

ANNUAL REPORT  
1989



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# MANAGEMENT - BOARD OF DIRECTORS

## Board of directors

### Chairman and Managing Director

Patrick Le Lay

### Directors

- . Francis Bouygues
- . Martin Bouygues
- . Olivier Poupart-Lafarge
- . Editions Mondiales SA  
represented by Philippe Bouriez
- . François Dalle
- . SEBDO SA (Le Point)  
represented by Jacques Duquesne
- . Maxwell Média SA  
represented by Samuel Pissar
- . Pergamon Media Trust PLC  
represented by Robert Maxwell
- . GMF  
represented by Jean-Louis Pétriat

### Staff representatives

- . Marc Boussard
- . Jean-Pierre Pernaut

## Auditors

### Statutory auditors

- . Cabinet Salustro, Vincent, Gayet Associés
- . Dominique Ledouble

### Alternate auditors

- . Jean-Louis Mullenbach
- . Jean-Pierre Crouzet

## Company management

### Chairman and Managing Director, TF1 group

Patrick Le Lay

- . Etienne Mougeotte  
Vice Chairman, Managing Director, TF1 television
- . Bochko Givadinovitch  
Vice Chairman, Managing Director, TF1 Publicité
- . Cyrille du Peloux  
Assistant Managing Director
- . Christian Dutoit  
Assistant Managing Director, TF1 television
- . Michèle Cotta  
News Director
- . Alain Schmit  
Delegate to Chairman's office
- . Alain Rousseau  
Director, Human Resources
- . Pierre-Yves Guéguen  
Finance Director
- . René Tézé  
Director of Communication
- . Jean-Michel Counillon  
Director, Legal Affairs

# CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST DECEMBRE

	in thousands of French francs	
	1989 12 months	1988 12 months
<b>OPERATING INCOME</b>		
Income from advertising	4,807,951	4,418,900
Télé-Shopping	264,656	213,900
Income from technical services	106,660	78,815
Other income	127,368	112,383
	<u>5,306,635</u>	<u>4,823,998</u>
Cost of in house programme transmissions	(1,705,955)	(1,517,172)
Cost of purchased programme transmissions	3,180	(18,772)
Staff costs	(784,145)	(701,479)
Other operating expenses	(2,309,041)	(2,187,465)
Depreciation of tangible assets	(88,077)	(78,316)
Other depreciation and provision for liabilities and charges	(111,864)	(121,246)
<b>NET OPERATING PROFIT</b>	310,733	199,278
Financial income	42,967	30,766
Financial expenses	(28,990)	(8,688)
<b>NET FINANCIAL PROFIT</b>	13,977	22,078
	324,710	221,356
Exceptionnal items, net	32,564	15,108
Employees profit sharing	(13,066)	(3,540)
Corporate taxation	(124,127)	(71,818)
<b>PROFIT FOR THE FINANCIAL YEAR</b>	220,081	161,106
Minority interests	(2,585)	(1,202)
<b>PROFIT ATTRIBUTABLE TO MEMBERS OF HOLDING COMPANY</b>	217,496	159,904

# CONSOLIDATED BALANCE SHEET AS AT 31ST DECEMBER

ASSETS	in thousands of French francs	
	1989	1988
<b>INTANGIBLE FIXED ASSETS</b>		
Films completed or in the course of production	36,131	36,031
Other intangible fixed assets	<u>3,772</u>	<u>4,457</u>
	39,903	40,488
<b>TANGIBLE FIXED ASSETS</b>		
Land	53,908	53,933
Freehold buildings	183,215	192,293
Other tangible fixed assets	<u>103,817</u>	<u>93,593</u>
	340,940	339,819
<b>INVESTMENTS AND LOANS</b>		
Long term investments and related loans	9,671	6,753
Other loans	<u>17,938</u>	<u>12,135</u>
	27,609	18,888
<b>FIXED ASSETS</b>	408,452	399,195
Programmes and films rights	1,449,234	1,508,468
Stocks	28,720	11,241
Trade debtors	932,752	778,671
Others debtors	587,079	317,372
Short term investments	582,376	214,243
Cash at bank or in hand	22,969	42,597
<b>OTHER ASSETS</b>	3,603,130	2,872,592
Deferred expenses	49,671	53,166
Deferred taxation	<u>62,920</u>	<u>36,581</u>
	112,591	89,747
<b>TOTAL ASSETS</b>	4,124,173	3,361,534

