

EDIT & BROADCAST

2006 ANNUAL REPORT



▶ TOTAL MEDIA



KEY PLAYER IN THE AUDIOVISUAL MARKETPLACE

TF1, the leading French general-interest television channel – with an audience share of 31.6% in 2006 – is an integrated communications group developing activities in growth markets around its core business.

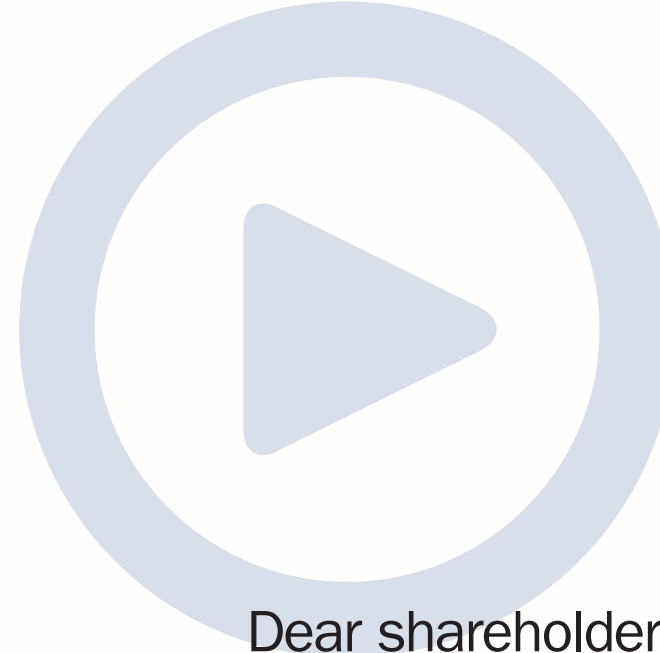
Since 1987, when it was privatised and Bouygues became the major shareholder, TF1 has created new activities with strong added value, building on its original business as programme producer and broadcaster.

Today, the TF1 Group's activities cover the whole of the audiovisual industry: upstream in production, acquisition and sale of audiovisual rights and also in distribution of feature films to cinemas. Downstream in publishing and distribution of DVDs and music CDs. TF1 is also expanding in home-shopping TV with its subsidiary Têlèshopping.

TF1 has also created a wide choice of derivative products: derivative rights, parlour games, video contents, blogs and websites. Thanks to the development of online services, TF1 has become a multimedia content producer through e-TF1 which produces, develops and publishes content and interactive services on the internet and mobile channels.

TF1 is expanding in the pay-TV market with leading theme channels at the heart of pay-TV, not only in France (LCI, TF6, TV Breizh, TMC among others) but also worldwide (with Eurosport).

CHAIRMAN'S STATEMENT



Dear shareholders,

For the TF1 Group, 2006 was a year of “step-change” by reason of the in-depth transformation both of its environment and its organisation.

It should be noted that the new technologies, which are ever more powerful at lower cost, are promoting the rapid installation of “digital television” in French households, either via DTT (Digital Terrestrial Television), ADSL, satellite, cable or, coming soon, mobile phones. Never before has television been consumed so much nor distributed in such a diversity of ways. This, in turn, fuels the emergence of new offerings that erode the audience share of “traditional channels” even though their audiences are growing.

In 2007, when the base becomes mostly digital, the rising audience trend will still be favourable to your Group, whose success continues to be unrivalled, both in terms of the TF1 channel and its main thematic channels, which are already among the most watched. This situation responds to the expectations of viewers as well as clients – advertisers who purchase impactful spots as well as programme distribution platforms, which need popular channels to generate subscriptions.

Besides the rapid evolution to our competitive environment, the step-change also refers to the TF1 Group's change of strategic direction. This is subsequent to the tender of its holding in TPS to its competitor, with the aim of adding value to that asset and giving it a healthy future in what will be one of the world leaders in programme distribution. In addition, this operation will assure broad distribution of our channels for several years to come it has also led to a TF1 Group that in 2006 focused its human and financial resources on:

- Production and broadcasting of French-speaking, general public programmes – free and paying – living primarily off advertising revenue;
- Geographic expansion of Eurosport - the leading pan-European channel - in Europe and south-east Asia, as well as the creation of a new business as designer and organiser of popular sports events with broad international visibility;
- The reinforcement – through organic growth, alliances and/or acquisitions – of the activities of home shopping (with 1001listes.com), video distribution (with tf1vision.com), and audiovisual rights trading, which offer interesting potential for growth and margins in France and Europe;
- Innovation and the development of new audiovisual offerings. This includes the JET channel (games and television), which is based on a programme design dedicated to games and the WAT (We Are Talented) product on Web 2.0 and on television. The latter contributes to the growth of the internet community and the “blog” movement, a new form of audiovisual expression much appreciated by surfers who thereby become actors and producers.

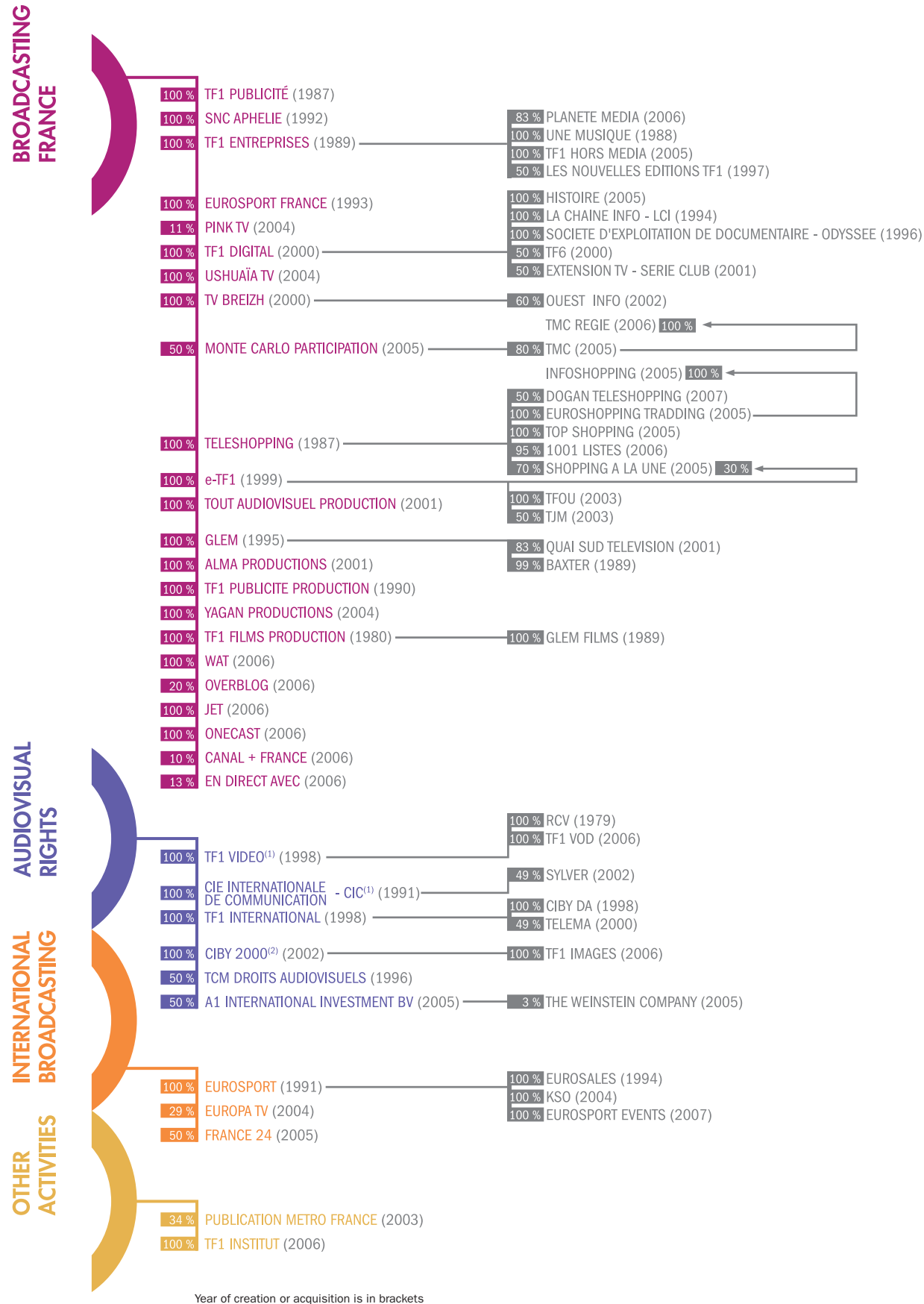
As a result, the TF1 Group boasts solid financial resources, a stable shareholder base, well-trained employees and attractive growth prospects thanks to the liberalisation of the French economy. So it should be able to improve its commercial and financial performance over the coming years.

Patrick Le Lay

Chairman & Chief Executive Officer

TOTAL
MEDIA
STRATEGY –
THE GROWTH
ENGINE

GROUP ORGANISATION (FEBRUARY 2007)



(1) Held via TF1 ENTREPRISES
(2) Held via TF1 FILMS PRODUCTION

PRINCIPAL DIRECTORS (FEBRUARY 2007)

Chief Executives



Patrick LE LAY
Chairman
Chief Executive Officer



Etienne MOUGEOTTE
Senior Executive Vice President
Head of Broadcasting



Claude COHEN
Chairman of TF1 Publicité

General Management

Christian BÎMES
Deputy General Manager

Arnaud BOSOM
Director of Technical Resources and New Technologies

Jean-Michel COUNILLON
Senior Vice President
Secretary General and Director of Legal Affairs

Emmanuel FLORENT
Executive Vice President, Business Development and Diversification

Yves GOBLET
Executive Vice President, Strategy and New Media

Emmanuel GRADOS
Director of Human Resources and Internal Communications

Jean-Pierre MOREL
Executive Vice President, Administration and Finance

Broadcasting

Philippe BALLAND
Vice President, Magazines, Entertainment and Games

Takis CANDILIS
Vice President, Programmes
Vice President, French Fiction Dramas

Jean-François LANCELIER
Vice President, Broadcasting

Robert NAMIAS
Vice President, Information and News

Eric ROUGERON
Vice President, Communications and Public Relations

Laurent STORCH
Vice President, Acquisitions and Youth Programmes

Charles VILLENEUVE
Vice President, Sports

TF1 Publicité

Claude COHEN
Chairman

Martine HOLLINGER
Chief Executive Officer

Jean-Pierre MOREL
Executive Vice President, Administration, Finance and Information Technology

Main subsidiaries

Broadcasting France

TF1 Digital
Etienne MOUGEOTTE
Chairman

Serge LAROYE
Chief Executive Officer

La Chaîne Info
Management Company:
TF1 Digital represented by
Etienne MOUGEOTTE

Ushuaia TV
Management Company:
TF1 Digital represented by
Gaël DESGREES DU LOU

Odysée
Management Company:
TF1 Digital represented by
Gaël DESGREES DU LOU

Histoire
Serge LAROYE
Chairman
Didier SAPAUT
Chief Executive Officer

TV Breizh
Serge LAROYE
Chairman

Gaël DESGREES DU LOU
Chief Executive Officer

TF6 & Série Club
Laurent FONNET
Chief Executive Officer

TMC
Fabrice BAILLY
Chief Executive Officer

TF1 Films Production
Laurent STORCH
Chairman

GLEM
Takis CANDILIS
Chairman

Edouard BOCCON-GIBOD
Chief Executive Officer

Tout Audiovisuel Production
Takis CANDILIS
Chairman

Alma Productions
Takis CANDILIS
Chairman

TF1 Publicité Production
Takis CANDILIS
Chairman

International Broadcasting Other Activities

Eurosport
Laurent- Eric LE LAY
Chairman and Chief Executive Officer

Jacques RAYNAUD
Vice President
General Manager, Distribution and Advertising
Jacques BEHAR
Vice President
General Manager, Administration and Finance

Audiovisual Rights

TF1 Vidéo
Pierre BROSSARD
Chairman

TF1 International
Patrick BINET
Chairman

Téléshopping
Michel KUBLER
Chairman
Yann BOUCRAUT
Chief Executive Officer

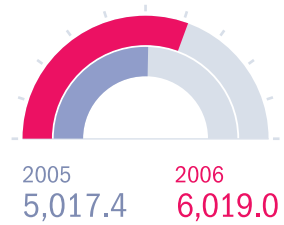
TF1 Entreprises
Christian BÎMES
Chairman
Michel BROSSARD
Chief Executive Officer

e-TF1
Arnaud BOSOM
Chairman

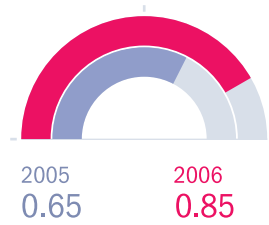
FINANCIAL KEY FIGURES

KEYNOTE: GROWTH

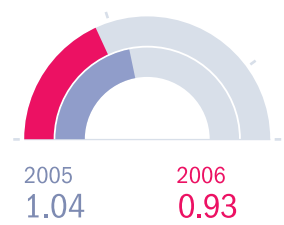
MARKET CAPITALISATION (€M / at December 31)



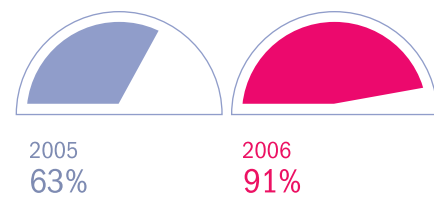
DIVIDEND PER SHARE (in €)



NET EARNINGS PER SHARE (continuing activities) (in €)



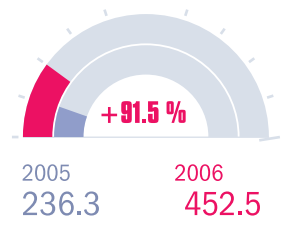
DIVIDEND DISTRIBUTION RATE (%)



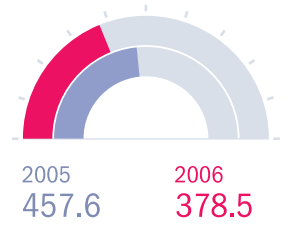
EVOLUTION OF THE TF1 SHARE IN 2006: + 19.9%



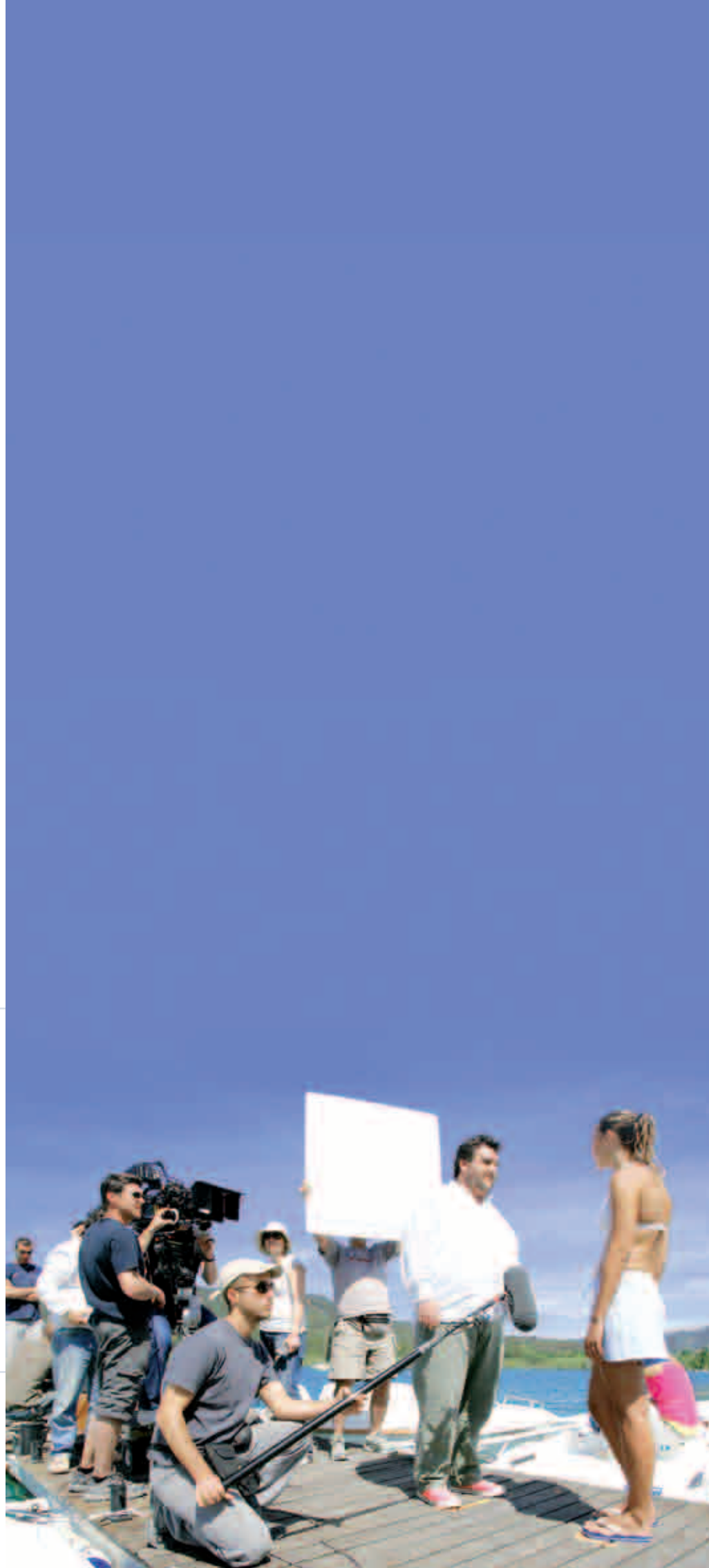
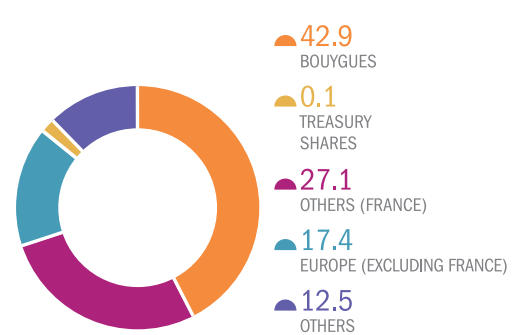
NET PROFIT ATTRIBUTABLE TO THE GROUP (€M)



