



ANNUAL REPORT

1990
TFI

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BOARD OF DIRECTORS - MANAGEMENT - AUDITORS

Board of directors

Chairman and Managing Director

Patrick Le Lay

Directors

- . Francis Bouygues
- . Martin Bouygues
- . François Dalle
- . Olivier Poupart-Lafarge
- . Crédit Lyonnais
represented by Sylvain Carnot (1)
- . Editions Mondiales SA
represented by Philippe Bouriez
- . Financière Truffaut
represented by Nicholas Clive Worms
- . Maxwell Media SA
represented by Samuel Pizar
- . Sebdo SA (Le Point)
represented by Bernard Wouts

Staff representatives

- . Marc Boussard
- . Jean-Pierre Pernaut

Auditors

Statutory auditors

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

Alternate auditors

- . Jean-Louis Mullenbach
- . Jean-Pierre Cruzet

(1) co-opted by the Meeting of the Board of 11 April 1991 as replacement for the resigning Pergamon Media Trust PLC. Company Management

Company management

Chairman and Managing Director, TF1 Group

Patrick Le Lay

- . Etienne Mougeotte
Vice Chairman and Managing Director of Programmes
- . Bochko Givadinovitch
Vice Chairman and Managing Director, TF1 Publicité
- . Cyrille du Peloux
Deputy Managing Director of TF1
- . Christian Dutoit
Deputy Managing Director of Programmes
- . Michèle Cotta
News Director
- . Alain Rousseau
Director Human Resources
- . Jean-Pierre Morel
Director of Finance and Economic Affairs
- . Alain Schmit
Director delegated to the Chairman
- . René Tézé
Director of Communication

BOARD OF DIRECTORS' MANAGEMENT REPORT

Ladies and Gentlemen,

In accordance with law and statutory requirements we have called this General Meeting to report on management over the past financial year, to submit for shareholders' approval the accounts for the year ending 31 December 1990 and to comment on the company's current situation and future prospects.

1990, the third financial year since privatisation, was marked by:

- an increase in the market share of individual viewers to 41.9%, enabling TF1 to maintain its status as France's number one television channel;

- a surge in viewership for news broadcasts, particularly during the Gulf War, thus confirming TF1's unquestionable leadership in the coverage of international events.

The above were achieved in a difficult and competitive market, within a regulatory framework that is still as restrictive as ever. The first months of 1991 confirm these trends with TF1 posting a market share of 43% in March.

REVIEW OF BUSINESS IN 1990

The increase in our station's audience share was achieved thanks to the quality of the programmes and their scheduling:

- **Films and drama:** TF1 screened the top 24 films broadcast by all channels in the 8.30 pm prime time slot.

- The household-name heroes of TF1's French TV drama serials go marching on (*Navarro, le Commissaire Moulin, Imogène, Paparoff, Le Triplé gagnant*).

- The other serials screened on weekday afternoons (*The Young and the Reckless, Knots Landing*), during access prime time (*Starsky and Hutch, 21 Jumpstreet, Marc et Sophie*), and on Sunday afternoons (*Hooker, Rick Hunter*) lived up to past successes.

The policy of investment in French language production has been pursued in

1990 with FF 549 million invested in 654 hours of TV drama, FF 74.4 million in 94 hours of documentaries, and FF 137 million in 15 feature films. Total investments in 1990, including sums invested in cartoons, scripted works and contributions to the National Cinema Council, totalled FF 1,190 million.

Among TF1's other keys to success are:

- **Variety shows**

Boasting France's top presenters "*Stars 90*", "*Sacrée Soirée*", "*Tous à la Une*", "*Succès Fous*", "*Surprise surprise*" and "*Sébastien c'est fou*" enjoy a market share of 40 to 50%, i.e. more than 12 million viewers;

- **The top four international game shows**

"*The Wheel of Fortune*", "*The Price is Right*", "*Jeopardy*" and "*Family Feud*", remain at the top of the ratings with a market share of 50%;

- **Children's programmes**

TF1 screens over 17 hours of children's programmes per week! Successfully-launched new programmes "*Sophie et Virginie*" and "*Salut les musclés*" have gained a market share of 70% among France's younger viewers.

- **Feature news** broadcasts such as Saturday lunchtime's "*Reportages*" (1.30 pm), "*Grand Reportages*" and "*52 Sur la Une*" have given TF1 a market share of 49 to 53% and a household viewership of 13 to 21%.

- In 1990, three successful new programmes screened in the 10.30 pm slot: "*Le droit de savoir*", "*Le point sur la table*" and "*En quête de vérité*", confirmed TF1's prowess in the field of magazine shows.

