, selling, renting and exploiting all recordings of images and/or sound, news reports, and films intended for television, the cinema or broadcasting,
- undertaking advertising sales transactions,
- providing services of all kinds for sound broadcasting and television,

All of these directly or indirectly, on its own behalf or on behalf of third parties, either alone or with third parties, through the creation of new companies, contributions, limited partnerships, subscriptions, the purchase of company shares or rights, mergers, partnerships, joint ventures, acquisitions, gifts or the management of any property or rights, or otherwise.

Its action is undertaken in compliance with its contract conditions and the laws in force.

Article 3 - Name

Its corporate name is: "TELEVISION FRANCAISE 1" or its abbreviated form: "TF1".

All legal and other documents issued by the company must mention the corporate name, immediately preceded or followed by the words "Société anonyme" ("public liability company") or the corresponding French initials "SA".

Article 4 - Registered office

The Registered office is located at 1, Quai du Point du Jour, 92100 Boulogne, France.

It may be transferred to any other location in the same or an adjoining "department" (French administrative unit) purely by the decision of the Board of Directors, subject to ratification by the next Ordinary General Meeting, or anywhere else in France through a decision by the Extraordinary General Meeting of Shareholders.

If a transfer is decided by the Board of Directors, the latter shall be authorised to modify the Articles of Incorporation in consequence.

Article 5 - Duration

The duration of the company is set at ninety-nine (99) years as from the date of its registration in the Trade and Companies Register, except in the event of earlier dissolution or an extension decided by the Extraordinary General Meeting of Shareholders.

Article 6 - Authorised capital

The authorised capital is set at €42,810,425.80 divided into 214,052,129 shares each with a nominal value of €0.20.

Article 7 - Form - Payment - Fractional shares

a/ The company's shares may be registered or bearer shares.

All persons, acting alone or in concert, who acquire at least 0.5 %, 1%, 2%, 3% and 4% of the capital or voting rights shall be bound, within five days of the registration on their account of the shares causing them to attain or exceed this threshold, to declare to the Company the total number of shares and the number of voting rights they possess by means of a registered letter sent to the Registered office.

This declaration must be undertaken under the conditions stipulated above every time the threshold of 0.5%, 1%, 2%, 3% and 4% is overstepped in either direction.

If they have not been declared in accordance with the above conditions, shares exceeding the proportion that should have been declared shall forfeit their voting rights as provided by law, if one or several shareholders holding at least 5% of the capital so request during the Meeting.

This provision is additional to the legal provisions for declarations relative to the overstepping of shareholding thresholds.

b/ Cash shares shall be paid up under legal conditions.

c/ Holders of fractional shares resulting from the exchange, consolidation, allotment or subscription of shares shall be responsible for their aggregation and any necessary purchases or sales of shares and/or rights.

Article 8 - Assignment and transfer of shares

Shares shall be freely negotiable within the limit of the laws or regulations in force, including the conditions stipulated by Laws no. 86-1067 of September 30, 1986, no. 86-1210 of November 27, 1986 and no. 89-25 of January 17, 1989.

Subject to the international commitments made by France, no person of foreign nationality within the meaning of Article 40 of Law no. 86-1067 of September 30, 1986 may undertake an acquisition whose effect is to directly or indirectly increase the share of capital held by foreigners to more than 20 per cent of the share capital or voting rights in the company's General Meetings.

Furthermore, a single natural person or legal entity may not directly or indirectly own a participation greater than that stipulated by the laws and regulations in force.

More generally, shareholders are bound to respect the specific provisions of the laws in force relative to the ownership or acquisition of the company's shares.

Article 9 - Rights and obligations pertaining to shares

I. All shares include a right to a share of the company's profits and assets in proportion to the portion of equity they represent.

In addition, they include the right to vote and to be represented in General Meetings pursuant to the laws and regulations in force.

All shares include the right, during the company's existence and in the event of liquidation, to payment of the same net amount with every allotment or repayment, so that, should the occasion arise, all shares shall be treated as one indistinct entity regarding any tax exemptions and any tax which may be borne by the company.