NET DEBT (€M)



SHAREHOLDERS AS OF DECEMBER 31, 2006 (%)

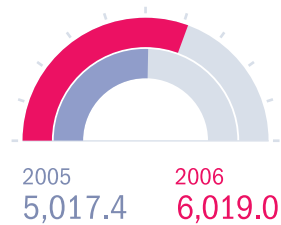


FINANCIAL KEY FIGURES

KEYNOTE: GROWTH

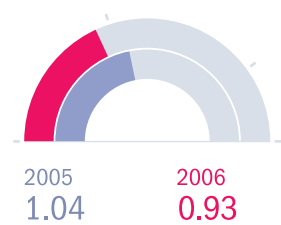
MARKET CAPITALISATION

(€M / at December 31)



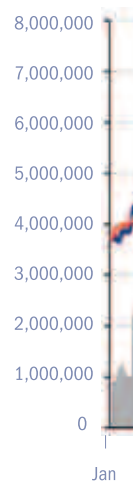
NET EARNINGS PER SHARE

(continuing activities) (in €)



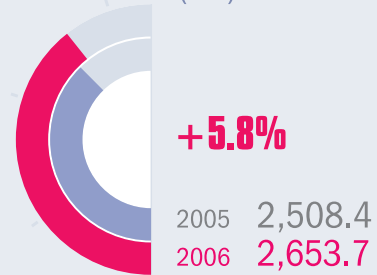
EVOLUTION OF THE TF1 SHARE IN 2006:

+ 19.9%



NET REVENUE

(€M)



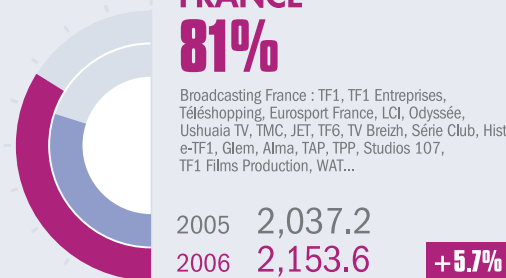
Including

(in % per activity)

BROADCASTING FRANCE

81%

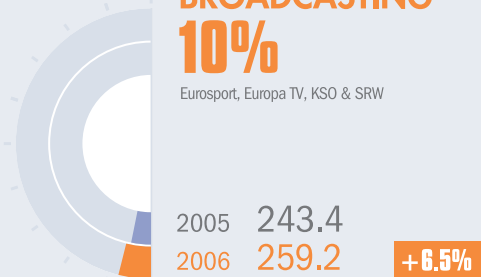
Broadcasting France : TF1, TF1 Entreprises, Téléshopping, Eurosport France, LCI, Odyssee, Ushuaia TV, TMC, JET, TF6, TV Breizh, Série Club, Histoire, e-TF1, Glém, Alma, TAP, TPP, Studios 107, TF1 Films Production, WAT...



INTERNATIONAL BROADCASTING

10%

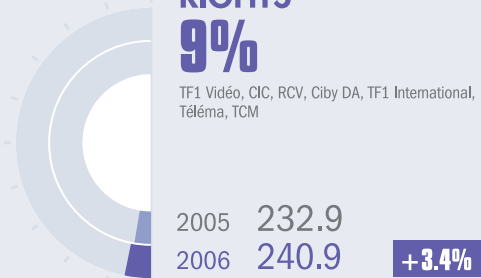
Eurosport, Europa TV, KSO & SRW



AUDIOVUAL RIGHTS

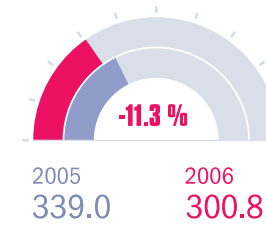
9%

TF1 Vidéo, CIC, RCV, Ciby DA, TF1 International, Téléma, TCM



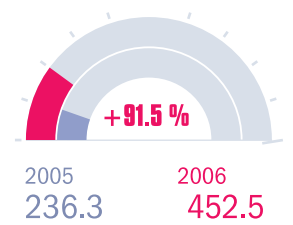
CURRENT OPERATING PROFIT

(€M)



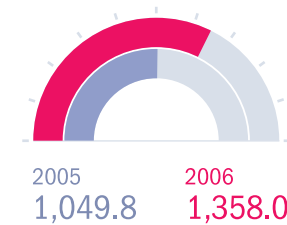
NET PROFIT ATTRIBUTABLE TO THE GROUP

(€M)



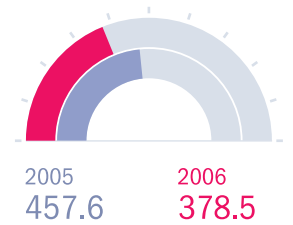
SHAREHOLDERS' FUNDS

(€M)



NET DEBT

(€M)



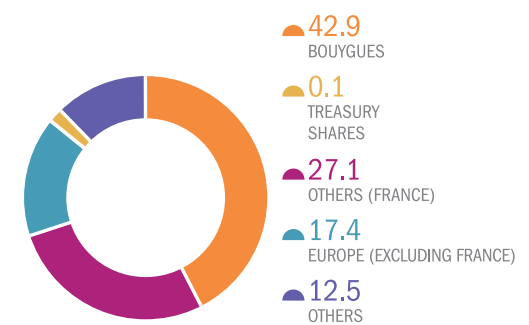
DIARY OF FINANCIAL ANNOUNCEMENTS FOR 2007¹:

- JANUARY 25 Full year 2006 revenue
- FEBRUARY 20 Full year 2006 accounts
- FEBRUARY 21 Analysts meeting
- APRIL 17 Shareholders' General Meeting
- APRIL 23 First quarter 2007 revenue
- MAY 02 Dividend payment
- MAY 22 First quarter 2007 accounts
- JULY 31 First half 2007 revenue and accounts
- JULY 31 Analysts meeting
- OCTOBER 25 Third quarter 2007 revenue
- NOVEMBER 27 Third quarter 2007 accounts

¹This timetable is subject to change

SHAREHOLDERS AS OF DECEMBER 31, 2006

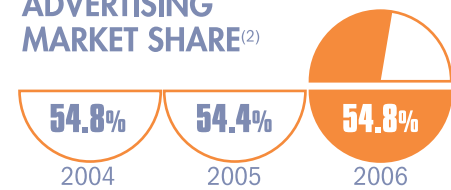
(%)



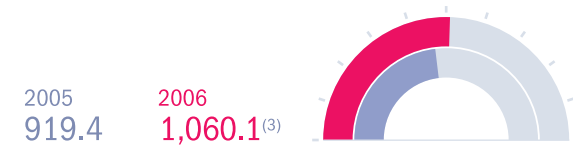
MANAGEMENT KEY FIGURES

KEYNOTE: PERFORMANCE

ADVERTISING MARKET SHARE⁽²⁾

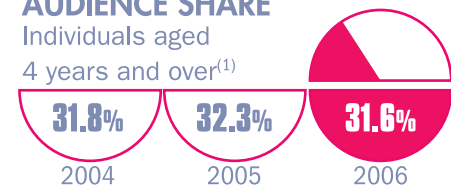


PROGRAMMING COSTS (€M)



⁽³⁾ Incl. €113.6 M for the 2006 Football World Cup

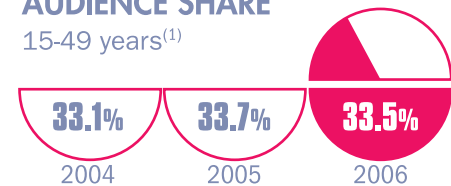
AUDIENCE SHARE Individuals aged 4 years and over⁽¹⁾



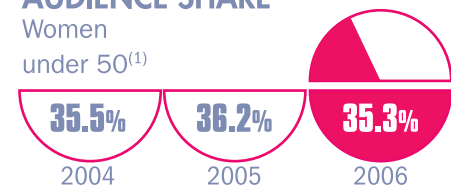
INVESTMENTS IN FRENCH PRODUCTION (€M)



AUDIENCE SHARE 15-49 years⁽¹⁾



AUDIENCE SHARE Women under 50⁽¹⁾



(1) Source : Médiamétrie.
(2) Source : TNS Media Intelligence.

21.4
million euros
Donations to associations in 2006
(2005 : €18.6 M)

343,517
Euros
Directors' fees paid in 2006
50% of a Director's fee is for the Director's responsibilities on the Board and 50% for attending Board meetings. The Directors' fees for employee representatives were paid to the trade unions.

3,498
TF1 Group employees

9.05%
% show business contract workers

-2.4%
Energy consumption 2006
in comparison with 2005

3,838
Number of hours of subtitled programmes for the deaf and hearing-impaired (49% in 2006 vs. 31% in 2005)

148,321
2006 contacts with
Viewer Relations Department
(phone calls + emails + letters)



GROUP HISTORY



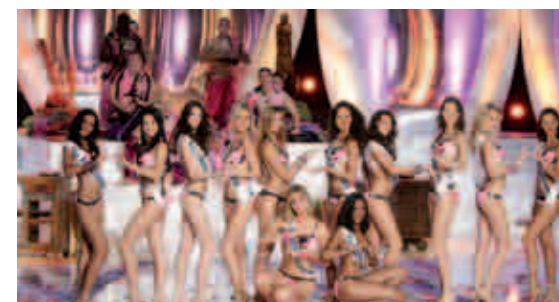
On the strength of its leadership position in the free-to-air television market for the past 19 years, the TF1 Group has today become one of the key players of the French and European audiovisual sector.

1987

On April 6, the CNCL (Commission Nationale de la Communication et des Libertés) chooses the **Bouygues Group** to be the operator of the channel; it becomes one of the core shareholders, representing 50% of the capital. ▶ TF1 is privatised and listed on the stock market on July 24 at a price of FF165 (equivalent to €2.5 today, after a 10 for 1 share split in June 2000). As of this point in time, TF1 no longer has the benefit of licence fees and relies solely on advertising revenue. **1988** Patrick Le Lay is appointed CEO of the TF1 Group. ▶ **Creation of Une Musique**, music publishing and recorded music subsidiary. **TF1 Vidéo** capitalises on the success of the Bébête Show cassette (more than 150,000 copies sold) to launch new products. **1989** Expansion of the TF1 Group with the setting up of TF1 Entreprises (video, telematics, licences and merchandising). Laying of the first stone of the new headquarters at Boulogne. **1990** The group extends its production expertise with the creation of **Banco Production** (production of television feature films) and the acquisition of **Protécra** (audiovisual production). ▶ Creation of TF1 Pub Production to promote the channel's identity. ▶ For the first time, investment in French film production exceeds one billion francs (€150 million). **1991 Eurosport**, the leading pan-European sports channel comes under the umbrella of the TF1 Group, and the French version of the channel is unveiled. ▶ Setting up of Studios 107 to develop the sets for the integrated production of sitcom, variety and game shows. **1992 TF1 unveils its new headquarters at Boulogne** bringing together all its staff on the one site. ▶ *Hélène et les Garçons* is the first of the successful afternoon **sitcoms** aimed at young people. 1992 also sees the development of the channel's fiction dramas, with *Julie Lescaut*, *Les Cordier*, *Juge et Flic* enjoying real audience success (this is still the case today). **1993** The **Eurosport networks** and « **The European Sport Network** » (operated by Canal+ and ESPN) merge to produce and market a single sports channel in Europe: Eurosport. ▶ The newly created **Champions League** is broadcast by TF1, marking TF1's commitment to French and European football. **1994** The **Bouygues Group** increases its stake in TF1 from 25% to 34%. ▶ The gamble is made on a non-stop news channel: **the news channel LCI** is launched on cable on June 24. **1995** With the acquisition of 60% of **Glem Productions**, TF1 becomes a producer of entertainment programmes. ▶ Launch of the website **www.tf1.fr**, which is an immediate success. ▶ **Eurosport** becomes the leading pan-European channel covering 66 million households and nearly 15 million television viewers daily. **1996 Creation and launch of TPS**, (Télévision Par Satellite) in partnership with France Télévision, France Télécom, CLT, M6 and Lyonnaise des Eaux. The launch is accompanied by the creation of TCM (34%-owned by TF1), a company which will acquire and manage broadcasting rights. ▶ July sees the CSA renew TF1's authorisation to broadcast (granted in 1987) for five years. **1997** Launch of the documentary channel, **Odysée**, aimed at expanding TF1's presence in the thematic channels market and supplementing the TPS offering. ▶ **TF1 Vidéo** now distributes the René Chateau Vidéo film catalogue (800 titles). **1998** Eurosport attracts **80 million television viewers** (cumulative audience share) with 24-hour broadcasting of the Nagano Olympic Games. ▶ **TF1 International** supplements its library of broadcasting rights with the acquisition of Ciby DA's comprehensive catalogue. **1999** Launch of the new site and general-interest portal **www.tf1.fr** in May, while Eurosport sets up its own site, **www.eurosport.com**. ▶ TPS creates **Superfoot** and **Superstades** (pay-per-view) to broadcast French First and Second League football matches. On June 7, the TF1 share is listed on the "Second Market" of the Paris Stock Exchange.

2000

On May 10, the TF1 share enters the CAC 40 index following a ruling by the Conseil des Indices Boursiers, and on June 21 there is a 10 for 1 share split, to improve the share's liquidity. ▶ On September 1, **TV Breizh** (a channel focusing on Brittany and the sea and in which TF1 holds 22%) is launched on TPS, Canal Satellite and the main cable networks. ▶ In December, TF1 launches the small mini general-interest channel **TF6**, broadcast on TPS and certain cable networks. **2001** In January, TF1 acquires 50% of **Série Club**, the "100% series" channel, and increases its stake in Eurosport to 100% by acquiring the holdings of Canal+ and Havas. ▶ **TF1 Games**, a new division of TF1 Entreprises focusing on the publishing and distribution of parlour games, heads sales with an adaptation of the game *Who Wants To Be A Millionaire?* ▶ The success of 11 films co-produced by TF1, each exceeding one million cinema admissions in 2001, underscores the group's involvement in cinema film production/co-production. ▶ In July, the CSA renews TF1's authorisation to use its frequencies for the years 2002 to 2007. **2002** TF1 increases its stake in TPS, following the acquisition in January of the 25% owned by France Télévisions Entreprise and France Télécom, and in July of the 16% owned by Suez. TPS is now 66%-owned by TF1 and 34%-owned by M6. ▶ TF1 and Miramax sign a partnership agreement to co-produce French and European films and also to set up a joint company, **TFM**, distributing movies in French cinemas. **2003** On December 18, in partnership with France Télécom, TPS launches its digital television offering over ADSL telephone lines in Lyons. ▶ TF1 announces it has taken a 34.3% stake in **Publications Metro France**, the French subsidiary of Metro International. ▶ On November 12, TF1 issues a €500 M bond, enabling it to diversify and extend its sources of financing. ▶ TF1's licence to transmit is automatically extended to 2012 with respect to simulcast re-broadcasting of the digital terrestrial free-to-air channel. **2004** February 6 sees the launch of **Sportitalia** (Europa TV), an unscrambled sports channel. ▶ On June 22, **LCI celebrated its tenth anniversary**. Since 1994, La Chaîne Info has forged its leadership as the top French non-stop news channel. ▶ At the end of June, the TF1 Group signed an agreement with France Télévisions, ARTE France, l'INA, Pathé, Suez, and Wanadoo to acquire 100% of the capital of **Histoire**, the thematic channel dedicated to French and world history.



2005

▶ On February 18, TF1 and AB Group finalise the acquisition of **TMC** from Pathé Group, after obtaining the CSA's approval. TF1 and AB each now own 40% of TMC. The remaining 20% are in the hands of the Principality of Monaco. ▶ On March 14, **Ushuaïa TV** (100% owned by TF1), the first channel in France dedicated to sustainable development, is launched exclusively on TPS. ▶ On March 31, **Digital Terrestrial Television (DTT)** is launched in France. On this new network, TF1 Group owns six licences: two for the "free" part (TF1 and TMC), and four for the "paying" part (LCI, Eurosport, TF6 and TPS Star). ▶ The first **Téléshopping shop** opens in August in Paris, on the Boulevard Haussmann. ▶ **Eurosport 2** is launched on January 10, 2005 as a perfect complement to Eurosport in expanding the sports channels' pan-European offering. ▶ On December 16, Vivendi Universal, TF1 and M6 announce a projected industry agreement aimed at converging the Canal+ Group and TPS pay television businesses in France into an entity controlled by Vivendi Universal. ▶ On December 19, subsequent to the decision of the Euronext Conseil Scientifique des Indices, the TF1 share is replaced in the CAC 40 index by EDF and enters the CAC Next20 index.