**LIABILITIES**

in thousands of French francs

	1989	1988
Share capital	210,000	210,000
Revaluation reserve	30,705	30,705
Reserves	331,574	184,036
Profit and loss account	217,496	210,538 (1)
<b>SHARES CAPITAL AND RESERVES</b>	<b>789,775</b>	<b>635,279</b>
Minority interest in reserves	31,779	1,872
Deferred government grants	29,300	25,685
Provisions for liabilities and charges	60,824	86,623
Deferred taxation	151,239	176,736
Financial creditors (2)	213,852	86,647
Trade creditors	1,636,715	1,361,200
Other creditors	1,209,982	987,480
	<u>3,060,549</u>	<u>2,435,327</u>
<b>CREDITORS AND OTHER LIABILITIES</b>	<b>3,333,691</b>	<b>2,726,243</b>
Deferred income	707	12
<b>TOTAL LIABILITIES</b>	<b>4,124,173</b>	<b>3,361,534</b>

(1) 16 months financial year (12 months 1988 : 159,904 ; 4 months 1987 : 50,604)

(2) including bank overdrafts (1989 : 49,134 ; 1988 : 183,903)

# CONSOLIDATED SOURCE AND APPLICATION OF FUNDS FOR THE YEAR ENDED 31 ST DECEMBER

	in thousands of French francs	
	1989	1988
<b>PERMANENT SOURCE OF FUNDS</b>		
Profit for the financial year	220,081	161,106
Adjustement for items not involving the movement of funds :		
Provisions and depreciation	82,743	90,711
Release from deferred government grants	(10,585)	(12,194)
(Profit)/loss on disposal of fixed assets	(30,363)	(4,855)
Other	(4,003)	-
Total from operations	257,873	234,768
Proceeds of disposal of fixed assets	31,941	26,038
Increase in share capital and reserves	14,644	9,894
Total	304,458	270,700
<b>PERMANENT APPLICATION OF FUNDS</b>		
Dividends paid	63,225	441
Purchase of fixed assets	183,415	89,657
Current instalments due on loans	984	64,976
	247,624	155,047
<b>CONSOLIDATION ADJUSTEMENT TO WORKING CAPITAL</b>	25,981	-
<b>NET CHANGE IN WORKING CAPITAL</b>	146,040	115,867
(Decrease)/Increase in :		
Stocks	(51,944)	626,713
Trade debtors	447,734	322,121
	395,790	948,834
Increase/(Decrease) in :		
Trade creditors	(443,531)	(716,375)
Other creditors	21,142	87,051
	(422,389)	(803,426)
<b>WORKING CAPITAL FROM OPERATIONS</b>	26,599	145,408
<b>CONSOLIDATION ADJUSTMENT TO WORKING CAPITAL FROM OPERATIONS</b>	48,278	-
<b>MOVEMENT IN NET LIQUID FUNDS</b>	220,917	(29,541)
<b>NET CHANGE IN WORKING CAPITAL</b>	146,040	115,867