II. Shareholders shall be liable up to the nominal amount of the shares they possess: above this sum, all calls for capital shall be prohibited.

Rights and obligations shall be attached to the share, whoever the owner. Ownership of a share shall, as a matter of law, involve acceptance of the company's Articles of Incorporation and the decisions of the General Meeting.

Article 10 - Board of Directors

I. The company shall be managed by a Board of Directors of twelve members subject to the dispensations provided by law. In application of Article 66 of Law no. 86-1067 of September 30, 1986, two of the seats on the Board of Directors shall be allocated to staff representatives; one of these two seats shall be reserved for engineers, executives and those in a similar category.

II. During the existence of the company, Board Members who are not staff representatives shall be appointed or reappointed to their duties by the Ordinary General Meeting of Shareholders.

III. The duration of a Board Member's duties shall be two years.

The duties of a Member who is not a staff representative shall terminate at the end of the Ordinary General Meeting ruling on the accounts of the previous business year, held during the year during which the Board Member's term of office expires.

The duties of a Member who is a staff representative shall terminate after the announcement of the votes of the electoral colleges appointing Board Members representing the staff; this appointment must normally take place within the two weeks preceding the General Meeting covering the previous business year, held during the year in which the Board Member's term of office expires.

Members of the Board may always stand for re-election.

Board Members who are not staff representatives may be dismissed at any time by the Ordinary General Meeting.

Board Members representing the staff may only be dismissed through the decision of the President of the Regional Court, sitting in relief proceedings, for misconduct during the exercise of their duties, at the request of the majority of the Members of the Board. The decision shall be immediately enforceable.

Except in the event of termination at the employee's initiative, the termination of an employment contract of a Board Member elected by the employees may only be pronounced by the trial board of the Industrial Tribunal sitting in relief proceedings. The decision shall be immediately enforceable.

IV. Board Members who are not staff representatives may be natural persons or legal entities; upon their appointment, the latter must name a permanent representative who shall be subject to the same conditions and obligations and assume the same responsibilities as if he were a Member of the Board in his own right, without prejudice to the joint and several liability of the legal entity he represents; the permanent representative's term of office shall run for the duration of that of the legal entity he represents; he must be reappointed each time such legal entity's term of office is renewed.

If the legal entity terminates the term of office of its representative, it shall be bound to notify such cancellation to the company immediately by recorded letter, together with the identity of its new permanent representative; likewise in the event of the permanent representative's death, resignation or prolonged indisposition.

V. If one or several seats of Members of the Board who are not staff representatives become vacant between two General Meetings due to their death or resignation, the Board of Directors may appoint one or more members on a temporary basis.

If one or several seats of Members of the Board who are staff representatives become vacant between two General Meetings due to their death, resignation, dismissal or the termination of their employment contract, the vacant seat shall be filled by the alternate.

Appointments of Members of the Board made by the Board of Directors shall be subject to ratification by the next Ordinary General Meeting. Should no such ratification take place, decisions taken and acts accomplished previously by the Board shall remain valid.

Should only one or two Members of the Board remain at their post(s), he or they, or failing this the Statutory Auditor(s), must immediately convene an Ordinary General Meeting of Shareholders in order to fill the vacant positions on the Board.

Any Member of the Board appointed to replace another shall only do so for the remaining period of his predecessor's term of office.

Article 11 - Shares of members of the Board

Members of the Board must each own one share.

Members of the Board appointed during the existence of the company need not own any shares at the time they are appointed, but must become shareholders within three months, failing which they will automatically be considered to have resigned.

Article 12 - Officers of the Board

The Board of Directors shall appoint one of its members who is a natural person as Chairman, and set the period of his duties, though this may not exceed his term of office as a Member of the Board.

The Chairman of the Board of Directors shall organise and direct the work of the Board, and report on this to the General Meeting of Shareholders. He shall ensure the proper functioning of the company's management bodies, and in particular ensure that the Members of the Board are capable of fulfilling their duties.

If it sees fit, the Board of Directors may appoint one or several Vice Chairmen, whose period of duties it shall also fix without this exceeding their terms of office.