2006 KEY EVENTS A RICH AND EVENTFUL YEAR

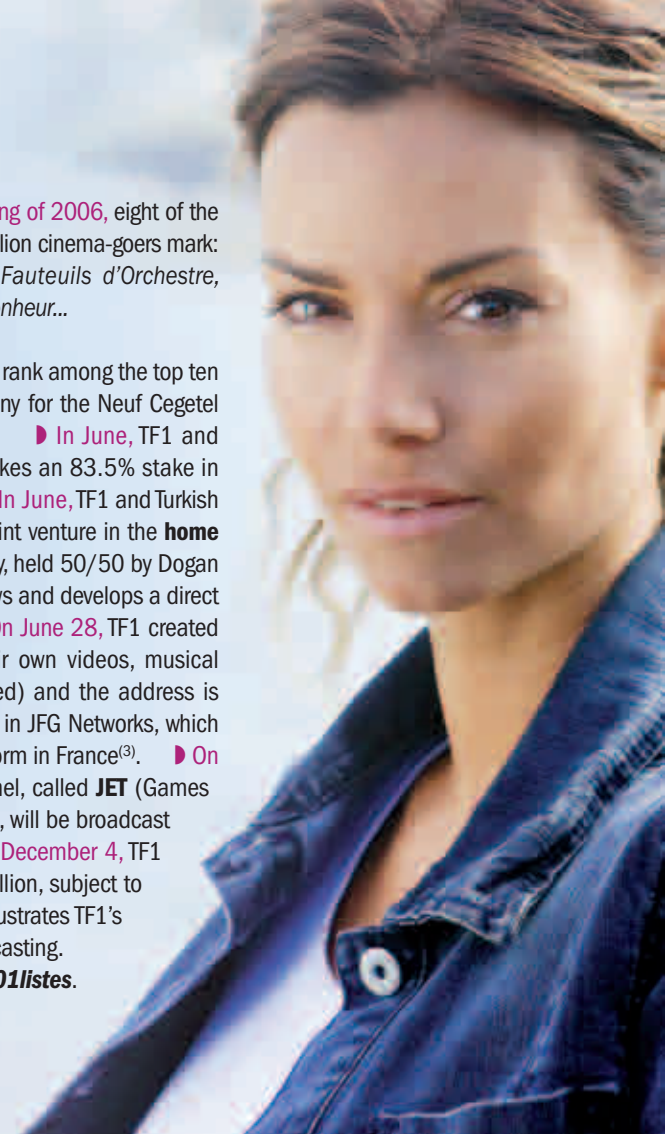
BROADCASTING FRANCE

TF1 CHANNEL⁽¹⁾ On January 31, the film *Les Bronzés font du Ski* was a huge success, with 12.4 million viewers. ▶ In June and July, the 24 matches of the **Football World Cup** broadcast on TF1 confirmed the French people's interest in great sporting events. The four last football matches broadcast in July reached an average of 16.6 million viewers. The Portugal-France semi-final achieved the best audience record since Mediamat was created (22.2 million viewers). ▶ The TF1 core channel re-shuffled its programming grid with 52 minute French dramas or US TV series in prime time: *R.I.S. Police Scientifique*, broadcast in January and February, with great success (more than 10 million viewers on average) and *CSI - Las Vegas*, in prime time on Sunday evening, attracting an average of 7.7 million viewers. ▶ End September and early October, two episodes of *Marie Besnard l'empoisonneuse* (a French TV drama based on real events) were watched by an average of 11.3 million viewers, confirming the TV viewers' interest in this type of programme.

THEMATIC CHANNELS As of March 2006, the TF1 Group secured the distribution of LCI, TV Breizh and TF1 in Belgium with every cable and satellite operator and through the Belgacom offering. ▶ TF1 Group maintained its leadership in cable and satellite, with five TF1 Group channels among the top ten thematic channels⁽²⁾.

IN-HOUSE PRODUCTION COMPANIES Since the beginning of 2006, eight of the latest co-productions from **TF1 Films Production** passed the one million cinema-goers mark: *Les Bronzés 3*, *Amis pour la Vie* (10.3 million spectators), *Fauteuils d'Orchestre*, *La Doublure*, *Jean-Philippe*, *Comme t'y es Belle* and *La Maison du Bonheur*...

OTHER COMPANIES TF1 joined forces with **Neuf Cegetel** to rank among the top ten French internet sites: TF1 Publicité became the advertising company for the Neuf Cegetel portal, and e-TF1 presents the home page and supplies content. ▶ In June, TF1 and Planète Média signed an agreement by which TF1 Entreprises takes an 83.5% stake in the publishing company of the free magazine *Côté Mômes*. ▶ In June, TF1 and Turkish TV operator Dogan TV signed an agreement for the creation of a joint venture in the **home shopping business in Turkey**. Since January 1, 2007, this company, held 50/50 by Dogan TV and TF1 subsidiary Téléshopping, produces home shopping shows and develops a direct marketing service and e-business on this dynamic market. ▶ On June 28, TF1 created the first French internet platform on which surfers can file their own videos, musical compositions, photos and texts. It is called **WAT** (We Are Talented) and the address is www.wat.tv. ▶ At the end of June, TF1 Group took a 20% stake in JFG Networks, which has developed the Overblog website, the second-ranking blog platform in France⁽³⁾. ▶ On October 17, TF1 launched its new game and entertainment channel, called **JET** (Games and TV). JET, the first multi-platform TV channel dedicated to games, will be broadcast on three platforms: TV, the internet and mobile phones. ▶ On December 4, TF1 announced it had taken a **33.5% stake in AB Group**, for €230 million, subject to conditions precedent. This operation, to be finalised early 2007, illustrates TF1's strategy of intensifying its activity of content production and broadcasting. ▶ In December, TF1 Group, via Teleshopping, took a **95% stake in 1001listes**.



INTERNATIONAL BROADCASTING

EUROSPORT INTERNATIONAL

▶ To take advantage of the brand's strength, in January, the Eurosport Group transcended its historic boundaries with the launch of a new channel, **Eurosport World**, in Asia and Australasia. ▶ In January, Eurosport re-designed its **eurosport.com** website and its different language versions. In February, it also launched a **Russian** version (eurosport.ru). At the end of July, Eurosport and Sohu.com signed an agreement to launch **eurosport.sohu.com** in China. ▶ In February, Eurosport and Eurosport 2 aired the **Turin Winter Olympics**, with live broadcasts, news flashes, daily summaries and behind-the-scenes programmes.



FRANCE 24

The first France 24 images went out on Wednesday December 6 via streaming on the internet and 24 hours later over cable and satellite. France 24 is 50/50 held by TF1 and France Télévisions and offers news flashes, magazines and studio programmes in French and English, with Arabic soon to be added.

AUDIOVISUAL RIGHTS

▶ In October, **TF1 Vision**, the TF1 Group's Video On Demand subsidiary, signed a new agreement with Buena Vista International TV, underpinning the attraction of its offering with more than 100 prestigious movies in the catalogue. ▶ In December, TF1 Vision teamed up with Neuf Cegetel to launch **Neuf VOD**, the Neuf TV HD Video On Demand service.



OTHER

On August 31, the Minister of the Economy, Finance and Industry approved the **merger** of the pay-TV businesses of TPS and **Canal+** in France. This operation was finalised on January 4, 2007.



(3) Nielsen NetRatings Panel combining the audiences of the Overblog sites (.com, .net, .org) and all the blogs generating an audience of over 1000 individual visits (private domain names purchased by paying users of Overblog as part of the Premium pack).

(1) Source : Médiamétrie
(2) Source : Mediacabsat 11th wave (from December 26, 2005 to June 11, 2006)

THE 2007 CHALLENGES THE CHAIRMAN'S LETTER

During the past few years, two events have influenced our strategic directions:

- For close to five years, the internet and mobile telephony have been changing the face of the pay television market by offering images. This new multi-faceted competition has substantial financial resources at its disposal and is transforming the market in which we operate;
- The sale of TPS, a process that began in 2005 and was finalised in the first few days of 2007, was carried through in such a way as to assure the future of our channels by guaranteeing them equitable compensation.

In this new context, the Group TF1 strategy is articulated in the following way:

Our TF1 channel is the leader and must remain so.

To make sure that happens, we must broadcast the best programmes, attract the best talent and secure broadcasting rights for lengthy operating periods. That leadership position is underpinned by the ranking of five thematic channels in which we have a significant holding in the ten top French thematic offerings. To further strengthen that leadership position for all our offerings, our daily focus must be on the quality of our teams and our assets of know-how in TV drama, studio shows, entertainment and on our acquisition of the best films and sports events. Only in this way will we be consistently able to offer viewers the best quality programming. With this in mind, we will regularly start anew with the modernisation and adaptation of our structures to make them perform even better.

« WE BUILD
OUR FUTURE
DAY BY DAY »



Of the major tasks initiated, three will make a lasting impact on the organisation of your Group:

1. Divisional structure

This new organisation, with a co-ordinator responsible for each product and distribution channel in feature films, music, games, humour, youth, sport and news, is aimed at facilitating co-ordination – ensuring that everyone exchanges, communicates and shares not only talent and ideas but, whenever possible, content, too.

2. News

News is a fundamental component of the programme grid and is currently the subject of much thought. In two years' time, the editorial teams of TF1, LCI and their spin-offs on the Internet will come together under the same roof with the aim of building a new, modern and dynamic news system for all types of media.

3. A free offering of TF1 channels

It is our intention to develop an offering that brings together free Group TF1 channels on the cable, satellite and the Internet. Above and beyond the current channels, this offering will soon be complemented by new channels – youth, music, etc – which are under-represented in our offering today.

With regard to the other Group activities, the implementation of our prior strategic choices is bearing fruit, which justifies their continuation in the years to come:

EUROSPORT

Eurosport continues to be the main engine of our international expansion, based on:

- Growth of subscription revenues thanks to:
 - An expanding distribution of the Eurosport offerings, in non-exclusive mode, on all platforms and through all terminals;
 - An enrichment of its offering to make it “indispensable” to our viewers;
 - Distribution of offerings outside Europe and the creation of channels and services that respond to the expectations of these new markets.
- The increase of its audience and its image on the Internet;
- The organisation and operation of sports events.

THE 2007 CHALLENGES BY ACTIVITY

“ The TF1 channel

The strategy of a major general-interest channel such as TF1 is based on news, sport and everything that revolves around events, novelty and exclusivity. We have entered the era of the digital audiovisual environment, and it is essential that TF1 reinforce its events-driven character, its exclusive offerings and its live programmes. ”

Etienne Mougeotte

Senior Executive Vice President –
Head of Broadcasting

“ Advertising

The audiovisual environment is undergoing a major transformation. It is fascinating but complex, with advertisers who are themselves facing increasingly demanding consumers. Our role in 2007 is to listen, understand and support our clients more than ever in their processes of communications so as to offer them tailored and complete solutions. ”

Claude Cohen

Chairman of TF1 Publicité

TELESHOPPING

This historical business of the TF1 Group continues to grow by:

- Diversifying distribution channels to respond to client expectations and multiply buying opportunities;
- Offering new techniques, presentations and product promotions that correspond to new modes of consumption;
- Expanding its activity outside France (starting in Turkey).

TF1 VIDÉO

In an environment of rapid technological change, TF1 Vidéo's growth depends on the following strategy:

- “Product” innovations;
- Diversified distribution channels;
- A constantly expanded and refreshed offering;
- The use of digital platforms to promote Video On demand (VOD) offerings.

TF1 INTERNATIONAL

Is underpinning its position among the main French companies in rights trading and is gaining in strength by:

- Exploiting and adding value to its portfolio of rights, which it expands regularly through the acquisition of new catalogues;
- Extending the life cycle of the initial successes of its feature film releases in France;
- Extending the distribution of Anglo-Saxon films and series throughout the world (outside North America);
- Pursuing a policy of investment in new films.

For each of these businesses, our ambition is to quickly reach two-digit growth in the activity as well as operating margins.

In conclusion, let me stress that we have had 20 years of leadership and growth. We have staked our claim as leader and we must remain as leader. As long as we understand how our environment is evolving and as long as we make the right choices, we have no reason to be apprehensive. The daily audience is a constant stimulus to move forward. Our future is built day by day.

It is up to us to be abreast of the times!

Patrick Le Lay
Chairman & CEO

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« WE BUILD
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“ Eurosport

Eurosport boasts one of the best known and most respected brands in Europe. In 2007, the Eurosport Group faces three challenges: to develop and make a lasting success of its new Asian channel, to ensure delivery of content flowing from the Yahoo partnership and to cover, right across the board, new disciplines such as racing sports and horse-riding. ”

Laurent-Eric Le Lay

Chairman and Chief Executive Officer of Eurosport

“ Téléshopping

Developments that were launched at the end of 2005, in particular the Infomercials and the 'surinvitation.com' site, should show considerable revenue growth in 2007.

In addition, home shopping in Turkey through a set-up that is 50/50 owned together with the Doğan Group, started up in the month of January 2007.

The integration in 2007 of the company 1001listes, acquired in December 2006, will make a significant contribution to revenue growth. ”

Yann Boucraut

Chief Executive Officer of Téléshopping



“ Human Resources

2007 should cement TF1's commitment to a determined hiring policy that gives consideration to diversity in all its forms - cultural origins, disability, and training. This year should also allow us to continue to assure male/female parity, which is now a reality in the Group. ”

Emmanuel Grados

Director of Human Resources and Internal Communication



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THE FRENCH AUDIOVISUAL MARKET

THE TRENDS

Advertising

With 70% of its revenue coming from advertising, the TF1 Group is dependent on the advertising market and subject to its fluctuations. The TF1 general-interest channel, the group's 13 thematic channels and the Internet site live entirely or partially off the advertising investment of French or non-French advertisers.

The French advertising market is marked by substantial swings and continues to be sensitive to the changing moods of the economic and social context.

Evolution in 2006⁽¹⁾

The multimedia⁽²⁾ advertising market expanded by 13.2% in 2006, climbing to a gross of €21.7 billion. All media attracted greater advertising investments than 2005. The Internet registered the greatest growth: +91.5% to €2.2 billion. The thematic channels increased their advertising revenue by 40.9%. Television grew by 9.1%. The market share for television (national, regional and complementary channels) stood at 29.2%.

2007 outlook

The Ad Barometer⁽³⁾ agency forecasts a 5.7% increase in French TV advertising investment for 2007. According to MPG Fast, TV advertising investments should grow by 9.1% on Q1 2007 (vs. Q1 2006).

For the month of January 2007, the TNS Media Intelligence figures for gross investments indicate an increase of 3.3% for the market. TF1 recorded an increase of 2.6%.

Television, its media impact and its audience

The UBM (Unité de Bruit Médiatique = Unit of Media Reach) from TNS Media Intelligence evaluates media pressure. It is made up of measures of topical contents and as such is a composite index that includes the volume of information and the number of viewers/readers/listeners likely to be exposed to it. As a result, the media impact of political personalities, topics relative to major enterprises or society in general are translated into "media share of voice" by the TNS Media Intelligence institute (see insert).

In terms of television channel audience breakdown, TF1 obtained 98 of the 100 biggest

audiences in 2006, which is its best performance since 1991. The average prime time audience for 2006 increased by over 300,000 viewers compared to 2005 to reach 7.6 million, the best score since 1994. The prime time audience share increased 0.8 point over 2005 to come in at 34.1% of Individuals aged 4 years and over⁽⁴⁾.

Pay television

Since the end of 2003, the French population has been able to choose to receive a pay television offering over cable, satellite or ADSL. In 2005, the market was covered with a multiplicity of ADSL-based television offerings delivered through "triple play" packages from the various telecommunications operators.

2005 also saw the emergence of a new distribution platform for audiovisual content – Digital Terrestrial Television. At the end of December 2006, this platform boasted a base of over 5.5 million receivers⁽⁵⁾. October 2006 saw the rollout of the fourth phase to bring that up to 65% of the population with the opening of 20 new sites.

The latest Médiacabsat⁽⁶⁾ survey indicated that 6.2 million households received an expanded television offering (in excess of 15 channels), that is, 28.5% of French households.

At the beginning of February 2006, Lagardère, Vivendi Universal and the Canal+ Group announced a projected agreement according to which Lagardère, already a partner of the Canal+ Group in CanalSat, is to join the Canal+ Group, TF1 and M6 in the capital of Canal+ France, an entity that brings together the totality of the pay television activities of the Canal+ Group and TPS in France. On August 31, 2006, the decision of the Minister of the Economy, Finance and Industry authorising the merger of TPS into the activities of production and distribution of the pay television services of the Canal+ Group in France was transmitted to the parties. The new entity is therefore held by:

- Canal+ Group 65 %,
- Lagardère 20 %,
- TF1 9.9 %,
- M6 5.1 %.

This new entity, which was born in January 2007, represents a top-rate French audiovisual company, able to face competition from major foreign media groups and internet and cable operators.

(1) Source: TNS Media Intelligence
 (2) Multimedia: Press, Radio, Television, Internet, Outdoor, Cinema
 (3) Ad Barometer Forecast – October 2006
 (4) Source: Médiamétrie
 (5) Source : Gfk



It contributes to expanding and adding momentum to the French television market by providing consumers with a broader, more diversified and more attractive offering.

This merger is one element in an environment that is changing faster than expected. Four major phenomena are today modifying the balance of television in France, in particular pay television:

- the rapid advances of digital distribution technologies and their very rapid adoption by consumers - ADSL, DTT (digital terrestrial television), mobile telephony television, etc.;
- the expansion of free offerings, notably over DTT and ADSL, which deliver free-access channel bundles;
- the emergence of new, powerful companies – telecommunications operators, internet Service Providers (ISPs), major multinational production and distribution groups, and not forgetting the current re-structuring of the cable landscape;
- a regulatory framework that does not apply to all companies in the same way – telecommunications operators are not subject to the same obligations as the television channels.

Thematic channels

Thematic channels have reinforced their audience share, mainly thanks to the development of their means of distribution (cable, satellite, ADSL or DTT). They now have a 13.8% national audience share (+1.7 point).

In 2006, the market continued to be very focused, since the top 10 thematic channels (out of 90 covered) represent 48.6% of advertising investment. Furthermore, the thematic channels account for 13.0% of the TV market's gross revenues and 3.8% of the multimedia market (on the basis of six media).