# SHARE PERFORMANCE

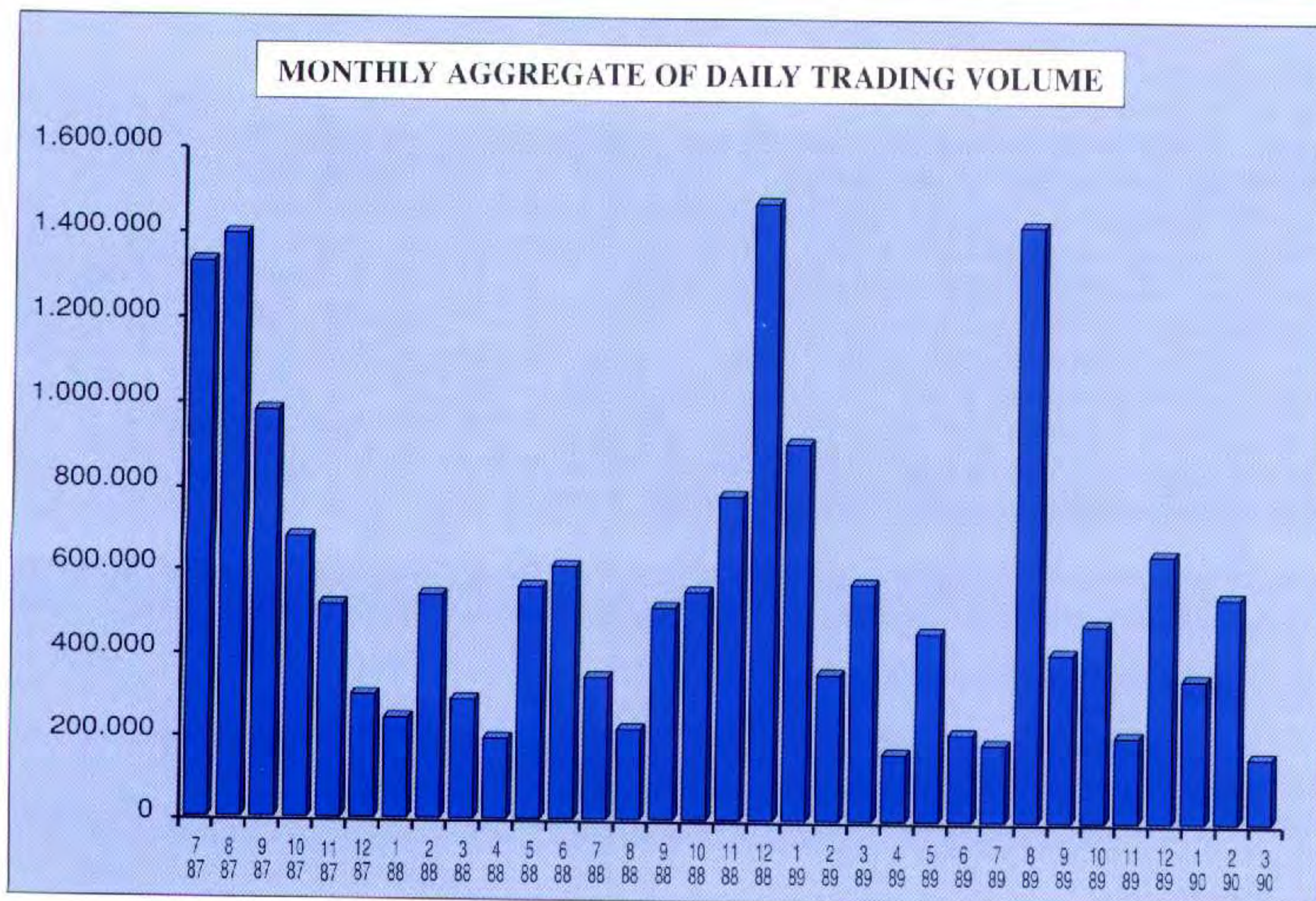
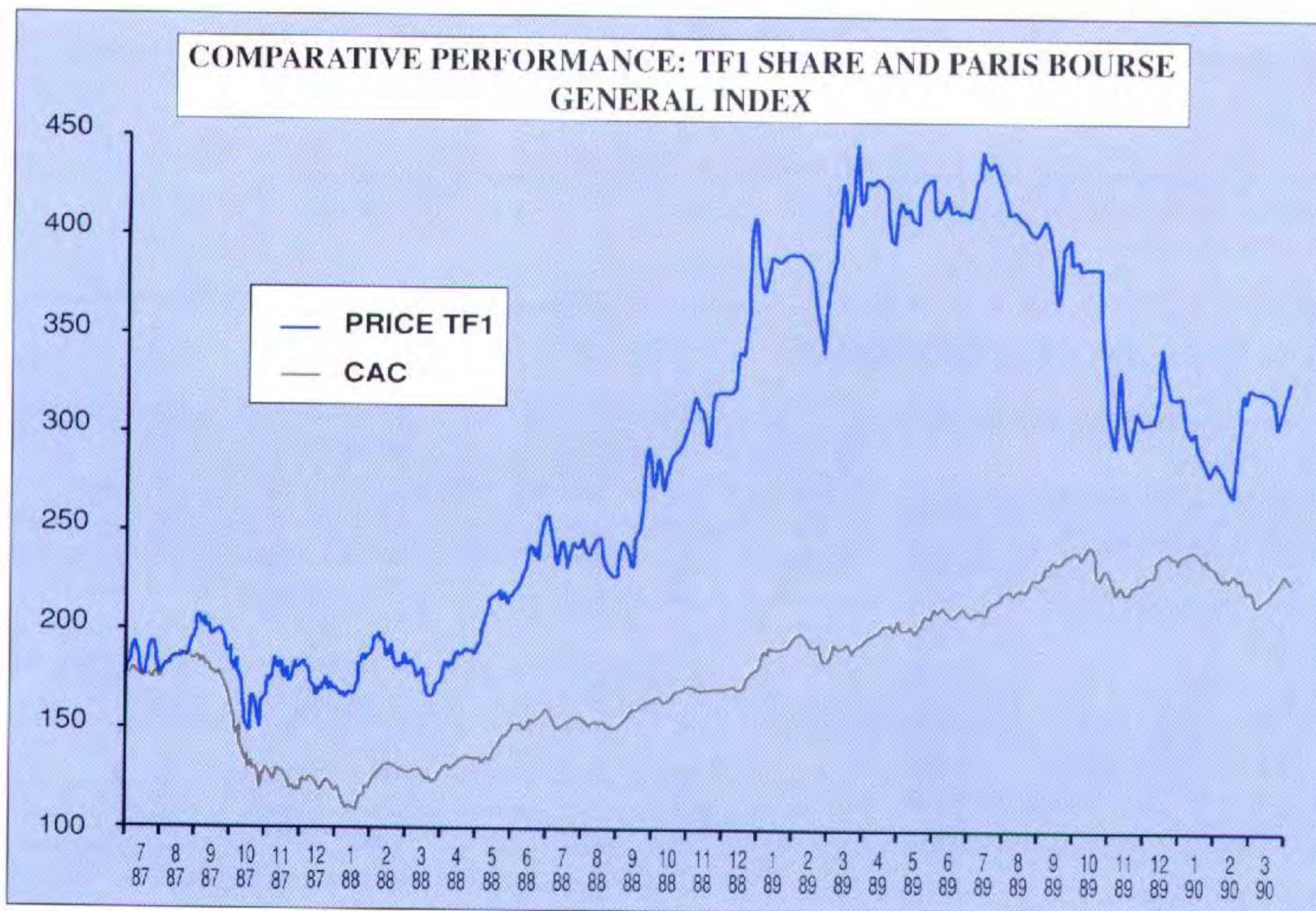
Listed on the Paris Bourse on July 24, 1987, the price of TF1 shares throughout 1989 remained considerably higher than the initial offered price of FF165. After a highly speculative period in July and August, the increase in the price of TF1 stock ranked the share No. 3 among France's privatized companies.