The Board may also appoint a Secretary, who need not be one of its members.

In the absence or indisposition of the Chairman, a Board meeting may be chaired by the Vice Chairman fulfilling the duties of Chief Executive Officer, or the longest-serving Vice Chairman. Failing this, the Board shall appoint one of its members to act as Chairman for the meeting.

The Chairman, Vice Chairmen and Secretary may all stand for re-election.

As from the date when shares are admitted to the official listing or to the Second Market of the Paris Stock Exchange, the age limit for performing the duties of Chairman of the Board of Directors is set at 68.

Article 13 - Deliberations of the Board

I. The Board of Directors shall meet as often as the interests of the company require, at the behest of its Chairman. The Chairman of the Board must also, as provided by law, convene such a meeting at the request of a third of its members or of the Chief Executive Officer, if the latter's duties are not assumed by the Chairman of the Board, even if the last meeting was held less than two months previously.

The meeting shall take place at the Registered office, or in any other place indicated in the notification to attend.

Notifications to attend may be communicated by any means, and may even be oral.

II. For deliberations to be valid, the effective presence of at least half the Members of the Board shall be required.

Decisions shall be taken with a majority of votes from the members present or represented; each Board Member shall dispose of one vote, and may not represent more than one of his colleagues.

Should there be an equal number of votes, the Chairman shall have the casting vote.

Members of the Board may participate in Board meetings by means of video conference facilities, as provided by the laws and regulations.

For the calculation of the quorum and majority, Board Members participating in Board meetings via video conference facilities shall be considered as present.

Article 14 - Powers of the Board of Directors

The Board of Directors shall decide upon the strategy for the company's activities and ensure that it is put into practice.

Subject to the powers expressly conferred by law on Shareholders' Meetings or the Chairman of the Board of Directors or the Chief Executive Officer, if the latter's duties are not assumed by the Chairman of the Board, and within the limits of the company's object, it shall deal with all matters relating to the proper functioning of the company and settle any related decisions through its deliberations. It shall undertake any checks and verifications that it deems appropriate.

In general, it shall take any decisions and exercise any prerogatives falling within the scope of its competence by virtue of the laws and regulations in force, or these Articles of Incorporation.

It may decide to create committees in charge of examining questions that it or its Chairman submits for their opinion. It shall fix the composition and remit of such committees.

It may entrust to one or several of its members special duties for one or several determined purposes.

Article 15 - Remuneration of members of the Board

I. Members of the Board may receive Directors' fees whose amount, fixed by the Ordinary General Meeting of Shareholders, shall be maintained until a decision is made to the contrary and which shall be posted in the accounts under operating expenses.

II. The Board shall decide by a majority vote upon the division of these fees between its members, in a manner it considers appropriate.

III. Members of the Board may also have the right to special remuneration authorised by the Board and submitted to the approval of the General Meeting, subject to a special report by the Statutory Auditors, for assignments or mandates entrusted to them, and to the reimbursement of their travelling expenses occasioned by management requirements.

Article 16 - General Management - Delegation of powers

I. The General Management of the company is assumed, under his responsibility, either by the Chairman of the Board of Directors, who shall then take the title of Chairman and Chief Executive Officer, or by another natural person, whether or not a Member of the Board, appointed by the Board of Directors, for whom it shall set the period of his duties, this person taking the title of Chief Executive Officer. The Chief Executive Officer may be dismissed at any time by the Board of Directors.

The Board of Directors shall choose between these two methods of General Management upon each appointment/reappointment of the Chairman of the Board or of the Chief Executive Officer if the latter's duties are not assumed by the Chairman of the Board.

This choice shall remain valid until the expiry of one of these terms of office or, should the case arise, until the Chairman of the Board decides to no longer assume the functions of Chief Executive Officer, or upon the decision of the Board of Directors for a shorter period, which may not be less than one year.

Any change in the General Management method shall not entail a modification of the Articles of Incorporation.