(6) Source: Mediacabsat 11th wave – December 2005 - June 2006

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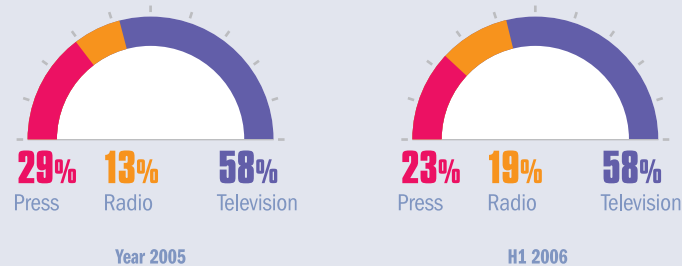
In terms of television channel audience breakdown, TF1 obtained 98 of the 100 biggest

The historical trend of free-to-air TV operators' advertising market share was as follows:

	2002	2003	2004	2005
TF1	54.0%	54.7%	54.8%	54.4%
France 2	11.9%	11.7%	12.0%	12.1%
France 3	8.0%	8.1%	7.8%	7.2%
Canal +	2.5%	2.2%	2.3%	2.2%
France 5	0.7%	0.9%	1.0%	1.1%
M6	22.9%	22.4%	22.1%	23.2%

Source: TNS Media Intelligence

Breakdown of UMB impact



Source: TNS Media Intelligence

For the target market of "Individuals aged 4 years and over", the 2006 audience breakdown (whole day) was as follows

TF1	31.6%	(- 0.7 pt)
France 2	19.2%	(- 0.6 pt)
France 3	14.7%	(stable)
Canal +	3.4%	(- 0.2 pt)
France 5	3.1%	(stable)
Arte	1.7%	(- 0.1 pt)
M6	12.5%	(- 0.1 pt)
Others	13.8%	(+ 1.7 pt)

Source: Médiamétrie

For the target "Women under 50", TF1's priority target, the 2006 audience breakdown (whole day) was as follows

TF1	35.3%	(- 0.9 pt)
France 2	15.7%	(- 0.6 pt)
France 3	10.1%	(- 0.2 pt)
Canal +	3.1%	(- 0.2 pt)
France 5	2.7%	(- 0.3 pt)
Arte	1.0%	(- 0.3 pt)
M6	19.3%	(+ 0.2 pt)
Others	12.7%	(+ 2.1 pt)

Source: Médiamétrie



Variations in media gross revenue and market share 2006:

MEDIA	GROSS REVENUE IN €M	VARIATION 06/05 IN %	MARKET SHARE IN %
Press	7,033.2	+ 9.5%	32.4%
Television	6,327.3	+ 9.1%	29.2%
National and regional television	5,507.0	+ 5.6%	25.4%
Theme channels	820.3	+ 40.9%	3.8%
Radio	3,345.9	+ 6.5%	15.4%
Outdoor	2,601.9	+ 4.9%	12.0%
Internet	2,183.8	+ 91.5%	10.1%
Cinema	202.7	+ 13.6%	0.9%
TOTAL MEDIAS	21,694.8	+ 13.2%	

Source : TNS Media Intelligence

Table of top 15 thematic channels⁽⁶⁾

	TYPE	CHANNEL	AUDIENCE*
1	Sport	Eurosport	2.3
2	General-interest	RTL9	1.5
3	General-interest	TV Breizh	1.3
4	Youth	Canal J	1.1
-	General-interest	TMC	1.1
5	General-interest	Paris Première	1.0
-	Youth	TUI	1.0
6	General-interest	TF6	0.9
-	Sport	Canal+ Sport	0.9
7	News	LCI	0.8
-	General-interest	13ème Rue	0.8
8	General-interest	TEVA	0.6
-	General-interest	Canal+ Décalé	0.6
9	Cinema - Sport	TSP Star	0.5
-	Youth	Teletoon	0.5

* audiences as a % of Individuals of 4 years and over (multi-channel environment)

the TF1 Group's channels

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This merger is one element in an environment that is changing faster than expected. Four major phenomena are today modifying the balance of television in France, in particular pay television:

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TF1, CORPORATE CITIZEN

THE BASIC VALUES



The challenges

TF1, the leading French general-interest channel, has long committed to society at large to defend and promote the ethical values anchored in the convention signed with the CSA and closely associated with its historic business as programme producer and broadcaster.

Since its privatisation in 1987 and throughout its process of acquisitions and growth operations, TF1 has become an integrated communications group with new, high added-value activities.

These new activities (audiovisual and feature film production, thematic channels, distance shopping, websites, diversification products, etc.) have broadened and diversified the Groups field of action, requiring it to take into account new challenges linked to the company's social and environmental responsibilities.

In 2006, the pursuit of diversification and the growing interest in questions of social responsibility have led the Group to re-define its challenges, its structure and its sustainable development policy.

In this way, the TF1 Group intends to re-affirm its on-going consideration of all constituencies based on five key challenges by implementing and monitoring "roadmaps" that involve executive management, employees and suppliers alike.

Organisation

In 2006, a structure called "TF1 entreprise citoyenne" (TF1 corporate citizen) was set up to focus on these commitments to sustainable development and to make them more understandable.

The director responsible for the project reports directly to CEO Patrick Le Lay, co-ordinates activity with the Bouygues Group and manages a dedicated team that studies and cascades the subject throughout the enterprise.

A steering committee comprising representatives of the channel, advertising and all the operational and functional departments of TF1 SA and its subsidiaries approves the options and priorities.

All internal participants (over 30 people) will participate in an interchange on the subject of sustainable development organised by the Bouygues Management Institute before the end of 2007.

This organisation will have to take account of all the identified challenges and focus on specific emerging issues in the communications and advertising sector. Their efforts will derive from the close attention they pay to the constituencies.



553

non-permanent employees
hired in five years

DIALOGUE WITH CONSTITUENCIES

Regulatory authorities

General Secretariat, External Communications, Broadcasting and Advertising Management

- Meetings, participation in various task forces, assessment reports.

Viewers

Viewer hot-line

- Response to all individual contacts (emails, phone calls, letters) by a dedicated department.

Advertisers

TF1 Publicité Marketing

- Publication of our general sales terms and conditions,
- tf1publicite.fr website.

Employees and unions

Management Human Resources and Social Affairs

- Dialogue and negotiation of agreements with employee representatives: 50 meetings/year, union access to the Intranet,
- Development of internal communications vehicles (print, Group Intranet, suggestion programme, etc.),
- Annual appraisal interview,
- Conferences, projections, notice boards, etc.,
- Availability of internal documentation: internal procedures, Eticnet.

Producers

Programme units and Programme Compliance

- Presence of the Programme Compliance department on all shooting locations.

Associations, NGOs

Broadcasting, Solidarity Committee, Social Affairs

- Handling of all requests for help and response worked out by the Solidarity Committee,
- Partnerships (e.g. Action Innocence),
- Memberships (e.g. Tremplin), in-depth dialogue with many associations, e.g., for the deaf and hearing-impaired,
- JeVeuxAider.com and Nicolas Hulot Foundation multi-year contracts.

Shareholders and the financial community

Financial Communications

- Shareholder guide,
- General Meeting, analyst meeting,
- Annual report,
- Road Shows for institutional investors,
- Regular telephone contacts,
- Dedicated public website.

Suppliers and service providers

Technologies and Internal Resources Department

- Integration of suppliers in the cross-functional processes (risk management, sustainable development) through constant, tailored dialogue.

■ Constituency ■ Group Organisation ■ Example of the kind of dialogue

TF1, CORPORATE THE BASIC VA



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CHALLENGE N°1:

Responsibility in terms of the contents produced and broadcast

Commitment: pursue all actions towards total respect of the Charter of the CSA (audiovisual authority) and the recommendations of the BVP (office of advertising monitoring), participate in thought leadership on emerging topics surrounding social responsibility of the media and advertising, and in particular:

- Guarantee journalistic independence and ethical conduct,
- Actively promote responsible programming and broadcasting,
- Protect young people (websites, programme signage, etc.).

Implementation

- "Liberty and responsibility" seminars for journalists of the News division (2006),
- Viewing of all news topics by the editor in chief,
- Presence of the Programme Compliance department on all shooting locations (except games),
- e-TF1 / Actions Innocence partnership to protect children on the internet,
- Participation of Claude Cohen in the BVP's Advertising Ethics Council.

0

Fines or penalties imposed by the CSA: since 1994

CHALLENGE N°2:

Programmes to reflect current preoccupations of a diverse society

Commitment: leverage our leadership position to play a role in re-activating social links, in particular:

- Reflect the diversity of cultures, origins and thought,
- Encourage new talent through programming and the purchase of products,
- Contribute to viewer awareness on sustainable development challenges and major societal issues.

Implementation

- Inclusion of the dimension of cultural and racial diversity in proposals for entertainment programmes, raising awareness among producers and casting agencies,
- Diversification of hiring in editorial staff and internal departments,
- Short and long programmes raising awareness of social and environmental issues,
- Donations of air time for humanitarian operations and donations to associations.

21.4

million euros vs. €18.6 million euros in 2005

Total donations of air time

CHALLENGE N°3:

Close links between the channel and society at large

Commitment: tighten the proximity between the channel and its audience, pursue actions to build solidarity, in particular:

- Constantly aim to be more sensitive to viewers and surfers,
- Make contents accessible to the deaf and hearing-impaired,
- Engage in innovative actions of solidarity, notably towards young people in inner cities.



Implementation

- Continual increase of the amount of subtitled programme time,
- Introduction of blogs in the TF1 and LCI News programmes (2006),
- Solidarity Committee (co-ordination of solidarity operations with greater employee involvement in 2006),
- Organisation of meetings between employees and school children at Aubervilliers, creation of the "Nouvelle Cour" communications agency at la Courneuve,
- Creation of the TF1 Foundation (2006) and start of operations (2007).

148,321

contacts with the Viewer Relations department

3,838

hours subtitled i.e. 49% in 2006 vs. 31% in 2005

CHALLENGE N°4:

Good management of human capital and the social framework

Commitment: sustain a very high level of social contributions and a work environment that favours wellbeing, security and professional development

- Be supportive of employees throughout their professional life,
- Reduce job insecurity,
- Give pride of place to equal opportunity.



Implementation

- Very high level of social benefits (family, savings, health insurance, lifestyle, etc.),
- Determined on-going policy of integrating non-permanent employees,
- Set-up of a "Male/Female Professional Equality" commission,
- Internal communications campaign in favour of hiring the disabled.

553

non-permanent employees hired in five years

CHALLENGE N°5:

Responsible management of environmental challenges

Commitment: lead environmental concern with best practices and involve suppliers and employees, in particular

- Take concrete actions to limit the direct ecological impact of the Group,
- Raise the awareness of employees concerning environmental protection,
- Apply a responsible purchasing policy.



Implementation

- Action plan to reduce electricity consumption,
- Choice of paper from certified forests and of lower mass (2006),
- Energy-saving design of the new Newsroom, Carbon Assessment (Oct. 06 - Feb. 07),
- Awareness campaign on climate challenges for journalists and other staff (2006).

2.4 %

less electricity consumed in 2006 than 2005 (target: 0%)

DIALOGUE WITH

Regulatory authorities

General Secretariat, External Communications, Broadcasting and Advertising Management

- Meetings, participation in various task forces, assessment reports.

Viewers

Viewer hot-line

- Response to all individual contacts (emails, phone calls, letters) by a dedicated department.

Advertisers

TF1 Publicité Marketing

- Publication of our general sales terms and conditions,
- tf1publicite.fr website.

Employees and unions

Management Human Resources and Social Affairs

- Dialogue and negotiation of agreements with employee representatives: 50 meetings/year, union access to the Intranet,
- Development of internal communications vehicles (print, Group Intranet, suggestion programme, etc.),
- Annual appraisal interview,
- Conferences, projections, notice boards, etc.,
- Availability of internal documentation: internal procedures, Eticnet.

Producers

Programme units and Programme Compliance

- Presence of the Programme Compliance department on all shooting locations.

Associations, NGOs

Broadcasting, Solidarity Committee, Social Affairs

- Handling of all requests for help and response worked out by the Solidarity Committee,
- Partnerships (e.g. Action Innocence),
- Memberships (e.g. Tremplin), in-depth dialogue with many associations, e.g., for the deaf and hearing-impaired,
- JeVeuxAider.com and Nicolas Hulot Foundation multi-year contracts.

Shareholders and the financial community

Financial Communications

- Shareholder guide,
- General Meeting, analyst meeting,
- Annual report,
- Road Shows for institutional investors,
- Regular telephone contacts,
- Dedicated public website.

Suppliers and service providers

Technologies and Internal Resources Department

- Integration of suppliers in the cross-functional processes (risk management, sustainable development) through constant, tailored dialogue.

■ Constituency ■ Group Organisation ■ Example of the kind of dialogue

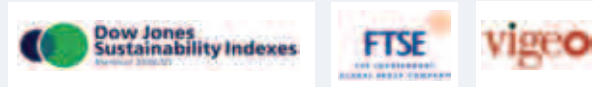


The company's sustainable development policy

The ethical and responsible performance of the TF1 Group is widely acknowledged and taken into consideration by several social and environmental rating agencies. TF1 is included in three sustainable development indices: DJSI Stoxx, ASPI Eurozone and the FTSE4Good Europe Index.

Being in the ASPI Eurozone index depends on the VIGEO rating (www.vigeo.com), while inclusion in the FTSE4Good index is decided by a scientific committee with reference to the qualitative analysis provided by its partners Eiris/Ethifinance (www.eiris.org).

The DJSI Stoxx sustainable development index, established and managed by Dow Jones Indexes, Stoxx Ltd and SAM Group (<http://www.sam-group.com>), comprises 120 European shares selected from the companies that have adopted a "sustainable" policy and strategy.



The desire for clarity was made tangible in October 2006 by joining the Global Compact initiated by the UN General Secretary Kofi Annan.

Together with other French and international companies, the TF1 Group has committed to respect and promote the 10 principles of the charter in the areas of human rights, labour rights, the environment and the fight against corruption.



The 10 principles of the Global Compact

- Businesses should support and respect the protection of internationally proclaimed human rights;
- Make sure that they are not complicit in human rights abuses;
- Businesses should uphold the freedom of association and the effective recognition to the right to collective bargaining;
- The elimination of all forms of forced and compulsory labour;
- The effective abolition of child labour;
- The elimination of discrimination in respect of employment and occupation;
- Businesses should support a precautionary approach to environmental challenges;
- Undertake initiatives to promote greater environmental responsibility;
- Encourage the development and diffusion of environmentally friendly technologies;
- Businesses should work against all forms of corruption, including extortion and bribery.

Illustrations of implementation of our sustainable development policy

Responsibility concerning contents produced and broadcast

TF1 commitments

- Guarantee journalistic independence and ethical conduct,
- Actively promote responsible programming and broadcasting,
- Protect young people (websites, programme signage, etc.).

Respect of viewers is expressed first and foremost by the contents of programmes broadcast or put online. The convention signed with the CSA in 2002 stresses TF1's commitment to an ethics code of conduct in broadcasting – independence and pluralism of the news, respect of public life and the rights of the individual and protection of children all being the responsibility of a media that is in a position of opinion leader.

In this respect, the role of advertising in the modes of consumption and the preoccupations of society at large (e.g. the fight against obesity, energy saving, etc.) are the new challenges that have been taken up by the regulatory bodies of the sector.

Actions

■ Journalistic ethics

The News Division guarantees the independence of the editorial team. Through dialogue and debate, it constitutes a bastion against any attempt to cross the line beyond which journalist ethics would no longer be respected. The Legal and Regulatory Affairs department runs regular "Liberty and Responsibility" seminars for the journalists of the TF1 editorial team. They cover the rights of the press as well as regulations imposed by the CSA and their monitoring. In 2006, some 30 journalists attended this seminar.

■ The Programme Compliance department

TF1 has created a Programme Compliance department reporting directly to Broadcasting management. It is responsible for checking programmes to be broadcast and anticipate potential disputes, with the help of the Legal and Regulatory Affairs department. The department, made up of legal specialists, carries out several tasks – advice to journalists, producers and directors, presence on location (live and shooting), pilots of game shows, viewing and approval of recorded contents, arbitration of CSA categories for stock programmes.

■ Programme signage processes

The CSA decree 1990-23-2 concerning classification of films obliges the TV channels to give the public prior warning of cinema prohibition for minors "both when it is broadcast and in the programmes announced in the press, on radio and

television." Each channel is responsible for these indications and informs the CSA of their content while retaining responsibility for the classifications

Since June 2002, the indication "youth," created in 1996, provides practical recommendations on the ages for each of the five existing categories (general public, under 10, under 12, under 16 and under 18).

■ Responsibility for internet contents: protection of young people on the TFOU site

Particular attention is paid to "young" audiences (4-10 year olds) of the TFOU television programme and website – selection of advertising products, non-monetary prizes from games participation. Furthermore, the exits from the tfou.fr website lead to partner sites: the user is warned that he/she is quitting the TFOU secured site.

A partnership has been signed with *Action Innocence* with the aim of protecting children on the internet. This association has validated the appropriateness of the above mechanisms. Finally, TFOU also targets the parents, with the Parental Charter, in which TFOU commits not to market the email addresses of the children.

Channels and organisations intent on reflecting the preoccupations of today's diverse society

TF1 commitments

- Reflect the diversity of cultures, origins and thought,
- Respect the balance of political movements,
- Encourage new talent through programming, and the purchase of products,
- Contribute to viewer awareness of sustainable development issues.

Actions

■ Broadcasting diversity

Reality TV programmes (music, adventure, happenings, etc.) systematically include candidates who reflect the diversity of the French population. For TV drama, in-depth work has been carried out with producers and casting agencies to enhance the visibility of actors from minorities in roles of identifiable professions. The TF1 and LCI editorial teams now include a number of incumbent journalists and presenters who are visibly from minorities.