At December 31, 1989, the company boasted the third-highest market capitalization and the most actively traded share on the Paris Second Market, with daily trading worth FF9.4 million. Trading volume for the year averaged 25,300 shares per day. The high level of transactions recorded in August 1989 corresponds to the sale of one part of the shares

earmarked for the company's workforce in July 1987 and not acquired since that date.

In April 1990, the average share price reached FF341, which puts market capitalization at FF7.2bn.

Average monthly trading volume (not including the abovementioned extraordinary sale) is equivalent to 5% of the shares held by the public.





# NOTES TO THE CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED 31ST DECEMBER 1989

## 1. THE GROUP

### 1.1 PRESENTATION OF TF1 ("THE COMPANY") AND ITS SUBSIDIARIES ("THE GROUP")

The Company is operating under a 10 year transmission licence, effective from the 16th April 1987 date at which it was privatised.

The major subsidiaries composing the Group are the following :

- TF1 Publicité, engaged in the

commercialization of the transmission time

- TF1 Films Production, engaged in the coproduction of films

- Télé-Shopping

- TF1 Editions, engaged in the publishing of works relating to the

transmission activities

- TF1 Entreprises, engaged in annexed activities such as Telematique, Video, Sale of Programme and films rights

### 1.2. THE CONSOLIDATED ACCOUNTS

The consolidated accounts have been prepared from statutory accounts ; they required certain restatements.

### 1.3. BASIS OF CONSOLIDATION

#### Companies included in the consolidation

	% owned
- TF1 PUBLICITE	98,9
- TF1 FILMS PRODUCTION	99,96
- TELE SHOPPING	84,96
- TF1 EDITIONS	50,94
- UNE MUSIQUE	99,76
- TF1 ENTREPRISES	99,36
- LA RESERVEE	100,00
- SYALIS	89,76

During the financial year, 89,76 % of SYALIS investment has been acquired by the Company for an amount of 244,8 millions of French francs ; SYALIS had been created in 1987 at the request of the French Authorities for the purpose of holding, together with 9 partners mainly composed of banks and major shareholders of the Company, that remaining portion of the Company's share capital which was not subscribed by the personnel at the date of the privatisation (7 %), SYALIS being committed to maintain these shares for a period of two years.

At the expiration of this period, SYALIS used the option offered by French Authorities to sell a major part of the Company's shares still not purchased by the personnel, and therefore proceeded to the disposal of 1.270.000 shares in favour of the existing shareholders of the Company.

The sale was realised on the basis of SYALIS accounts prepared as at 31st October 1989. The effect of such a sale on the Group accounts is therefore limited to the subsidiary operations of November and December 1989.

#### Companies reported on the equity method

The 22,51 % investment in the SFP, reported on the equity method, has been fully provided for.

The minority interest of the Company's investment, and the fact that it does not take any part in the management of the SFP exclude any obligation of the Company to

participate in the financial recovery of the SFP.

Therefore, no provision for liabilities and charges has been recognized as at 31st December 1989 to account for the estimated share of the Company in the negative net worth of the SFP at this date.

Newly created subsidiaries such as MERCURY INTERNATIONAL, and TRICOM, in which the Company owns respectively 50 % and 33,33 % of the capital were also reported on the equity method.

#### Other subsidiaries not included in the consolidation nor reported on the equity method

Certain subsidiaries which are not significant to the Group accounts (MEDIAMETRIE, FRANCE MEDIA INTERNATIONAL) or which are in the course of liquidation (TF01) are reported at cost less appropriate depreciation.

## 2. ACCOUNTING PRINCIPLES

### 2.1. PRINCIPLES ACCOUNTING POLICIES

The Group accounts have been prepared in accordance with Generally Accepted Accounting Principles in France, and particularly those prescribed by the Companies

Acts of 3rd January 1985 and 17th February 1986, resulting from the implementation in France of the 4th EEC directive.

They have been prepared under the historical cost convention modified to include the revaluation of tangible fixed assets at 31st December 1986.

## 2.2. COMPARABILITY OF ACCOUNTS

The financial year ended 31st December 1989 is the first 12 months accounting year.

In order to assure comparability of the profit and loss accounts, the prior year's figures for the year ended 31st

December 1988 have been restated on a 12 months basis.

## 2.3. PROGRAMMES AND FILMS RIGHTS

This caption comprises purchased programmes rights, as well as in house programmes (self produced or delegated).

All programmes are written off at the first transmission with the following exceptions :

- purchased rights of telefilms, series and similar delegated production with a duration exceeding 60 minutes. The cost is charged to income as follows :

Purchased rights are recorded at purchase price at the date the programmes have been technically accepted and as long as the right has not expired. In house programmes are recorded at direct cost plus attributable production overheads.