II. The Chief Executive Officer or the Chairman of the Board, if he assumes the duties of Chief Executive Officer, shall be vested with the widest powers to act on behalf of the company in all circumstances. He shall exercise these powers within the limits of the company object and subject to the powers expressly accorded to Shareholders' Meetings and the Board of Directors. He shall represent the company in its relations with third parties.

He may delegate any powers to any proxy of his choice within the limit of those conferred by law and the Articles of Incorporation herein. Any limitation of such powers by the decision of the Board of Directors shall be without effect as regards third parties.

III. The Board of Directors may, on the proposal of the Chief Executive Officer or the Chairman of the Board, if he assumes the duties the duties of Chief Executive Officer, mandate a natural person, whether or not a Member of the Board, to assist the former; this person shall have the title of Deputy Chief Executive Officer.

The maximum number of Deputy Chief Executive Officers appointed in this way is that fixed by the laws in force.

Each Deputy Chief Executive Officer may be dismissed at any time by the Board of Directors on the proposal of the Chief Executive Officer, or the Chairman of the Board, if he assumes the duties of Chief Executive Officer. In the event of the death, resignation or dismissal of the Chief Executive Officer or the Chairman of the Board, if he assumes the duties the duties of Chief Executive Officer, each Deputy Chief Executive Officer shall retain his functions and remit, unless the Board of Directors decides otherwise, until the appointment of another person assuming the duties of Chief Executive Officer.

In agreement with the Chief Executive Officer, or the Chairman of the Board, if he assumes the duties of Chief Executive Officer, the Board of Directors shall decide on the scope and duration of the powers delegated to each Deputy Chief Executive Officer.

As regards third parties, each Deputy Chief Executive Officer shall possess the same powers as the Chief Executive Officer or the Chairman of the Board, if he assumes the duties of Chief Executive Officer.

Article 17 - Regulated agreements

Any agreement made, whether directly or via an intermediary, between the company and its Chief Executive Officer, one of its Deputy Chief Executive Officers, one of its Board Members, one of its shareholders possessing a proportion of voting rights greater than 10% or, if it involves a shareholding company, the company controlling it within the meaning of Article L. 233-3, must have obtained the prior authorisation of the Board of Directors, if it does not relate to a standard transaction or is not made under normal terms and conditions.

The same shall apply to any agreements (other than those concerning a standard transaction or made under normal terms and conditions) in which any of the persons indicated in the preceding paragraph has an indirect interest.

Legal framework

Prior authorisation shall also be required for any agreements (other than those concerning a standard transaction or made under normal terms and conditions) taking place between the company and another company if one of the company's Board Members, the Chief Executive Officer or one of the Deputy Chief Executive Officers is the owner, an associate with unlimited liability, manager, member of the Board, member of the supervisory board or, in general, an executive of the other company.

Article 18 - Statutory Auditors

The company shall be audited by two Statutory Auditors who shall be appointed and exercise their assignment in accordance with the law.

Two Alternate Statutory Auditors shall also be appointed to take the place of the Statutory Auditors in the event of refusal, unforeseen difficulty, resignation or death.

Article 19 - General Meetings

Collective decisions of the shareholders shall be taken in General Meetings, qualified as Ordinary or Extraordinary depending on the nature of the decisions they are required to take.

Each regularly constituted General Meeting shall represent the shareholders as a whole.

The deliberations of General Meetings shall be binding on all shareholders, even if absent, dissenting or legally incapable.

Article 20 - Notification to attend and venue for General Meetings

General Meetings shall be convened and reach decisions as provided by law.

General Meetings shall be held at the Registered office or any other place indicated in the notification to attend.

Article 21 - Access to Meetings - Powers

All shareholders may participate in General Meetings, irrespective of the number of shares they own, in person or by proxy, on condition that they provide proof of identity and of ownership of their shares, in the form and place indicated in the notification to attend, at least five days before the date of the General Meeting, as provided by law regarding the participation of shareholders in General Meetings. However, the Board of Directors may shorten or abolish this period provided that it is for the benefit of all the shareholders.

Shareholders may only be represented by their spouse or by another shareholder with power of attorney or, if their domicile is not in French territory, through an intermediary registered as a shareholder pursuant to Article L.228-1 of the French Code of Commerce.