Report from the Club Averroès (October 2006)

Certain broadcasters are relatively cool in the visible promotion of minorities. Others on the other hand opt to stand aloof from this conformist behaviour by focusing fully on diversity and a priority management direction. This is the case of TF1.

■ Strict observance of time allocated to political parties (CSA)

The CSA recommendation to television channels in handling news concerning the 2007 presidential election became applicable on December 1, 2006. It establishes a framework for speaking time (candidate participation) and air time (reportages) for the declared or presumed election candidates based on two principles: equity and equality. From December 1, 2006 to the eve of publication of the list of candidates by the Constitutional Council (around March 20), speaking time and air time are subject to the principle of equity – it must be proportional to the candidate's level of representation, calculated according to the number of votes received in previous elections. From then, until April 8, the eve of the official opening of the campaign, candidate speaking time must be the same for all candidates, while air time continues to be proportional to the level of representation of the candidates. Finally, from April 9 until the second round of the election (Sunday May 6, 2007) the principle of equality will be applied.

■ Broadcasting at the service of major causes

Some examples:

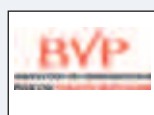
For the 17th consecutive year, TF1 joined the **Fondation Hôpitaux de Paris** (Paris Hospital Foundation) for the *Pièces Jaunes* (Small Change) operation. On television, this took the form of the participation of Bernadette Chirac in the eight o'clock news, broadcasting of a *Qui Veut Gagner des Millions?* special, and reporting in the news programmes.



TF1 was also a partner with the magazine *Marie Claire* for the **La Rose Marie Claire** operation to use Women's Day (March 8, 2006) for the "International Day of Schooling for Young Girls⁽¹⁾" TF1 provided 25 second spots from March 6 to 15, free of charge, encouraging people to buy roses for the benefit of **La Rose Marie Claire**. Several TF1 programmes also reported on the operation and called on the mobilisation of the population.



(1) Certain countries still refuse schooling for young girls. The sales of roses will contribute to educational grants and to financing the building of a school in Cambodia.



The BVP (Professional Association for Responsible Advertising) is a self-regulating advertising industry watchdog in France. Its aim is to "act in favour of fair, true and healthy advertising in the interests of the profession, consumers and the general public." Claude Cohen, Chairman of TF1 Publicité, is a member of the Advertising Ethics Council set up by the BVP in December 2005. After covering the themes of "violence and incivility" and "representation of cultural diversity," the Council has made "sustainable development" its 2007 priority.

TF1, CORPORATE CITIZEN



In the programme *Terre Mère* on LCI, each week Jean-Louis Caffier invites the top specialists to talk about topics of agriculture, tourism, water, planning, transport and energy. TF1 channel programmes also contribute to raising viewer awareness of these key preoccupations. *Ushuaia Nature*, the programme produced by Nicolas Hulot, is a vehicle for raising awareness of the beauty of the planet and the problems that await it.

TF1 supported the operation “*Tous les enfants ont des droits*” (All children have rights) launched by the association *Les Petits Citoyens* to raise young viewer awareness of the International Convention on Children’s Rights. From November 20, 2006 to January 7, 2007, the TFOU youth programme broadcast 30 one-minute cartoons produced by the *Petits Citoyens* and sponsored by personalities. The different subjects covered included education, slavery, adoption, etc.

Constituency

Elisabeth Durand, Programming Director

“On TF1, all social, environmental and humanitarian topics are covered. Our policy is to give them as varied an exposure schedule as possible and to use the different types of programmes on the TF1 grid. That is why they can be found on prime time programmes, in the weather forecasts, documentaries or specific campaigns.”

Commitments to viewers and society at large

TF1 Commitments

Tighten proximity between the channel and its audience, pursue actions of solidarity

- Listen to viewers,
- Make contents accessible to the deaf and hearing-impaired,
- Innovate in the area of solidarity, particularly as concerns inner cities.

Actions:

■ TF1 Viewer Hotline

Ten years ago, TF1 set up a department of 12 employees dedicated to viewers. The department receives around 300 calls a day and 500 emails, for a total of around 150,000 contacts in 2006. TF1 undertakes that each contact will receive a reply. Viewer expectations are summarised daily or weekly and transmitted to the departments in question.

■ Relations with associations of the deaf and hearing-impaired

TF1 is gradually increasing the number of subtitled programme hours and the associated budgets. The share of subtitled programmes has increased from 31% in 2005 to 49% in 2006, that is, 3,800 hours. TF1 takes into consideration the expectations relative to subtitling news programmes and is working on identifying an effective system making the news items, studio discussions and debates more accessible. The request from the CSA concerning the 2007 election campaign is a major challenge for which TF1 is mobilising its technical teams.

■ The TF1 Solidarity Committee

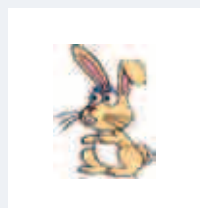
The Solidarity Committee, chaired by Claude Cohen, brings together representatives of the major TF1 units. It meets monthly to examine the numerous requests for help and satisfies a maximum of them. The budget managed by the Committee includes air time granted and financial contributions. In 2006, the Solidarity Committee also decided to support the “solidarity” initiatives of employees.

■ An original inner city initiative: the launch of “Nouvelle Cour”

In 2006, TF1 and the TBWA France Group created the “Nouvelle Cour” communications agency at La Courneuve. Its aim is to integrate five or six young graduates a year to offer them a first job for a maximum of two years and release their talent potential.

■ The TF1 Foundation

The **TF1 Foundation** was created in 2006 to support projects from associations whose beneficiaries are young people from inner cities (www.ville.gouv.fr/infos/ville). These projects will involve young people aged between 12 and 35 supporting associations in such areas as education through sport, professional projects linked to audiovisual professions and talent spotting.



Good management of human capital and the social framework

■ Maintain social benefits at a high level to promote well-being and individual security

The principles promoted are:

- The family-oriented policy is highly developed (marriage bonus, birth bonus, reservation of nursery places, childcare payments made by works councils). Pregnant women keep their salary during their maternity leave and, starting with the sixth month of pregnancy, the weekly working time is reduced by 10 hours. They can benefit from four weeks nursing leave after the birth.
- Practically all employees (88.58%) elect to participate in the company savings plan, the bonus amounting to €3,750 per year per employee. In most cases, the contribution represents a 14th month’s salary for employees. Since 2006, employees have had access to the Bouygues Group savings scheme.
- Concerning medical expense and welfare coverage, the guarantees are of a very high level and the company finances half of contributions. A specific insurance contract covers all employees who work in high-risk zones (war, earthquakes, for example). Due to the capping of expenses for optical and dental expenses, TF1 has decided not to raise company and employee contributions - without decreasing the high level of benefits - the objective being to adhere to a contract of responsibility.
- TF1 offers employees proximity services at their workplace – a shop, a commuter ticket machine, a travel agent, ATM and a hairdresser. There is also a sports doctor on call, a medical insurance representative and a social support person. A gym is also at the disposal of employees.
- In the framework of the 1% housing loan scheme, TF1 offers social housing to employees in critical situations. As a result, around 500 homes have been allocated to TF1 Group employees over the past 20 years. Furthermore, the Group offers employees all the solutions that fall within the framework of the 1% housing loan scheme (Rent pass, home improvement pass, etc.).

- Finally, the two TF1 Group medical departments carry out major prevention campaigns that go well beyond legal requirements. TF1 continues its policy of professional risk prevention by keeping the people concerned informed;

■ Pursue the policy of integration of non-permanent staff while assuring them a proper company status

In 2006, sector negotiations were taken up to provide temporary broadcaster employees with a collective status. Through its participation in the Syndicat des Télévisions Privées (private television company association made up of Canal+, M6 and TF1), TF1 reached agreement in December 2006 with all broadcasters, the public service and the unions (CFDT, CFTC, CGC and FO).

TF1 continues to carry through a determined, on-going policy of integration of non-permanent employees. Today temporary staff represent only 0.6% of the total TF1 Group workforce. For the past five years, this integration policy has led to the hiring of over 550 non-permanent employees (technical, freelancers and directors). For the first time, the TF1 Group’s non-permanent staff has dropped below 10% of the total workforce, with TF1 SA at 3.4%.

In parallel, TF1 has instituted a genuine social policy for this category of employees:

- access to TF1 or Bouygues capital increases, access to profit sharing under the conditions specified in the agreement,
- medical expense coverage and welfare scheme,
- 35-hour agreement specific to non-permanent staff, annual review of pay scales, access to social and cultural activities of the works council.



TF1, CORPORATE CITIZEN

■ Equal opportunity

Promoting equal opportunity for men and women:

The TF1 Group employs 47% of women and 53% of men. The proportion of promotions is balanced (around 13% for each in 2006). Also, if close to 60% of men have benefited from training in 2006, the figure for women is over 62%. Employees with the same educational level are hired at the same salary.

Important work has been done by the "Male/Female Professional Equality" commission of the works council to compare salaries of men and women at TF1 SA based on a variety of criteria (workforce, leave, training, compensation) and to correct the identified gaps based on precise indicators.

Policy for integrating disabled workers:

For several years, the TF1 Group has been running an awareness campaign with a view to promoting disabled worker integration. It has four key objectives – direct employment, keeping them in work, use of sheltered workshops and information and awareness.

As a demonstration of its commitment, a major internal communications campaign was launched in 2006 and will continue in 2007 with the negotiation of a company agreement on this subject.

■ Supporting employees throughout their careers

The annual appraisal interview is a special occasion for dialogue with one's line manager. It covers an assessment of the past year, the objectives for the coming year, the employee's professional aspirations and the associated training needs. Professional training is a key element of employee skills development. The company invests 3% of the total compensation budget in training.

The Group uses the DIF (Individual Training Rights) organisation to provide training information, help staff in their choice of training and offer DIF training. Over 240 requests for training

were accepted in 2006. Mobility is also one of the key Group HR policies. In 2006, 257 employees changed jobs. Individual career monitoring and management are important elements of the mobility policy.

Environmental challenges

TF1 Commitments

Lead environmental concern with best practices and involve suppliers and employees

- Take concrete actions to limit the direct ecological impact of the Group,
- Raise the awareness of employees concerning environmental protection,
- Apply a responsible purchasing policy.

Actions

■ The TF1 Group has a strong environmental policy in all business areas in terms of the use and management of property and equipment. All environmental matters (energy consumption, water, paper, greenhouse gas emissions, waste management, etc.) are handled through the Environmental Management System set up in 2005. The challenges are twofold: to achieve best practices in the sector (together with suppliers) to anticipate energy and climatic constraints in the coming years; and to raise awareness among employees of ecological reflexes.

2006 saw the beginning of a decrease in energy consumption at TF1's main location at Boulogne. The actions that contributed to this trend (installation of presence detectors, low-consumption bulbs, new lighting in studio 1, etc.) will continue in 2007. The launch of project Greenlight (pre-diagnosis carried out at the end of 2006) will enable the company to improve all lighting systems at the Boulogne site and further reduce energy consumption.



■ Reduction of consumption in studio 1

With the new set for the television news, TF1 has inaugurated the first energy-economic⁽²⁾ lighting system in a television studio. The new installation, which did not compromise on the quality of light, brings savings in consumption of over 25% of the average stage lighting for a news programme – that is, eight tons of CO₂ saved per year. In 2007, this process, which takes its inspiration from the European Greenlight project, will be extended to a study of all lighting in the main building at Boulogne.

■ Awareness campaign for employees and suppliers
Several events were organised for employees in 2006 and disseminated in internal communications: the projection of Al Gore's film, a session on climate challenges for journalists, Fairtrade operations in the cafeteria, distribution of the green book from the Nicolas Hulot Foundation.

Since 2005, criteria concerning environmental protection and sustainable development are included in calls for tender. All suppliers of logistics services were brought together to share experience and to develop common ideas for actions in 2007.

Controlling operating risks

In 2006, the risk management organisation set up in 2001 was expanded and given additional resources.

A new back-up site for broadcasting the TF1 signal was identified and equipped with digital processes similar to the main emitter. This new installation and the associated procedures now allow for a switch-over from the main site with no noticeable disturbance for the viewer.

The installation of the external back-up for the news programmes has also been overhauled. Switch-over tests are carried out regularly on external sites.

In view of the possibility of a pandemic (of avian flu, for example), all TF1 divisions were mobilised to identify minimum operations that would ensure both the safety of employees and the continuation of broadcasting. Under the very tough circumstances that would be caused by such a major public health problem, TF1 is intent on doing all it can to fulfil its mission of informing and entertaining and to relay the messages from the government. Communications resources have been earmarked to be able to inform all employees, if necessary, of the measures taken at the different workplaces.

Carbon Assessment

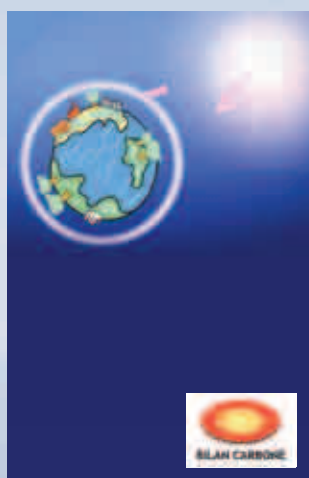
The TF1 Group, with the support of ADEME⁽¹⁾, has carried out its first Carbon Assessment so as to map out the sources of greenhouse gas emissions and to find ways of reducing them in the framework of French and European commitments. Once the initial results were known in February 2007, a task force was set up to propose actions to reduce or compensate for emissions. The results will be presented to the Sustainable Development Committee for approval. Then a campaign to mobilise employees will be launched to support the action plan.



Constituency

Jean-Marc Jancovici,
designer of the Carbon Assessment model for the ADEME

Though it is not widely known, the services sector plays an important role in global emissions of greenhouse gases; an employee in services easily generates – just through his/her job – the equivalent of several tens of thousands of kilometres driven in a car.



(1) French Environment and Energy Control Agency.

Example: the WEEE directive embraced by Téléshopping

As both a retailer and producer, via its import/export subsidiary Euroshopping Trading, Téléshopping is concerned with challenges similar to those of distribution.

The WEEE (Waste Electrical and Electronic Equipment) European Directive applicable to electrical and electronic waste introduces the principle of "the polluter pays" which has caused upheaval in the way manufacturers, retailers and owners of electrical and electronic equipment work. Waste and its management have become a major preoccupation both in economic and environmental terms. Téléshopping markets mass-consumption products and goods, so EEE waste is generated by the company as well as by its customers.

Since the beginning of 2005, Téléshopping's motto has been "Good waste management means first knowing the products involved, then knowing the prevailing regulations and the channels for collection. It also means involving employees to work together in finding the best solutions."

On November 15 last, Téléshopping joined ECOLOGIC. This marked the start of the network, but for Téléshopping, also the beginning of the challenge the company has to take on. A task force was assigned to the project, whose priorities are: distributing information internally as well as to suppliers and customers, setting up a system (operational and IT) to identify EEE and to create possible partnerships with waste recycling associations.

Also, in its role as importer, Téléshopping has set a clear objective for 2008: focus on eco-design. For this project, a laboratory is now bringing its technical expertise to bear on a few currently available products so as to integrate respect for the environment in product design.

(2) Energy-economic relates to delivering the same amount of work or service using less energy.

TABLE OF CONTENT

The group's activities break down into the three following major sectors:

P.28 BROADCASTING FRANCE

TF1 Channel The group's historical business. Broadcasts family-oriented programmes, news and live events. Constantly strives to blaze new trails and to provide the prestigious programmes that its audience expects. **French thematic channels** The last 12 years have seen TF1 build an array of popular thematic channels dealing with news, sports, entertainment, documentaries, youth issues, etc. **Advertising** Offers a rich variety of advertising media, ranging from conventional communications to relationship marketing, and still growing to provide consistently more original and more potent solutions to advertiser concerns. **Production** The TF1 Group counts seven production subsidiaries serving the cinema business, the TF1 channel, and the thematic channels. **Others (TF1 Entreprises, Téléshopping, e-TF1, WAT)** TF1 has created a number of subsidiaries which has grown on the strength of the channel's exposure and built their success on groundbreaking, in-house initiatives.

P.40 INTERNATIONAL BROADCASTING

Eurosport international Eurosport is the most widely-distributed sports channel in Europe. Its success stems from its unique offering combining all the top-ranking international sports competitions spanning more than 100 disciplines. **France 24** France 24 is the first French non-stop channel for international news, challenging CNN International, BBC World and Al Jazeera. Its aim is to bring a French look and feel to world news.

P.42 AUDIOVISUAL RIGHTS

TF1 International, TF1 Vidéo Deals with buying, selling and distributing broadcasting rights for media and/or cinemas.

THE GROUP'S ACTIVITIES

BROADCASTING FRANCE

INTERNATIONAL BROADCASTING

AUDIOVISUAL RIGHTS



THE GROUP'S ACTIVITIES





BROADCASTING FRANCE IN THE WINGS OF TELEVISION

TF1 Channel⁽¹⁾

France's leading general-interest channel, TF1 provides family-oriented and event-related programmes dealing with prominent issues appealing to a broad-based audience. It encompasses news, entertainment, drama, sports, feature films, youth programmes, magazine formats and documentaries. Through them, TF1 offers its viewers a dynamic and user-friendly choice of programmes constantly in line with their expectations.

French people's interest in television continued to be high in 2006. After a record 2005, television consumption of Individuals aged 4 years and over declined slightly in 2006, but was still at the very high 2004 level. Daily television consumption for Women under 50 stood at 3 hours 39 minutes, beating the prior year's record, which means a 10-minute increase over 2004. The time Women under 50 spent watching TF1 held firm to its 2005 level, that is, 1 hour 18 minutes.