- purchased rights of full length films :

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

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

## 2.4. FILMS

Films realised in co production with the subsidiary TFI FILMS

PRODUCTION are accounted for as intangible fixed assets from the

contract date, and for the total amount of the commitment.

## 2.5. RESEARCH AND DEVELOPMENT

Research and development costs are written off as incurred. They relate

essentially to data processing programmes.

## 2.6. TANGIBLE FIXED ASSETS

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost of each asset over its expected useful life, using straight line or reducing balance methods as follows :

Buildings	straight line	40 years
Technical equipment	reducing balance	3 to 5 years
Other	straight line or reducing balance	5 to 10 years

## 2.7. DEFERRED GOVERNMENT GRANTS

Government grants on capital expenditure are credited to a deferral

account and are released to revenue over the expected useful life of the

relevant asset.

## 2.8. PROVISIONS FOR LIABILITIES AND CHARGES

The amount provided for identified losses is the best estimate that can be made of such losses at the balance sheet date. Losses in respect of subsidiaries in the course of

liquidation are fully provided for.

### Pension costs

Certain retirement benefits are payable directly by the Company to

employees on a lump-sum basis at retirement. Such payments are provided for over the service lives of the employees.

## 2.9. DEFERRED TAXATION

Deferred income taxes are recognized for income and expense items that are reported for financial purposes in

different years than for income tax purposes. The effect on opening balances of changes in current tax

rates is recognized as income or expense.

# NOTES TO THE CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED 31ST DECEMBER 1989

## 2.10. ADVERTISING

Income from advertising is reported net of fees and commissions paid to agents.

## 2.11. COMMITMENTS

Purchase of programmes and films rights for which no technical approval is obtained at the closing date are reported as commitments for the total contract amount, after deduction of

the amount capitalised, if any.

The difference between pension costs payable to employee at retirement date and costs due and provided for at

the balance sheet date as described in note 2.8. are reported as commitments.

## 3. NOTES TO THE CONSOLIDATED BALANCE SHEET

### 3.1. FILMS

Movements during the financial year were as follows :

in thousands of French francs	1988	Additions	Disposals	1989
Cost	183,597	34,953	-	218,550
Depreciation	147,566	34,853	-	182,419
	36,031	100	-	36,131

### 3.2. TANGIBLE FIXED ASSETS

Cost

in thousands of French francs	1988	Additions	Disposals	1989
Land	3,933		(25)	53,908
Buildings	215,886		(213)	215,673
Technical equipment	163,490	46,131	(3,845)	205,776
Other	87,620	19,846	(2,053)	105,413
Fixed assets in the course of production	4,469	3,244	(4,469)	3,244
	525,398	69,221	10,605	584,014

Depreciation

in thousands of French francs	1988	Provided	Released	1989
Buildings	23,593	8,885	(20)	32,458
Technical equipment	112,171	34,774	(3,520)	143,425
Other	49,815	19,129	(1,753)	67,191
	185,579	62,788	(5,293)	243,074

There are no significant leasehold properties.

### 3.3. PROGRAMMES AND FILMS RIGHTS

The breakdown by nature was as follows :

in thousands of French francs	1989	1988
Programmes in the course of production	439,827	874,162
Programmes ready for transmission	1,099,113	661,946
Rights available for transmission	119,777	67,529
Cost	1,658,717	1,603,637
Depreciation	(209,483)	(95,169)

### 3.4. SHARE CAPITAL AND RESERVES

Movements were as follows :

in thousands of French francs	1988	Dividends	Profit for the year	1989
Share capital	210,000	-	-	210,000
Revaluation reserves	30,705	-	-	30,705
Other reserves	394,574	(63,000)	217,496	549,070
	635,279	(63,000)	217,496	789,775

### 3.5. GOVERNMENT CAPITAL GRANTS

Net deferred capital grants relate to a grant obtained from French Authorities for the renewal of the Company's headoffice in Cognacq-

Jay, and to a grant obtained by TF1 FILMS PRODUCTION from the national cinema council, the CNC.