Shareholders that are legal entities shall participate in Meetings through their legal representatives or any person appointed for this purpose by the latter.

Any shareholder may, as provided by the law and regulations, vote by proxy or by correspondence at any General Meeting, either on paper or - upon the decision of the Board of Directors published in the notification of the meeting and notification to attend, or, should the case arise, in the personal notification of the meeting - by remote transmission.

Article 22 - Quorum-voting-number of votes

I. In Ordinary and Extraordinary General Meetings, the quorum shall be calculated on the entire number of shares constituting the authorised capital, excluding non-voting shares as provided by law.

Where votes by correspondence are concerned, only slips received by the company before the Meeting, within the time limit and pursuant to the conditions provided by law, shall be taken into consideration for calculating the quorum.

Shareholders participating in the Meeting by video conference, Internet or by telecommunication means enabling them to be identified, the nature and conditions of which comply with the laws and regulations in force, shall be considered as present for the purposes of calculating the quorum and the majority.

II. Voting rights attached to shares are proportional to the capital they represent. At equal nominal value, each equity or dividend share entitles the holder to one vote.

III. If shares are held in usufruct, the voting rights attached to these shares shall belong to the beneficial owners in Ordinary General Meetings and to the bare owners in Extraordinary General Meetings.

Article 23 - Ordinary General Meetings

I. The Ordinary General Meeting shall be called upon to take all decisions that do not modify the Articles of Incorporation.

It shall meet at least once a year, within the time limits indicated by the law and regulations in force, to rule on the financial statements of the previous business year.

II. The Ordinary General Meeting may not deliberate validly, upon the first notification to attend, unless the shareholders present, represented or having voted by correspondence possess at least a quarter of the voting shares.

Upon a second notification to attend, no quorum shall be required.

It shall rule with a majority of the votes at the disposal of the shareholders present or represented, including shareholders having voted by correspondence.

Article 24 - Extraordinary General Meetings

I. The Extraordinary General Meeting shall have the sole power to modify the Articles of Incorporation in all their provisions. However, it may not increase the commitments of shareholders, subject to operations resulting from the exchange or consolidation of shares decided and carried out in accordance with regulatory requirements.

II. In the absence of specific legal provisions, the Extraordinary General Meeting may not deliberate validly, unless the shareholders present, represented or having voted by correspondence possess, upon the first notification to attend, at least a third, and upon the second notification, at least a quarter of the voting shares.

Failing this latter quorum, the second Meeting may be adjourned to another date no later than two months after the original date for which it was convened.

Subject to the same specific provisions, it shall rule with a two-thirds majority of the votes at the disposal of the shareholders present or represented, including shareholders having voted by correspondence.

Article 25 - Business year

The business year shall begin on January 1 and end on December 31 each year.

Exceptionally, the current year shall extend from 1 September 1987 to 31 December 1988.

Article 26 - Determination, appropriation and distribution of profits

After the deduction of amortisation and provisions, any credit balance on the profit and loss account, summarising the revenues and charges for the year, represents the net profit.

Five percent shall be deducted from profits, after deduction of any previous losses, and appropriated to the legal reserve fund. This is no longer compulsory when the legal reserve reaches one tenth of the registered capital. This deduction shall be resumed if for any reason the legal reserve falls below this one tenth.

Distributable income shall comprise the year's profits plus retained earnings brought forward, minus previous losses and amounts credited to reserves, as required by law and these Articles of Incorporation .

This income shall be distributed between all shareholders in proportion to the number of shares they each own.

However, after deduction of the appropriations to reserves required by law, the General Meeting may appropriate any amount it deems necessary to any optional ordinary or extraordinary reserve funds, or carry it forward to future years.

Dividends are primarily taken out of the year's profits. The General Meeting may, in addition, decide to appropriate sums from available reserves, provided it explicitly specifies the reserves in question.

The Ordinary General Meeting of Shareholders may grant shareholders, in respect of all or part of the dividend and interim dividend, the option of taking the dividend and interim dividend in the form of either cash or shares.