In 2006, TF1 accounted for 31.6% of viewers and 35.3% of Women under 50 (a prime advertiser target). Further evidence of TF1's vigour lies in the fact that it broadcast 98 of the 100 most-watched programmes in 2006 (as measured by Individuals aged 4 years and over), its best score since 1991.

In the face of ever tougher competition, TF1 cemented its status as a living general-interest channel and continued to be the French population's favourite channel.

In 2006, TF1 boasted 44 programmes with over 10 million viewers (vs. 22 in 2005) and 88 with over 9 million viewers (vs. 62 in 2005).

TF1 evening programmes were as powerful as ever:

- On prime time, TF1 was the winner 346 evenings out of 365, i.e., 95% of the time (vs. 92% in 2005).
- The channel gained over 300,000 prime time viewers and + 0.8 audience share points for Individuals of 4 years and over compared to 2005.
- TF1 prime time programmes attracted 7.6 million viewers, the highest since 1994 and a 34.1% audience share of Individuals of 4 years and over.
- In late evening, TF1 is the only channel to grow its audience with an average of 3.4 million viewers, which is a record since the creation of the Médiamat (1989).

TF1: at the heart of football

In a World Cup year, football, and particularly the French team, took an even more important place on TF1. In all, 20 matches (from all the competitions) broadcast on TF1 were among the top 100 audiences of 2006. The matches with the French team were among the top 9, with the Portugal-France semi-final at the zenith, attracting 22.2 million viewers, a historic

audience record of any channel since the creation of the Médiamat.

The Formula 1 Grand Prix races continued to increase its audience, thanks to the duel between Michael Schumacher and Fernando Alonso. They attracted an average of four million viewers, that is, 36% of Individuals of four years and over and recorded the highest scores for four years. The Brazil Grand Prix, full of surprises from start to finish, attracted the best audience (8.7 million viewers) since audience measurements were introduced in 1989 for a Grand Prix shown in its entirety.

TF1: the channel replete with dramas

With 47 French TV dramas among the 100 top audiences for the year, TF1 confirmed its success with this programme type, one of the channel's rock-solid pillars. In fact, it is the programme type most represented in the top 100 audiences. Above and beyond the viewer loyalty to regularly appearing heroes such as *Julie Lescaut*, *Une Femme d'Honneur*, *Navarro*, *Commissaire Moulin*, *Joséphine Ange Gardien*, *Femmes de Loi*, *Diane Femme Flic* and *Sœur Thérèse.com*, two trends marked 2006:

- the increasing viewer adoption of prestige dramas like *Marie Besnard L'Empoisonneuse* with Muriel Robin or *Monsieur Léon* with Michel Serrault (11.3 and 11.0 million viewers, respectively).
- the success of new formats (52 minutes), including *R.I.S. Police Scientifique* (with an average audience of 10 million viewers in 2006 and a top figure of 11.3 million). These results testify to the extraordinary growth capacity of this type of programme on TF1.

TF1: French cinema and the great American series

12 TF1 films featured among the top 100 audiences of the year (of which, nine were French), led by *Les Bronzés font du Ski* (12.4 million viewers) and *Les Bronzés* (12.3 million). TF1 is the only channel to have shown films that attracted over 12 million viewers.

2006 confirmed the success of American series, whatever their programming schedule, with the franchises for *CSI* and *CSI: New York*, but also *Preuve à l'appui* and new series such as *Grey's Anatomy* or *Criminal Minds*. This year again, the

(1) Source: Médiamétrie

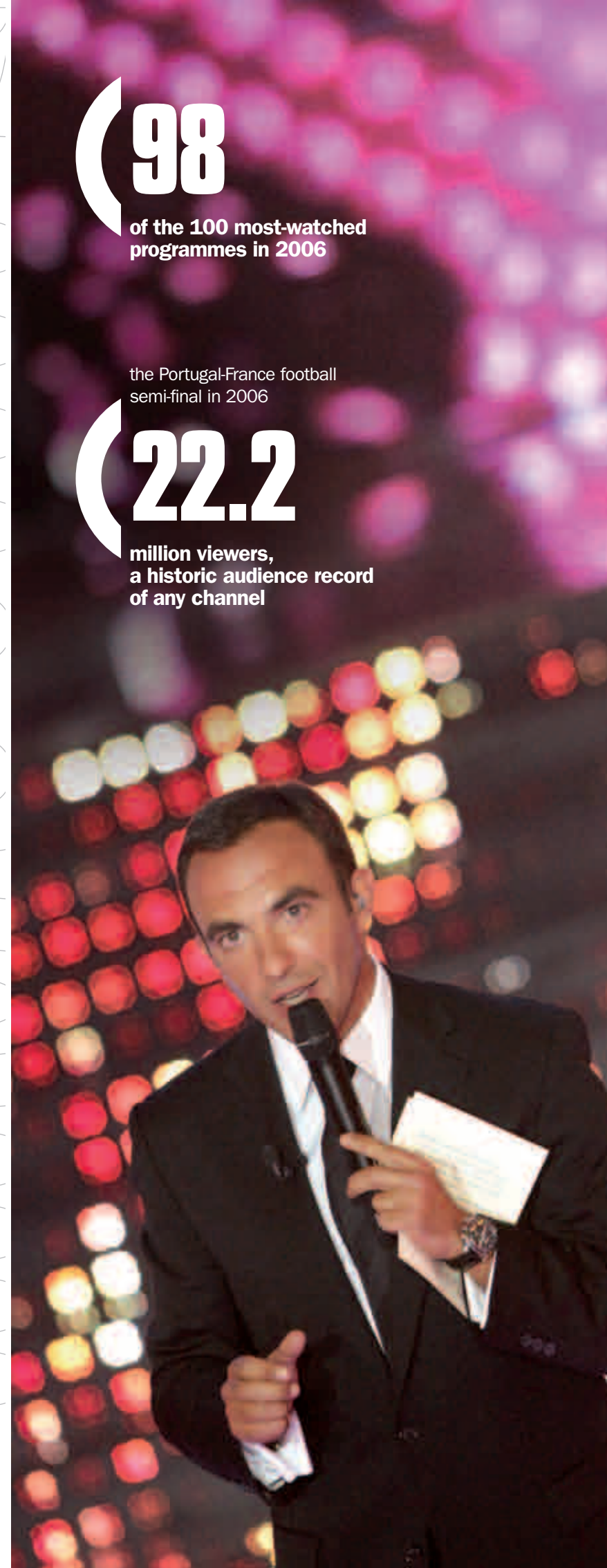
98

of the 100 most-watched programmes in 2006

the Portugal-France football semi-final in 2006

22.2

million viewers, a historic audience record of any channel



series *CSI: Miami* smashed all records by attracting up to 10.3 million prime time viewers. TF1 was the only channel to get American series in the top 100.

Magazines and entertainment: solid, popular programmes

The variety and seasonal nature of reality TV programmes enabled TF1 to achieve an excellent performance throughout the year on strategic programme schedules such as prime time and access prime time. The reality TV programmes are increasingly strong:

- The 6th season of *Star Academy* attracted an average of 6.9 million prime time viewers with an audience share of over 33% for Individuals aged 4 years and over and 41% for Women under 50.
- A record for *Koh-Lanta*, with a 37% audience share for Individuals aged 4 years and over (45% for Women under 50), which is its best season since going prime time. The 5th season attracted an average of 6.2 million viewers.
- In late evening, the fifth season of *L'île de la Tentation* had its best results yet, with an average of 4.1 million viewers.

Top of the rankings for entertainment, last year's *Le Village des Enfoirés* show attracted 10.9 million viewers and found itself in the 22nd slot in the top 100. TF1 continues to offer viewers prestigious entertainment events such as the election of *Miss France* or the *NRJ Music Awards*.

Finally the summer of 2006 marked the successful return of the new version of *Roue de la Fortune* (5 million viewers and a 36% audience share for Individuals of 4 years and over and 42% for Women under 50).

News: TV News packs a punch

News on TF1 confirmed its strength, as demonstrated by the scores of the two TF1 news programmes – the one o'clock news and the eight o'clock news – which equalled their 2005 scores, that is an average of 7.2 million faithfuls for the former (53% audience share) and 8.6 million for the latter (39% audience share). As a result, they maintained their lead over the challenger.

The magazine *Sept à Huit*, with the September arrival of the new anchor duo, Anne-Sophie Lapix and Harry Roselmack, continued to be the major Sunday news rendezvous, with 5.3 million viewers on average in 2006 and an audience share of 29.2% for Individuals aged 4 years and over.



BROADCASTING IN THE WIN OF TELEVISION

TF1 Channel⁽¹⁾

France's leading general-interest channel dealing with prominent issues appealing drama, sports, feature films, youth programmes offers its viewers a dynamic and user-friendly

French people's interest in television continued in 2006. After a record 2005, television consumption for individuals aged 4 years and over declined slightly in 2006, but remained still at the very high 2004 level. Daily television consumption for Women under 50 stood at 3 hours 39 minutes, a slight increase on the prior year's record, which means a 10-minute increase in 2004. The time Women under 50 spent watching television in 2006, that is, 1 hour 18 minutes.

In 2006, TF1 accounted for 31.6% of viewers aged 4 years and over (a prime advertiser target). Further proof of TF1's vigour lies in the fact that it broadcasted 100 most-watched programmes in 2006 (as ranked by Individuals aged 4 years and over), its best score since 2004.

In the face of ever tougher competition, TF1 continues to maintain its status as a living general-interest channel and continues to be the French population's favourite channel.

In 2006, TF1 boasted 44 programmes with over 1 million viewers (vs. 22 in 2005) and 88 with over 9 million viewers (vs. 62 in 2005).

- TF1 evening programmes were as powerful as ever in 2006.
- On prime time, TF1 was the winner 346 evenings out of 365, i.e., 95% of the time (vs. 92% in 2005).
- The channel gained over 300,000 prime time viewers (+ 0.8 audience share points for Individuals of 4 years and over compared to 2005).
- TF1 prime time programmes attracted 7.6 million viewers, the highest since 1994 and a 34.1% audience share for Individuals of 4 years and over.
- In late evening, TF1 is the only channel to grow with an average of 3.4 million viewers, which is a slight increase since the creation of the Médiamat (1989).

TF1: at the heart of football

In a World Cup year, football, and particularly the World Cup, took an even more important place on TF1. In all, (from all the competitions) broadcast on TF1 were the top 100 audiences of 2006. The matches with the highest audiences were among the top 9, with the Portugal-England final at the zenith, attracting 22.2 million viewers.

FICTION FROM FACT: FROM NEWS ITEM TO TV DRAMA

Takis Candilis has been head of the French TV drama department since 1999. In 2000, he decided to innovate in TV drama by starting to produce 'works' based on historic events or news items. In October 2003, TF1 broadcast its first "true fiction drama," *L'Affaire Dominici*, a two part TV film that fascinated an average of some 12 million viewers. It was followed by other viewer successes such as *Dans la Tête du Tueur* in March 2005 (10 million viewers), which described the last few days on the run of the serial killer Francis Heaulme. More recently there was *Marie Besnard, l'empoisonneuse* (2 x 90 minutes) whose first episode had the best TV drama audience of the year 2006 (11.6 million viewers: a 46.1% audience share).

These successes are the result of a clear strategy carried through by the TV drama teams. "Our prime objective is to offer a real TV experience," explains Candilis. "By opting to pick out news items that hit the headlines of the time, add a touch of suspense and at the same time paint a social or historic backdrop, we are responding to the public's partiality for this kind of story. The problem is finding the right subject (Editor's note: three or four projects developed per year) and getting just the right balance of fiction and historical fact which enriches the viewer's historic appreciation or raises a question of society or ethics," Candilis adds.

Ethics is at the centre of *Marie Humbert, le Choix d'une Mère*, which was shot at the end of 2006. This 96-minute TV film, produced by Alma, tells the emotional fight of a woman who, having tried everything to save her totally paralysed son, decides, at his request, to put an end to his life. Other on-going projects include the Bruay-en-Artois affair, the story of an error of justice against a background of class conflict that divided France in the seventies, or then again the story of a woman who, against all the odds, took in and protected 40 Jewish children during the war. Véronique Genest plays *La Dame d'Isieux* (2 x 90 min.), produced by TF1/GMT.



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BROADCASTING FRANCE IN THE WINGS OF TELEVISION



Thematic channels

On the strength of its television expertise, the TF1 Group has developed a large family of thematic channels able to satisfy the expectations of all audiences as well as all customers, be they subscribers or advertisers. Since the launch of Eurosport in 1991 and LCI in 1994, TF1 has acquired direct holdings in 13 thematic channels.

LCI

At December 31, 2006, LCI reached 6.1 million households. During 2006, LCI picked up 700,000 new subscribers (+ 13%), increasing by close to 500,000 subscribing households in Belgium.

According to the latest Médiacabsat survey, LCI's audience share (Individuals of 4 years and over – initialised population – is 0.8%). LCI confirmed its leadership in news.

Last year, more than in the past, LCI focused on the news between 6.30 am to 9 am, Monday to Friday, and on the *Grand Journal* at 6 pm and the *Journal de la Rédaction* at 7 pm. A new slot at 11.15 pm was dedicated to news asked for by internet surfers.

In the course of 2006, LCI welcomed over 6,500 guests to its studios – politicians, business leaders, artists, sports personalities, representatives of associations and the medical world, etc. They shed light on current affairs.

LCI is already accessible over ADSL, DTT and mobile phones and has taken up the challenge of advanced technologies with the internet. The site has been completely overhauled – a new design, a richer editorial content, and innovative multimedia offering. LCI.fr has the ambition to become the news benchmark.

EUROSPORT FRANCE

In 2006, with its wealth of sports events (Olympic Games, Football World Cup) Eurosport France cemented its leadership position in France. The Eurosport channel, distributed to 6.8 million paying subscribers (+ 5.9% vs. 2005) in France and French-speaking territories, won over close to 0.4 million subscribers in one year.

With a 2.3% audience share among Individuals of 4 years and over, Eurosport has become the leading French thematic channel on cable and satellite. This success is due to a unique programming grid combining a wealth of international programming and specific French-speaking rights. 2006 was marked by the broadcasting of the Turin Olympic Games and Football World Cup matches.

The French version of the Eurosport 2 channel was launched on April 30, 2005 and had 1.4 million paying subscribers at the end of 2006. The Eurosport 2 grid is made up of sports events – live or recorded – magazines and news. In 2007, Eurosport 2 will be available via CanalSat.

Finally, in 2006, the eurosport.tf1.fr website saw its audience expand substantially with a monthly average of 90.5 million pages viewed (+ 67%) and 7.7 million visitors (+ 119%).



4

TF1 Group's theme channels on DTT

TMC : free offer since March 2005.

Eurosport, LCI and TF6: paying offer since February 2006.



TF6

In the autumn of 2006, TF6 further expanded its grid to offer a truly mini-general-interest programme of entertainment for young adults. Its programming is built on five pillars:

- Special events such as: *Le Meilleur de la Pub*, *Les Plus Grands Secrets de la Magie enfin révélés...*
- Reality TV: *Real TV USA*, *Miss Macho*, *Trois Voeux...*
- Feature films: *L'Expert*, *Phénomène*, *Le Roi Scorpion*, *8 Mile...*
- Series: *Ghost Whisperer*, *Supernatural*, *24 Heures Chrono...*
- Programmes such as: *Cauet Tivi*, *Le Hit TF6*, *Medical Detectives...*

At end December 2006, 3.03 million households subscribed to TF6, that is, 220,000 additional subscriber households in one year.

TF6 is the top ranking channel on cable and satellite* in the 15 years and above target segment, and ranks 3rd in the Women under 50 and Individuals 15-49 years target segments.

*excluding national channels (Source: Médiamétrie – MédiaCabSat 11th wave: December 2005 - June 2006)



BROADCASTING IN THE WIN OF TELEVISION

Thematic channels

On the strength of its television experience, TMC is the audience leader for DTT (Digital Terrestrial Television) channels. The three shareholders, TF1 (40%), AB Group (40%) and the Principality of Monaco (20%) have big ambitions for their channel: to make Télé Monte Carlo the fifth-ranking French general-public channel, behind the classic free-to-air channels.

LCI

At December 31, 2006, LCI reached 6.1 million subscribers. During 2006, LCI picked up 700,000 new (+ 13%), increasing by close to 500,000 subscribers in Belgium.

According to the latest Médiacabsat survey, LCI's share (Individuals of 4 years and over – initialisation – is 0.8%). LCI confirmed its leadership in news. Last year, more than in the past, LCI focused on programming between 6.30 am to 9 am, Monday to Friday, *Grand Journal* at 6 pm and the *Journal de la Région* at 7 pm. A new slot at 11.15 pm was dedicated to news by internet surfers.

In the course of 2006, LCI welcomed over 6,500 personalities – politicians, business leaders, artists, personalities, representatives of associations, medical world, etc. They shed light on current affairs. LCI is already accessible over ADSL, DTT and mobile and has taken up the challenge of advanced programming with the internet. The site has been completely redesigned, a richer editorial content, and a multimedia offering. LCI.fr has the ambition to become the news benchmark.