The amount released to revenue during the year amounted to 10,6 millions of French francs (prior year : 14,1).

### 3.6. PROVISIONS FOR LIABILITIES AND CHARGES

The breakdown was as follows :

in thousands of French francs	1988	Provided	Released	1989
Claims	50,521	10,809	(21,945)	39,385
Associated companies	4,072	-	-	4,072
Pension	13,553	-	(1,066)	12,487
Other	18,477	2,439	(16,036)	4,880
	86,623	13,248	(39,047)	60,824

### 3.7. DEFERRED TAXATION

Deferred taxation is provided for using the 39 % current tax rate prevailing at the closing date. Deferred tax assets relate essentially to pension costs and holiday pay accrual that become deductible for tax purpose only when paid. Deferred tax liabilities relate essentially to

in thousands of French francs	1989	1988
TF1	137,332	159,201
Subsidiaries	13,907	17,535
	151,239	176,736

special depreciation allowed for tax purposes on films . They may be analysed as follows :

### 3.8. DUE DATES OF DEBTORS AND CREDITORS

Trade debtors are falling due within one year. Other debtors and creditors are falling due as follows :

in thousands of French francs	within one year	between one and five years	after five years	Total
Other debtors	587,079	-	-	587,079
Financial creditors	207,426	6,426	-	213,852
Trade creditors	1,636,715	-	-	1,636,715
Other creditors	1,198,674	11,308	-	1,209,982

### 3.9. OTHER CREDITORS

They may be analysed as follows :

in thousands of French francs	1989	1988
Personnel, taxes and social security	762,510	516,016
Creditors relating to fixed assets acquisitions	42,124	54,839
Other	405,348	416,625
	1,209,982	987,480

# NOTES TO THE CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED 31ST DECEMBER 1989

## 3.10. PREPAYMENTS AND DEFERRALS

Deferred expenses relate to the following items :  
- prepaid sport transmissions (26,7

millions of French francs)  
- employer participation in the employees profit sharing scheme (7,4

millions of French francs)

## 4. NOTES TO THE CONSOLIDATED PROFIT AND LOSS ACCOUNTS

### 4.1. OTHER OPERATING EXPENSES

Other operating expense may be analysed as follows :

in thousands of French francs	1989	1988
Transmission costs (TDF)	505,229	492,008
Subcontracting	727,607	707,153
Sundry contributions	429,532	367,977
Taxes other than corporate tax	36,891	21,870
Other	609,782	598,457
	2,309,041	2,187,465

### 4.2. DEFERRED TAXATION

The difference between the reported income tax rate of 36,06 % and the expected income tax rate of 39 % relates essentially to the change in the current tax rate occurred during the financial year (decrease from 42 % to 39 %). The impact of this change on opening deferred taxation amounted to 10 millions of French francs.

in thousands of French francs	1989	1988
Current taxation	175,963	61,400
Deferred taxation	(51,836)	10,418
Total	124,127	71,818
Net	1,449,234	1,508,468

## 5. OTHER INFORMATION

### 5.1. COMMITMENTS

Realisation dates relating to sport transmissions have been calculated using the foreseeable transmission date.

Included in rights other than sport transmission rights, is a commitment of the Company to purchase full length film rights owned by a joint venture called SOGEDIF, a 90 % subsidiary of the SOCIETE GENERALE. The commitment amounted to 189,2 millions of French francs as at 31st December 1989.

They may be analysed as follows :

in thousands of French francs	within one year	after more than one year	Total
Programmes	353,748	570,213	923,961
Rights other than sport transmission	711,188	26,156	737,344
Sport transmission rights	83,978	370,442	454,420
Other	19,399	18,536	37,935
Total	1,168,313	985,347	2,153,660

### 5.2. STAFF

The number of employees at the closing dates was made up as follows :

	1989	1988
Workers and office employees	324	369
Supervisors	548	582
Management and executives	415	403
Journalists	254	249
	1,541	1,603