Except in the case of a reduction in capital, no distribution to shareholders shall be allowed if the effect is or would be to reduce shareholders' equity below the amount of capital plus reserves required by the law and by these Articles of Incorporation for any distribution to be permitted. Revaluation reserves are not distributable but can be partially or fully incorporated into capital.

Any loss shall be carried forward, following the General Meeting's approval, and shall be deducted from the profits of subsequent years until such time as it is extinguished.

Article 27 - Dissolution-liquidation

Apart from dissolution provided for by law, the company shall be dissolved on expiry of the term as defined in the Articles of Incorporation or by the decision of the Extraordinary General Meeting of Shareholders.

One or several liquidators shall then be appointed by this Extraordinary General Meeting acting under the quorum and majority conditions stipulated for Ordinary General Meetings.

The liquidator shall represent the company. He shall be invested with the widest powers to realise the assets, even by private treaty. He shall be authorised to pay creditors and distribute the remaining balance.

The General Meeting of Shareholders may authorise him to continue any ongoing business or to undertake new business transactions for the purposes of liquidation.

The net assets remaining after repayment of the shares at their par value shall be distributed between the shareholders in the same proportions as their interest in capital.

Article 28 - Disputes

All disputes in connection with company matters arising during the company's existence or during liquidation, either between the shareholders and the company or the Members of its Board, or between the company and the Members of its Board, or between the shareholders themselves and relating to company matters, will be referred to the competent courts.

Legal framework

Share ownership

Under the terms of Article 39 of Law No. 86-1067 of September 30, 1986 as amended, an individual or entity, acting alone or with others, shall not hold, directly or indirectly, more than 49% of the capital or voting rights of a company licensed to operate a national television service by terrestrial analogue route.

This provision was modified by Law No. 2001-624 of July 18, 2000. This limits the scope of the 49% rule to those hertzian channels with an average annual audience (analogue, cable and satellite combined) in excess of 2.5% of the total television audience. A decree of the Conseil d'Etat (Council of State) must define in detail how channel audiences are to be calculated.

Under the terms of Article 39 of Law No. 86-1067 of September 30, 1986 as amended, when an individual or entity holds, directly or indirectly, more than 15% of the capital or voting rights of a company licensed to operate a national television service by terrestrial analogue route, shall not hold, directly or indirectly, more than 15% of the capital of another company holding a similar authorisation.

Under the terms of Article 40 of Law No. 86-1067 of September 30, 1986 as amended, no individual or entity of foreign nationality shall purchase an interest leading to foreign nationals holding, directly or indirectly, more than 20% of the capital of a company licensed to operate a national television service by terrestrial analogue route.

Under the terms of Article 41 of the Law of September 30, 1986, as amended by the Law of July 9, 2004, one and the same person can hold, directly or indirectly, a maximum number of seven authorisations for a national television service by digital terrestrial route.

Licensing conditions

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

By reason of decision No. 96-614 of September 17, 1996, TF1 received a first renewal of its licence, without other candidates being considered, for five years.

In compliance with Article 28-1 of the Law of September 30, 1986, as modified by the Law of August 1, 2000, TF1 benefited from a second "automatic" renewal of its licence for the years 2002 to 2007, by decision of the CSA (the French audiovisual regulatory body) on November 20, 2001.

Under the terms of Article 82 of the Law of September 30, 1986, as amended, this authorisation can be automatically extended for five years (to 2012), by reason of the simultaneous broadcasting ("simulcast") of the channel's programmes by digital terrestrial transmission. By a decision of June 10, 2003, the CSA has modified TF1's licence in order to incorporate the provisions relating to the broadcasting of programmes on digital terrestrial television.