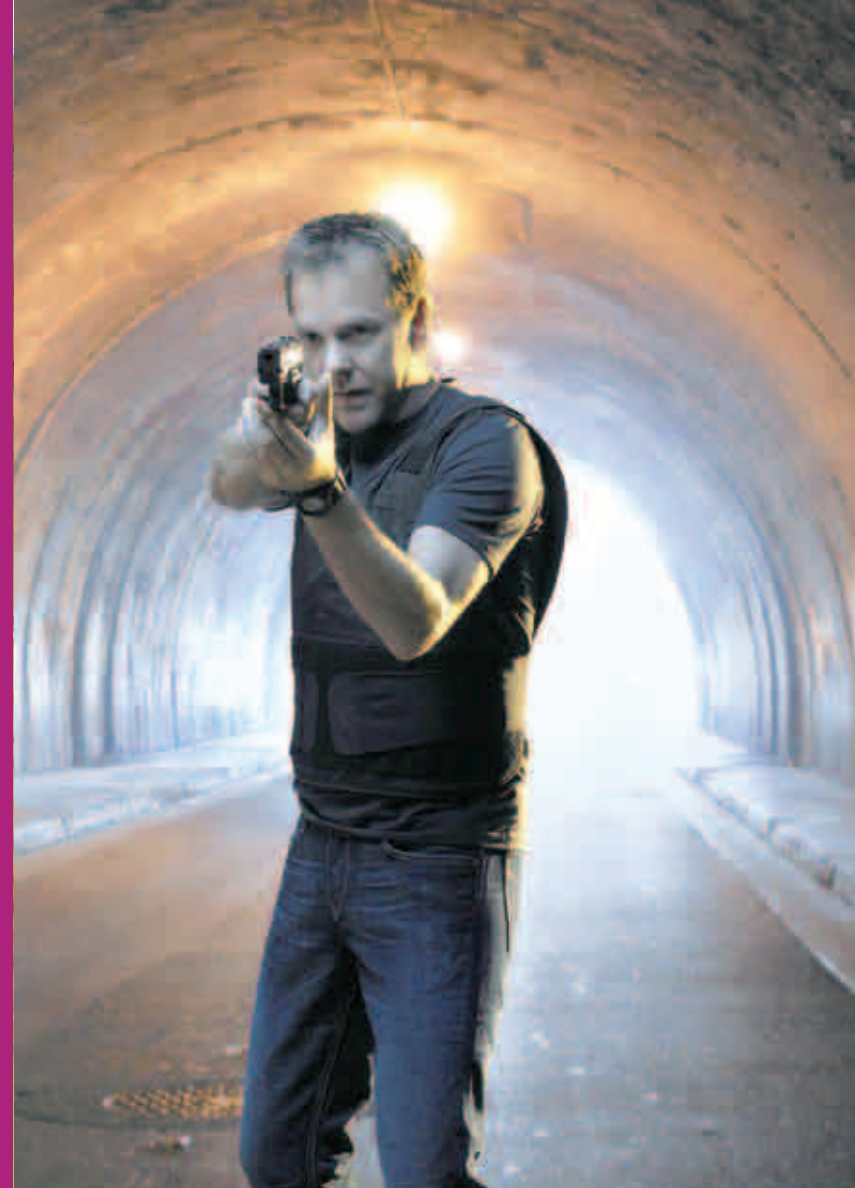
TMC HAS THE TOP 5 IN ITS SIGHTS

With close to 12 million viewers a week, TMC is the audience leader for DTT (Digital Terrestrial Television) channels. The three shareholders, TF1 (40%), AB Group (40%) and the Principality of Monaco (20%) have big ambitions for their channel: to make Télé Monte Carlo the fifth-ranking French general-public channel, behind the classic free-to-air channels.

The 16 million households that can access its offering make TMC the leading complementary multi-support channel (cable and satellite, DTT, ADSL and analogue free-to-air in south-east France). On the strength of its growing reach, TMC must now modernise its programming to be better adapted to the advertising market (since moving onto free DTT, TMC lives solely from its advertising revenues). The aim is to expand the channel's audience to give it more solidity, notably for its prime advertising target, Women under 50 responsible for the household's buying.

"We have introduced programming changes in two phases. First, in November, we introduced two slots for prime time American series (*Criminal Minds*, *In Justice*) and rejuvenated access (*Sous le Soleil* and *Alerte Cobra*). Since January 2007, the new programming has reached its full dimension, with the arrival of successful American films in prime time (*Gone with the Wind*, *Air Force One*) and the opening of a third slot for American series (*Threat Matrix*)." As far as entertainment is concerned, TMC is going for special events, with *Domino Day* presented by Denis Brogniart and a weekly programme, *Sagas*, presented by Flavie Flament from Monaco.

"TMC has very strong ties to Monaco which we leverage to the full," Fabrice Bailly emphasises.



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BROADCASTING FRANCE IN THE WINGS OF TELEVISION



Thematic channels

Série Club

The prime aim of Série Club is to offer more innovation and to pepper the channel with numerous events and new magazine formats to make it THE series channel.

In the autumn of 2006, three new series entered the programme grid: *F.B.I. Opérations secrètes*, *Killer Instinct* and *Pacific Homicide* (n°1 TV series in Australia).

Série Club also continues its policy of creating events with its series and offers new magazine formats: *100% series*, *Hollywood series*.

At December 31, 2006, Série Club had 2.46 million subscriber households, that is, 253,000 additional subscriber households in one year.

Among subscribers, Série Club is the 4th most watched channel⁽¹⁾ by Women under 50 and ranks in the top 5 thematic channels in the Women 15-49 years, Women with children and Women 15-34 years target segments.

TV Breizh : 2006, a year of break-even

In 2006, three years after re-formatting its grid, TV Breizh has anchored its leadership thanks to its cohesive, increasingly ambitious programming – classic feature films, popular American series and family-oriented French drama. The channel broadcasts a daily news programme on Brittany, produced in co-operation with the Nantes press agency Ouest Info, of which it holds 60% of the capital. It also continues to dub films and series in the Breton language.

It is the third ranking thematic channel⁽¹⁾ on cable and satellite for Individuals aged 4 years and over, first for Women under 50, Women with children and working Women, and third for the AB+ social group. TV Breizh has become one of the strongest channels in the complementary landscape.

In 2006, TV Breizh also expanded its broadcast footprint in France and internationally (distribution agreements in Belgium, Luxembourg and Switzerland). At the end of December, the channel had 5.2 million subscribers. In combination with this pan-European spread, TV Breizh has secured a satellite distribution contract following the merger of Canalsat and TPS.

Discovery Division

TF1's Discovery Division comprises three documentary channels: *Odyssée*, *Histoire* and *Ushuaïa TV*.

At the end of 2006, *Odyssée* celebrated its 10th birthday. An opportunity to extend its editorial policy to travel, leisure and lifestyle themes. *Odyssée* has become the channel of "passage to everywhere" but also gives viewers the chance to re-visit TF1 successes such as *Histoires Naturelles* or *Vol de Nuit*.

Histoire joined the TF1 Group in July 2004. It is primarily a channel of historical documentaries. *Histoire* perseveres in keeping its promise of showing "the keys to the present through history" - focusing on the historic roots of the major events that define our contemporary world. With the weekly magazine, *Le Journal de l'Histoire*, current affairs and debates are given pride of place on the channel. *Histoire* also sees itself as reflecting "the story of history" by narrating the sometimes romantic destiny of great characters of history. And entertainment comes through a diversity of programmes – feature films, TV drama, magazines and debates.

Ushuaïa TV was launched in March 2005. It is the channel of wonder and respect for the planet. So all its programmes, documentaries or films respond to the editorial charter ("wonder, understand, respect") and reflect a constantly aesthetic approach. To do that, it has initiated a number of quality co-productions, often filmed in high-definition, such as *L'Odyssée Sibérienne* or *Le Patrimoine Immatériel*. Its success is based on the power of its established brand, which transmits positive values (preservation of bio-diversity, sustainable development, etc.) that are at the heart of French people's current preoccupations. Furthermore, viewers can re-visit the complete collection of the programmes *Ushuaïa Nature* and *Opération Okavango*.

In 2006, these channels considerably increased their distribution over cable and ADSL, in France as elsewhere. At the end of 2006, *Odyssée* boasted more than 2 million subscriber households, *Histoire* over 4.5 million and *Ushuaïa TV* in excess of 1 million. In 2007, the advent of *Ushuaïa TV* on CanalSat and all cable networks in France will enable the channel to substantially expand its reach.



TFOU

TFOU was launched in 2003 and developed by the e-TF1 teams based on the success of the *tfou.fr* website – the top French children's site (an average of 359,000 individual visits each month). TFOU offers the 4 to 10 year olds a wide variety of programmes – cartoons, talk shows with famous personalities, or magazines on the latest news in films, video or music, with special programme slots for the 4 to 6 year olds. TFOU airs every day from 6.30 a.m. to 8.30 p.m. and reaches over 1.2 million households exclusively on the TPS network, meaning it is also available on certain cable networks (Noos) and television via ADSL (Club Internet, Neuf Telecom, Free...).

TFOU is also available via mobile telephones on the main operator networks (Orange and Bouygues Telecom).



(1) excluding national channels (Source: Médiamétrie – MédiaCabSat 11th wave: December 2005 - June 2006).



BROADCASTING FRANCE IN THE WINGS OF TELEVISION

Advertising

TF1's "multi-audiovisual" arm offers advertisers a multitude of ways of promoting their products and services thanks to its effective, complementary platforms.

TF1

More than ever, TF1 is the benchmark for a media plan. In a context of rapid growth in the audiovisual sector and a fragmentation of the offering, the advertising power of TF1, in classical form or sponsoring, assures advertisers maximum exposure of their products to all categories, helping them to rapidly grow their brand awareness and sales.

Thematic channels

TF1 Publicité markets the advertising space of 15 thematic channels. With this exhaustive and structured offering, advertisers can communicate on television in a more targeted fashion using vehicles with strong centres of interest.

Eurosport France is the live sports events channel. Since 2005, Eurosport 2 has added to its programming.

LCI is the 100% news channel – the reference for decision-makers for over 10 years.

TV Breizh and TF6, mini general-interest channels, rank first and third, respectively, on cable and satellite for Women under 50.

TF1 Publicité also offers high-profile theme channels that fit the times:

- the Discovery Division, with **Odysée**, **Ushuaïa TV** and **Histoire**,
- the world of children, with three channels: **TFOU**, **Cartoon Network**, and **Boomerang**,
- feature films, with **TCM**, the legendary film channel,
- the "gay-friendly" focus with **Pink TV**,
- and, since October 2006, games of all shapes and sizes from **JET**.



TF1 Publicité "multi-audiovisual" advertising agency



Internet

In 2006, **TF1 network** was the top media site, thanks to its 7 million or so individual visitors each month. TF1 network covers TF1.fr, a general-interest site and the real springboard of the TF1 channel's programmes, and the thematic sites such as eurosport.fr, lci.fr, plurielles.fr, tfou.fr, ptifou.fr, om.net, pink.fr, histoire.fr, ushuaïatv.fr, jettv.fr and metrofrance.com. Internet expanded in 2006 as consumption was marked by the growth of the community web. Here TF1 Publicité is one of the big players as operator of **Overblog** and **WAT** ("We Are Talented"). WAT, launched in June 2006, is the TF1 Group's community site dedicated to artistic expression and distribution of audiovisual creation (videos, audio, photos, etc.). Beyond the quality of the vehicles marketed by TF1 Publicité, the added value of the advertising arm today comes from its capacity to offer its clients modern and original communications solutions. Digital innovation brings advertising innovation, and the new distribution vehicles such as the mobile telephone or the podcast are also new communications vehicles. But the basic trends in the advertising market are oriented above all towards enhanced creativity and special ad-hoc operations put together for the client.



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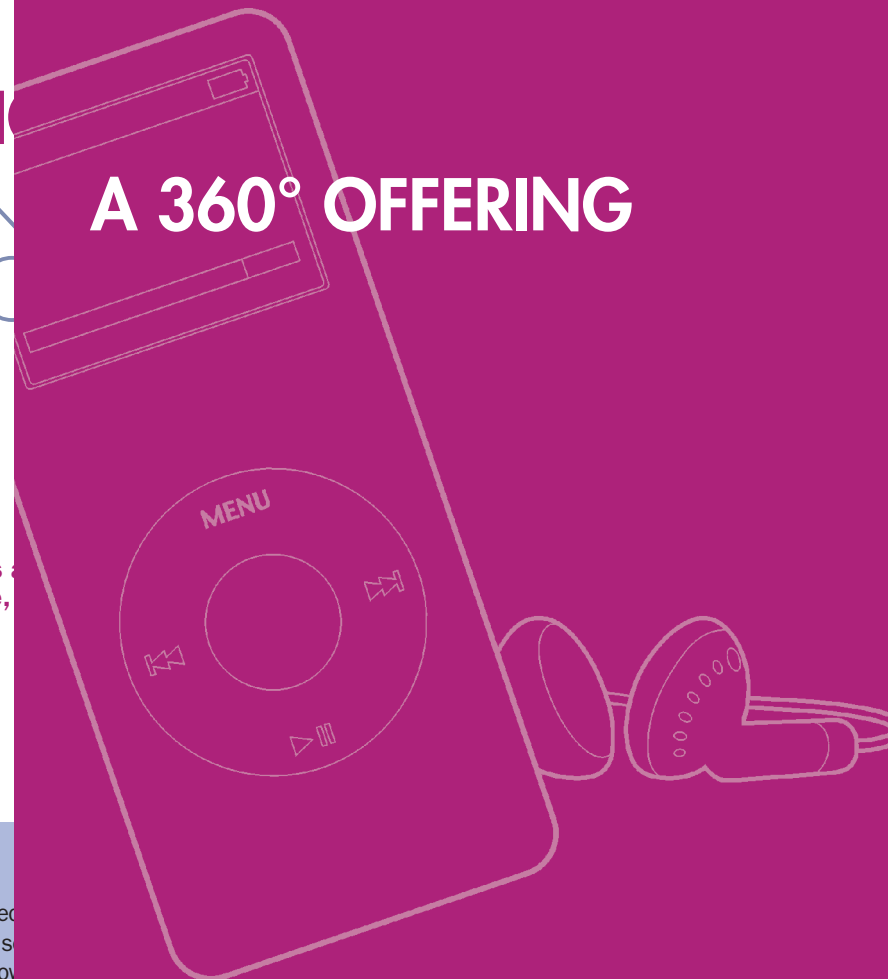
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A 360° OFFERING



Audiovisual consumption is in the throes of an in-depth transformation. Digital technology serves to process images, delivering not only quality, but also multiplicity and geographic and temporal availability. Television, the Internet, mobile telephones, podcasts – they all enable people today to receive audiovisual content, editorially structured or not, specifically designed for each vehicle and/or each mode of consumption. It is this notion that led the TF1 Group to embark on a strategy of multi-vehicle contents. The Group's audiovisual contents, processed by product line (sport – news – films – series and drama – entertainment, games & music – youth), are now developed for all the distribution platforms.

TF1 Publicité is a pioneer in the market in leveraging these new vehicles, which provide access to consumers with tailored and complementary advertising messages. For example, LCI "quadruple play" advertising offering enables a client to communicate within the same context around a television programme, on the Internet, on mobile phones and in a podcast.

TF1 Publicité today has a full range of powerful, targeted audiovisual vehicles and calls on its non-media marketing team to complement communications campaigns with field operations. So TF1's advertising arm is able to orchestrate 360° communications, enabling its clients to build cross-system communications tailored to their needs.



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BROADCASTING FRANCE IN THE WINGS OF TELEVISION

Production companies

The TF1 Group is historically a producer of programmes. But it has surrounded itself with production subsidiaries so as to supply the channel with entertainment, news, fiction drama and documentary programmes as well as to fulfil its obligations of investing in French production.

Cinema

TF1 Films Production

TF1 Films Production handles the investments linked to TF1's obligations to invest 3.2% of its advertising revenue in the co-production of European films of which at least 2.5% in French-language productions. This subsidiary co-produces some 20 feature films each year and in so doing acquires the broadcasting rights destined for TF1 and the co-producer royalties giving it access to the receipts generated by the exploitation of the films. In 2006, eight films co-produced by TF1 Films Production exceeded the one million box office mark including *Les Bronzés 3*, *Fauteuils d'Orchestre*, *La Doublure*, *Jean-Philippe*, *Arthur et les Minimoys* and *Prête moi ta Main...*

In 2006, TF1 Films Production committed close to €48 million to the production of European or French cinema products



18

films co-produced
and close to €48 million
committed by
TF1 Films Production

Television

GLEM

Glem is a production company specialised in entertainment programmes. Its activity revolves around three main areas:

- entertainment per se with programmes such as *NRJ Music Awards*;
- reality TV, with *Temptation Island*;
- tours, for example those of *Star Academy* and *André Rieu*.

Quai Sud

This company produces and, in association with Julien Courbet, hosts the prime time magazine formats (*Les 7 Péchés Capitaux*) and those of the second part of the evening (*Sans Aucun Doute*, *Confessions Intimes*).

Alma Productions

Founded in June 2001, Alma Productions is in charge of the production of fiction dramas for TF1 and has several products to its credit such as *La Fille du Chef*, *Le Maître du Zodiaque* and *RIS*, the new TF1 thriller.

TAP – Tout Audiovisuel Production

TAP was founded in July 2001 and is led by Charles Villeneuve. TAP produces documentaries and reportages. It produces *Droit de Savoir*, *Appels d'Urgence* and has launched a new programme which analyses the current cinema, music and entertainment scene: *50 Minutes Inside*.





BROADCASTING IN THE WIN OF TELEVISION

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TF1 Films Production

TF1 Films Production handles the investment TF1's obligations to invest 3.2% of its advertising in the co-production of European films of which 2.5% in French-language productions. This co-produces some 20 feature films each year doing acquires the broadcasting rights destination and the co-producer royalties giving it accounts receipts generated by the exploitation of the 2006, eight films co-produced by TF1 Films exceeded the one million box office mark in *Bronzés 3*, *Fauteuils d'Orchestre*, *La Doublure*, *J. Arthur et les Minimoys* and *Prête moi ta Main*. In 2006, TF1 Films Production committed €48 million to the production of European cinema products



THE LITTLE WORKSHOP OF SHORT FORMATS

Some 300 promotional programmes, trailers, "coming next", summaries and credits, lasting 5 to 40 seconds, emanate from the TPP (TF1 Publicité Production) trailer department each month. Their aim - to announce and highlight the TF1 channel's programmes.

A new programme is to appear on TF1? It needs promoting up-stream. To do that, TF1 Artistic Management turns to the TPP team to brief them on the programme and the style of promotion - humour, technology, event, etc. Then a production director assigns a producer and a film editor to the trailer to be produced from images provided by the TF1 artistic director. To simplify the organisation, the production directors are dedicated to each programme unit - drama, regular schedule programmes, sports, etc. After some to-ing and fro-ing for reviews and modifications, the final product that will go on-screen is finally complete.

The TPP trailer team has now embarked on the production of credits, notably for *Dolmen* followed by *RIS*. It is working on a story board for *Mystère* and *Paris Enquête Criminelle*. The trailer work is closely linked with current events on the channel, so the activity is often "just-in-time" production with very short schedules - two to three days for a regular schedule programme (variety, sports, etc.) up to three weeks for a stock programme (film or drama). During *Star Academy*, the team works six days out of seven, with weekend stints. The next big event: the Rugby World Cup!



Television

GLEM

Glem is a production company specialised in entertainment programmes. Its activity revolves around three main areas:

- entertainment per se with programmes such as *NRJ Music Awards*;
- reality TV, with *Temptation Island*;
- tours, for example those of *Star Academy* and *André Rieu*.

Quai Sud

This company produces and, in association with Julien Courbet, hosts the prime time magazine formats (*Les 7 Péchés Capitaux*) and those of the second part of the evening (*Sans Aucun Doute*, *Confessions Intimes*).

Alma Productions

Founded in June 2001, Alma Productions is in charge of the production of fiction dramas for TF1 and has several products to its credit such as *La Fille du Chef*, *Le Maître du Zodiaque* and *RIS*, the new TF1 thriller.

TAP - Tout Audiovisuel Production

TAP was founded in July 2001 and is led by Charles Villeneuve. TAP produces documentaries and reportages. It produces *Droit de Savoir*, *Appels d'Urgence* and has launched a new programme which analyses the current cinema, music and entertainment scene: *50 Minutes Inside*.



BROADCASTING FRANCE IN THE WINGS OF TELEVISION

Other companies

TF1 has created several subsidiaries that have flourished on the fringes of Broadcasting France and built their success on innovative initiatives.

TF1 Entreprises

TF1 Entreprises groups together five businesses in the areas of publishing and licences:

- **TF1 Licences** markets brand licences to industrial companies (*Ushuaïa, Star Academy, Franklin, Barbapapa, Bob l'Éponge*), designs and distributes by-products (*Le Roi Soleil*) linked to shows and events (*performer tours*, etc.);
- **TF1 Games** publishes parlour games based on television programmes (*Qui Veut Gagner des Millions?*, *Star Academy, Ushuaïa, Franklin, A Prendre ou à Laisser*, etc.) and original concepts (*Composio, Cranium, Cadoo*, etc.);
- **TF1 Musique** develops disc projects relative to musical operations (*Star Academy*, summer operations, etc.), in partnership with music companies, and to brands and characters whose rights it controls (*Dora l'Exploratrice, Hits & Co*, etc.).
Une Musique, a subsidiary of TF1 Entreprises, produces and publishes music from television programmes and films;
- **TF1 Publishing** publishes magazines (*Star Ac Mag, Ushuaïa, Dora l'Exploratrice, Côté Mômes*), children's books and comics.
TF1 Editions, a subsidiary of TF1 Entreprises, publishes fine books (*L'Odyssée Sibérienne*) and novels derived from the channel's fiction dramas;
- **TF1 Hors Média**, a subsidiary created in September 2005, offers advertisers and agencies non-media communications solutions (field marketing, direct marketing, events-based marketing, etc.).

Téléshopping

Téléshopping is one of the main distance-buying operators in France. The activities of this subsidiary hinge on the programmes broadcast Monday to Saturday morning (except Wednesday) on TF1, the 10 million catalogues sent in 2006 to over one million active customers and the e-commerce site www.teleshopping.fr. Online sales in 2006 - some 400,000 - represented more than 27% of revenue and the company has generated a profit for the last seven years.

In addition to this undoubted know-how in distance shopping, Téléshopping is solidifying its territorial coverage by developing a mini point-of-sale network. Two Téléshopping stores, with an original and powerful design, are now operational in Paris on Boulevard Haussmann and Rue de Rennes.

In June 2006, TF1 and Dogan TV, the Turkish television operator, signed an agreement to create a joint venture in **home shopping in Turkey**. 50/50 held by Dogan TV and TF1's Téléshopping subsidiary, the company's mission, since January 1, 2007, is to produce home shopping programmes, exploit a direct marketing service and develop e-commerce on this fast-growing market.



More than
24
million euros revenue
from Teleshopping
online sales in 2006

The fast growth of Téléshopping during the past two years was facilitated by its success in diversifying, which has strengthened its determination to grow its e-commerce business:

- 2004 launch of special-event-oriented sales on www.surinvitation.com.
- 2005 launch of the Infoshopping subsidiary dedicated to infomercials on the so-called complementary TV channels.
- End 2006 acquisition of *1001istes*, a company founded in 1999 and current leader in internet wedding lists. *1001istes* is present in mainland France with 13 showrooms; it has also expanded in Belgium over the past four years. *1001istes* has promising assets: a good brand image, a strong internet presence, an innovative model and strong growth potential.

E-TF1

e-TF1, the Group's "new media" subsidiary, produces and distributes interactive, multimedia products in Internet, audiotel, SMS, mobile multimedia, and interactive TV formats. That means e-TF1 builds its interactive products for all the Group's thematic areas (news, entertainment, sports, youth, cinema, etc.).

The **Internet strategy** is based on increasing the audiences of the sites making up the TF1 network - they grew over 80% during the year, with 6.7 million individual visitors⁽¹⁾. The general-interest portal tf1.fr spearheads this strategy, combining the dual objective of developing a global power and increasing audiences with an advertising-oriented affinity with the thematic sites for sport (eurosport.fr), news (lci.fr), youth (TFou.fr) and women (plurielles.fr). The tf1.fr portal is marketed by TF1 Publicité and ranks 9th in Internet advertising in France.

In addition, tf1.fr is positioned as the portal for **video distribution on the Internet** with over 300 million video streams delivered in 2006. So it is clear that e-TF1 and TF1 Publicité are experimenting with new forms of advertising sales.

e-TF1 also supports the **online developments** of the other Group subsidiaries by rolling out its technical and marketing know-how to teleshopping.fr, surinvitation.com and TF1 Vision (the VOD platform with TF1 Vidéo).



(1) source: Nielsen Net Ratings panel, sites developed individually and collectively.



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WAT & JET: CONTENTS CASCADING WITHOUT CONSTRAINT

2006 was definitely marked by the growth of innovative activities: WAT (We Are Talented) – the first multimedia community portal; and JET – the first French television channel dedicated to games. They have a point in common – they are cascaded on the internet, television and mobile telephony. Not easy to keep up with the two newcomers who play like old hands.

WAT is a 100% subsidiary of TF1 and a community portal dedicated to creation, enabling surfers to exhibit their productions online – videos, music, photos, scenarios, etc.... The idea was born in November 2005. Seven months later and the site was up and running.

In contrast to its competitors, WAT's real added value, says its director, Olivier Abecassis, "is that it offers surfers an exhibition space that they will not find elsewhere, that is an extension to the TF1 channel." The more original and popular videos appear in the WATCAST programme made up of around 10 videos (parodies, series, sketches, reportages, short films, etc.) of around two to three minutes.

What of the future? WAT continues its growth internationally with English, German, Italian and Spanish versions of its site, is multiplying its windows of TV distribution on the various thematic channels, is extending its offering to mobile telephony, and is setting up a system of advertising revenue sharing with the content creators.

JET is a new style television channel, a 100% games channel that was born of a dual observation – foreign growth of games channels and the desire of the TF1 Group to develop strong, multi-media brands on key themes.

JET enables viewers to discover games that have never been broadcast in France and to re-visit cult programmes. JET fills a gap in the French audiovisual landscape. Games are a major genre, bringing audiences together. Yet on cable and satellite there is no channel offering. JET is broadcast free around the clock on TPS and CanalSat as well as being available on cable and ADSL. Each day, the channel offers close to 10 live programming hours animated by nine presenters. On the web, surfers can find video contents live in the channel streaming and games shown on television, but also more "classical" formats like card games, intellectual games, etc. 2007 should also be an exciting year for the new entity, with the introduction of more eventful programming in prime time, expansion of its mobile phone offering, and more.



The fast growth of Téléshopping during the past two years was facilitated by its success in diversifying, which has strengthened its determination to grow its e-commerce business:

- 2004 launch of special-event-oriented sales on www.surinivation.com.
- 2005 launch of the Infoshopping subsidiary dedicated to infomercials on the so-called complementary TV channels.
- End 2006 acquisition of 1001listes, a company founded in 1999 and current leader in internet wedding lists. 1001listes is present in mainland France with 13 showrooms; it has also expanded in Belgium over the past four years. 1001listes has promising assets: a good brand image, a strong internet presence, an innovative model and strong growth potential.

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(1) source: Nielsen Net Ratings panel, sites developed individually and collectively.



INTERNATIONAL BROADCASTING SPREADING ITS WINGS

EUROSPORT INTERNATIONAL

On the strength of its leadership position and underpinned by popular sports events (the Turin Olympics, Football World Cup), the Eurosport Group continued to flourish in 2006.

The Eurosport channel is now distributed to **103 million households** (excluding France), paying and free. This progression of over 4 million households in one year (+4.8%) comes mostly (70%) from its growth in Central and Eastern Europe.

It is broadcast in **20 languages** in **59 countries**. It has conquered 6.4 million pay subscribers (+ 12.9%) to reach a total of over **56 million** subscribers at the end of the year.

Eurosport is continuing its policy of pay distribution on all platforms in Europe. The channel is an unrivalled partner in the launch of commercial DTT offerings (Germany, the Netherlands, Sweden, etc.) and television over ADSL (France, Norway, Slovenia, Sweden, UK, etc.).

The Eurosport audience⁽¹⁾ is 592,000 viewers per median quarter. It is down on 2005 (over 5%) due to a less strong appetite for sport after the passion for the Turin Olympics and the Football World Cup.

(1) sources: AGF/GFK, CKO-Intomart, Barb, Sofrès AM, MMS, TNS-Gallup, AGB Nielsen Polska, Eurosport.

In 2006, close to 22 million European viewers were loyal to Eurosport every day (+ 2.8% in a year). This loyalty can be explained by:

- the most exhaustive offering on the market for major sports events, with over 100 disciplines as different as the Olympic Games, racing sports (motorcycle Grand Prix, WRC, Paris-Dakar, WTCC, etc.), tennis (three Grand Slam tournaments), football (UEFA Cup, Champions League...), athletics, cycling (all the major international competitions), combat sports and more
- an increasing proportion of live programmes – 44% of broadcasting time,
- improved quality of the programmes produced and animated by Eurosport's technical and editorial teams.

Eurosport 2 was launched on January 10, 2005 and continued its expansion in 2006 with the launch of two new language versions (Romanian in February and German in August). It is now available in nine versions (English, French, German, Greek, Italian, Polish, Romanian, Russian and Turkish) and enjoys enormous success with its 22 or so million households, almost all paying (+ 26%).

Surfers have hailed the expertise of the Eurosport teams in sports news and helped to strengthen the Group's leadership as benchmark producer of sports news sites at European level with 2.6 billion pages viewed and 18.8 million visits a month (+ 80%). In 2006, Eurosport launched two new versions (Chinese and Russian) bringing the number of language versions up to seven.

Eurosport is also continuing its penetration into sports events organisation. Other than the World Touring Car Championship™, Eurosport organises the world carting championship and the heats of the International Rally Championship.

110 million households⁽¹⁾ received Eurosport at the end of 2006
(1) Including Eurosport France

Close to **22** million European viewers every day



FRANCE 24

FRANCE 24, held 50/50 by TF1 and France Télévisions, is the first French non-stop channel for international news, airing round the clock seven days a week. It brings a French look and feel to world news.

The editorial team is young, international (27 nationalities) and multi-lingual (13 languages); its members have travelled the world and accumulated professional experience with 65 international media organisations. It will air in several languages (Arabic, English, French and later Spanish), but with one tone and one vision, those of FRANCE 24.

Right from the start in December 2006, FRANCE 24 was accessible in digital and un-scrambled in Europe, the Middle East, Africa, plus the cities of New York and Washington D.C. At least 190 million people are already sure to be able to receive FRANCE 24:

- 145 million in 90 countries un-scrambled;
- 45 million through a commercial offering.





INTERNATIONAL SPREADING ITS WINGS

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(1) sources: AGF/GFK, CKO-Intomart, Barb, Sofrès AM, MMS, TNM, AGB Nielsen Polska, Eurosport.



EUROSPORT 2: A GROWING LEADER

Eurosport 2 started life in January 2005. Only two years later, it is received by over 22 million European households and broadcast in seven languages. It gives a boost to the Eurosport channel, which passed the 110 million European households mark in 2006 and added a 20th language version (Serbian) in July.

On the very coveted market for pan-European sports rights, the Eurosport Group has confirmed its leadership with a broad portfolio of events and exclusive coverage. As a growth area contributing to a significant increase in revenue (subscriptions and advertising), Eurosport 2 has substantial, targeted resources for growth. This has enabled it to test a new initiative in Eastern Europe – the acquisition of rights for Romania and Hungary for the English Football *Premier League*, much appreciated and widely followed by Romanian and Hungarian audiences. This has confirmed the Group's aptitude to penetrate fast-growth but highly competitive markets. This acquisition is aimed at accelerating Eurosport 2's references in the two countries and is a new lever to underpin the whole Eurosport Group offering. It will also enable Eurosport to join the select club of major channels broadcasting the top European football championships.

This development is also part of the editorial policy of Eurosport 2, which targets a younger audience that is keen on team sports such as handball (*Men and Women's Champions League*) basketball (*ULEB Cup*) and volleyball (*World Grand Prix and World League*). The many live programmes and short formats (*Euroleague magazines*, for example) are handled using a tone they feel comfortable with.



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AUDIOVISUAL RIGHTS



The Broadcasting Rights division covers the business of trading and catalogue of audiovisual products, feature films or television films through TF1 International, plus the publishing of audiovisual content on cassette and DVD through TF1 Vidéo.

TF1 International

Created in 1995, TF1 International is the subsidiary dedicated to the acquisition and marketing of broadcasting rights in France and internationally. In this sense, it is a key added value catalyst of the heritage of rights accumulated by the TF1 Group. TF1 International is one of the leading French marketers of international broadcasting rights and is present in all the major markets: Los Angeles, Cannes, Berlin, Venice, Toronto, etc...

In France, TF1 International is one of the main distributors of films to cinemas in 2006 (for example, *Hors de Prix* with Audrey Tautou and Gad Elmaleh, *The Departed* by Martin Scorsese with Leonardo Di Caprio, Jack Nicholson, *Scoop* by Woody Allen with Scarlett Johansson...).

More than
156
million videos
sold by TF1 Vidéo
since its creation

TFM
1st
French independent cinema
distributor



TF1 Vidéo

TF1 Vidéo is the premier French publisher on the market. Its business has grown substantially since its creation. Above and beyond mass distribution, traditional distribution networks and rental, TF1 Vidéo has, since 1997, been offering several ranges of video products via kiosks and in 1999 launched the commercial website: www.tf1vidéo.fr.

Since the beginning of 2006, TF1 Vidéo has been offering its video products via Video On Demand on www.tf1vision.fr. With a catalogue of over 3,500 items, TF1 Vidéo covers all categories, from film to sport, youth to humour. Among its more recent successes are: *Florence Foresti*, and *CSI*, while previous years' successes were *Kill Bill*, *Brice de Nice*, *Le Dernier Trappeur*, Gad Elmaleh, Nicolas Canteloup, *Espace Détente*, *Aviator*, *La Chute*, *Ushuaia* and the René Château Vidéo classic catalogue, "*la Mémoire du Cinéma Français*."

All in all, TF1 Vidéo has sold more than 156 million videos since its creation.



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TFM DISTRIBUTION: BESIEGING CINEMAS

TFM Distribution has three major functions:

- Programming plays a key role. Each Monday morning, the sales team has to "place" the TFM films in the best possible cinemas. Competition is tough and the operators of the 5,300 cinema screens in France have the choice of over 550 films a year;
- Marketing takes care of promotion using trailers, teasers, websites, outdoor, press and partners;
- Technical handles dubbing and sub-titling of foreign films and monitors the quantity and quality of films duplicated for the operators (over 5,000 copies in 2006).

Film distribution to cinemas, a very special activity, was the missing link in the TF1 Group's cinema business. An agreement with Miramax signed in 2003 allowed the Group to launch a business called TFM Distribution - Harvey and Robert Weinstein making a three-year commitment to TF1 to provide films from their studio's collection. At the time, the partnership, involving about 15 people, took on the challenge of making the new unit a significant participant in the market.

Just two years later, in 2005, TFM was France's fourth-ranking cinema distributor and the number one independent (because it was not an exclusive subsidiary of a major American studio). It was an exceptional year, with great films like *Brice de Nice*, *Aviator* and *Le Dernier Trappeur*. Not only that, it distributed films that were mostly provided by TF1 International.

When the Weinstein brothers left Miramax, the partnership was discontinued and TF1 integrated TFM into TF1 International (rights management of the Group's catalogue).

Cut to 2006. TFM continued its activity, distributing around 25 films in France. TFM management is counting on the quality of the films acquired, but also on the diversity of the offering (from an intimate writer's film to a family blockbuster).



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Télévision Française 1

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Ⓞ TOTAL MEDIA