Main legal provisions and obligations

Texts:

- Contract conditions set forth by Decree No 87-43 of January 30, 1987 and the Decision regarding licensing use of frequencies of November 20, 2001, given to TELEVISION FRANCAISE 1, until January 1, 2007,
- Law No. 86-1067 of September 30, 1986 as amended by Law No. 94-88 of February 1, 1994, by Law No. 2000-719 of August 1, 2000 and by Law No. 2005-102 of February 11, 2005,
- European Directive on Television Without Frontiers of October 3, 1989, as modified,
- Decree No. 2001-609 of July 9, 2001, amended by Decree No. 2001-1326 of December 28, 2001 (production obligations of free-to-air analogue channels),
- Decree No. 90-66 of January 17, 1990, as amended by Decree No. 92-279 of March 27, 1992 and by Decree No. 2001-1330 of December 28, 2001 (broadcasting obligations),
- Decree No. 92-280 of March 27, 1992, as amended by Decree No. 2001-1331 of December 28, 2001 (obligations relating to advertising and sponsorship).

Decree No. 2003-960 of October 8, 2003 has amended Article 8 of Decree No. 92-280 of March 27, 1992 related to sectors banned from television advertising. The legal provisions of this Decree, partly applicable from January 1, 2004, sees the opening of the following markets:

- Book publishing: but only for cable and satellite channels
- Cinema: maintenance of the prohibition
- Press: full opening for all broadcasters
- Retail: opening (except advertising for "commercial promotions"):

• From January 1, 2004 for local channels, cable and satellite channels and DTT channels

• From January 1, 2007 for all national analogue channels.

"Commercial promotions" are defined as "any offer of products or services made to consumers or the organisation of any events that are exceptional or seasonal, resulting particularly from the length of the offer, the price and terms of sale, the volume of stock put on sale, the nature, source or particular qualities of products or services or associated products or services".

The European Commission examined this Decree. It took the view that maintaining the ban on television advertising in relation to the cinema was open to criticism and issued France with a detailed ruling.

In terms of general broadcasting obligations and of investment in production, the principal legal provisions in force are the following:

- a maximum of 192 cinema films per year may be broadcast, of which a maximum of 104 shall begin between 8.30 p.m. and 10.30 p.m. No cinema film shall be broadcast on Wednesday and Friday evenings, Saturday all day, or Sunday before 8.30 p.m.,
- broadcasting quotas apply for the whole broadcasting time and for peak viewing hours, to cinema and audiovisual works. 60% of broadcast material shall be of European origin and 40% of French origin,
- a minimum of two-thirds of the annual broadcasting airtime shall be devoted to French-speaking programmes,
- obligation to broadcast annually a minimum of 1,000 hours of children's programmes including 50 hours of magazines and documentaries,
- obligation to broadcast annually 800 hours of television news bulletins and television news magazines,
- obligation to invest 16% of the previous year's net annual turnover for the commissioning of French-speaking audiovisual works, of which 10.66% from independent producers, and to broadcast 120 hours of French-speaking or European unreleased audiovisual works, starting between 8 p.m. and 9 p.m.,
- obligation to invest 0.6% of net turnover for the commissioning of French-speaking and European cartoons (obligation as to French-speaking content included in the previous 16%). The rights relating to two thirds of the broadcasting rights acquired cannot exceed four years,
- prohibition on use of in-house production for fiction programmes; use of in-house production authorised for news and for up to 50% of annual volume of other programmes,
- obligation to invest 3.2% of the previous year's net annual turnover (with at least 2.5% dedicated to French-speaking cinema works and at least 75% commissioned from independent producers) in the co-production of European cinema works. This investment is to be achieved through a subsidiary of the broadcaster (TF1 Films Production) operating as a minority participator. The co-production element must be approximately equal to the broadcasting right element.
- obligation, within a period of five years following the publication of Law No. 2005-102 of February 11, 2005, to make all of the channel's programmes accessible to the deaf or hearing-impaired, with the exception of advertising. It is to be noted that the CSA may exempt a section of programming from this obligation due to its nature (this concession is included in the convention).

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 children and young people, the Channel has undertaken to adopt a 5-category sign code to indicate the acceptability of programmes broadcast for this sector.

Digital terrestrial television services

On July 24, 2001, the CSA invited tenders for national digital terrestrial television services.

On October 24, 2002, the CSA released the list of candidates chosen. Under this tender, the CSA selected five TF1 Group channels (TF1, Eurosport, LCI, TF6 and TPS STAR).

On June 10, 2003, the CSA issued authorisations to the selected channels, which included the five TF1 Group channels.

On October 21, 2003, the CSA issued authorisations to the four multiplex operators responsible for the necessary technical operations to enable transmission and broadcasting of DTT programmes to the public. An authorisation was issued to S.M.R.6 which combines (on the R6 network) the following channels: TF1, LCI, Eurosport France, TPS Star and NRJ TV.

Following an application by TF1, the Council of State, in its decision of October 20, 2004, cancelled six of the 23 authorisations which the CSA had issued on June 10, 2003 to the digital terrestrial channels iMCM, Canal J, Sport +, i>Télé, Ciné-Cinéma and Planète.

Subsequent to this cancellation, on December 14, 2004, the CSA launched a tender for the six channels made vacant. As the Comédie channel, Cuisine TV (a shared channel) and Match TV had surrendered their authorisation, the number of channels available rose to eight. The TF1 Group submitted a bid on behalf of the TV Breizh channel, but it was not accepted.

The broadcast of Digital Terrestrial Television (DTT), started up in France on March 31, 2005. Since October 2005, 50% of the population of mainland France can receive DTT.

DTT's expansion is expected to continue, with the opening of 19 sites in the Spring of 2006 announced by the CSA, and another 24 in the Autumn of the same year.

On completion of these new roll-outs, DTT will cover two-thirds of the population in mainland France. Eventually, DTT's coverage should extend to 85% of the population, according to the schedule implemented so far by the CSA.

People responsible for financial information

Person responsible for the reference document:
Mr. Patrick Le Lay, Chairman and Chief Executive Officer.

Certification of the person responsible for the reference document

Having taken all reasonable care to ensure that such is the case, I hereby certify that the information in this document give, to the best of my knowledge, a true and fair view of the Group. It includes all the statements necessary for investors to make their judgement on the assets, activity, financial situation, results and outlook of TF1. There are no omissions likely to alter the significance of those statements.

I have obtained from the Statutory Auditors, Salustro Reydel member of KPMG International and Mazars & Guerard, a letter certifying that they have verified all information contained in the Reference Document relating to the Group's financial position and accounts, and moreover, I have read the entire document.

Paris, March 27, 2006

Chairman and Chief Executive Officer
Patrick LE LAY

Fees of group statutory auditors

(Fully consolidated companies)

2005, (€K)	SALUSTRO REYDEL (1) MEMBER OF KPMG INTERNATIONAL AMOUNT	%	MAZARS & GUÉRARD (2) AMOUNT	%	SUB-TOTAL (1) + (2)	ERNST & YOUNG	OTHERS	TOTAL
Audit: statutory audit, certification and consolidated accounts examination	498	95.4%	408	95.3%	906	48	60	1,014
Audit: other assignments	24	4.6%	20	4.7%	44	0	0	44
Other	–	0.0%	–	0.0%	0	22	0	22
Total	**522**	**100.0%**	**428**	**100.0%**	**950**	**70**	**60**	**1,080**

Information and investor relations

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You can also receive information on the Group TF1 and obtain on demand historical data about the company.

By mail :
TF1
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Diary of financial announcements for 2006

January 26	Full Year 2005 revenue
February 21	Full Year 2005 accounts
February 22	Analysts meeting
April 25	Shareholders' General Meeting
April 27	First quarter 2006 revenue
May 22	First quarter 2006 accounts
July 27	First half 2006 revenue
August 29	Half year 2006 accounts
August 30	Analysts meeting
October 26	Third quarter 2006 revenue
November 21	Third quarter 2006 accounts

This timetable is subject to change.

Reference document cross-reference table

Subjects of the first note from EC regulation 809/2004

The French version of the Annual report was filed by the "Autorité des Marchés Financiers" (AMF – French stock exchange commission) on March 28, 2006, in accordance with the articles 211-1 and 211-42 of the General Regulation of the AMF. This document may not be used to support a financial operation unless it is accompanied by an operation note certified by the AMF.