Finally, the wealth of political events in early 1991 has demonstrated in spectacular fashion the French public's appetite for "on-the-spot" news reporting. TF1 was the only channel to schedule continuous news broadcasting over 32 hours. Moreover, the creation during the Gulf War of an extended two-hour news bulletin from 6.30 am, presented by Michèle Cotta and Gérard Carreyrou, scored a significant success over rival programme schedules.

Despite restrictions on the sponsoring of individual programmes, TF1's advertising market share is on the increase, topping 51.9% of the TV advertising market (gross tariff basis) compared with 50.1% the previous year.

In 1991 there should be a 7% increase in gross revenues from advertising for conventional time units.

RESULTS AND PROSPECTS

The Group

The TF1 Group posted Turnover of FF 5.8 billion compared with FF 5.3 billion in 1989, an increase of 10%.

Advertising revenue accounted for FF 5,238 million, and other revenues for FF 591 million, as against FF 4,806 million and FF 499 million in 1989.

Consolidated net profit was FF 303 million, with FF 300.3 million Group share, and FF 2.7 million minority interests. This represents an increase in profits (Group share) of almost 38%.

Operating profit soared from FF 311 million in 1989 to FF 477.8 million after FF 171.5 million in depreciation and provisions, a somewhat lower figure than in 1989. Working capital rose by FF 115 million.

The cash situation improved by FF 96 million. Diversification activities continued to grow in 1990 through TF1 subsidiaries:

TF1 ENTREPRISES

Video - 638,000 cassettes sold, twice as many as the previous year.

Home information services - more than 9.4 million calls on the "36 15" French public teletext service compared with 8.8 million in 1989.

Programme sales and complementary products - FF 42.3 million in revenues, an increase of 30% on 1989.

TELE-SHOPPING

Home shopping - 500,000 items sold and the consolidation of the number of client files as well as the development of other sales vehicles: "shopping gal-

BOARD OF DIRECTORS' MANAGEMENT REPORT

lery", catalogue sales, cable, a specialised boutique and via the press. These should amount to approximately 13% of TELE-SHOPPING's total turnover in 1991.

TF1 EDITIONS

Publishing - with seven works and an average run of 100,000 copies, TF1 Editions is confirming its vocation as a publishing house for the broadest possible readership. Its best-sellers have been the French edition of "the Guinness Book of Records" and "Les nuits d'angoisse".

UNE MUSIQUE

Music publishing - Une Musique produced and published more than 30 hours of original soundtracks for drama serials and two full-length feature films.

It was involved in special operations in 1990 resulting in the sale of 120,000 albums and 600,000 copies of the hit-single "Soca Dance".

TF1 FILMS PRODUCTION

In 1990, TF1 Films Production invested more than FF 137 million in the co-production of 15 films, among which "La Gloire de mon Père" and "Le Château de ma Mère" scored more than 10 million entries at the box-office.

DRAMA PRODUCTION

Through its subsidiaries and holdings TF1 is striving to create a focal centre for French and European drama production.

• **Protécra** joined the group in May 1990. The company has produced television plays "Vite une femme", "Popkins" and drama productions such as "L'affaire d'Hauterive", "Fado pour une jeune fille", "Mort d'une fugitive", "le Tueur du Zodiaque" and "Max".

• **Banco Production** was set up in May 1990; its main productions to date include "Piège pour une femme seule", "Mamie by night", "Pudeur ou impudeur".

• **Mercury International Film** has invested, since its creation in May 1989, FF 29 million in three productions: "F.Forsyth", "B.Cartland" and "La Dame de Berlin".

• **Tricom**, in its first year of operations, co-produced "Le Fantôme de l'Opéra" and "La Montagne de Diamants", with an outlay of almost FF 30 million.

The main subsidiaries' contribution to Group turnover and Group profits is as follows:

TF1 S.A.

1990 Turnover amounted to FF 4,867 million, of which FF 4,808 million in advertising revenue and FF 59 million in miscellaneous revenues.

(FF million)	Revenues	Contribution to Consolidated Profit
TF1 *****	5,298	240.2
TF1 Publicité	58	1.3
Télé-Shopping	246	9.3
TF1 Films Production	29	0.2
TF1 Editions	33	1.0
Une Musique	6	(0.6)
La Réservée	-	(2.6)
TF1 Entreprises	144	25.4
Syalis	-	27.6
TF1 Pub Belgique	3	(0.6)
TF1 Pub Production	5	0.1
Dubé	1	0.9
Protécra	6	(0.5)
Banco Production	-	(1.3)
Total	5,829	300,4

***** Advertising revenues accounting for FF 5,239 million

Provision for income tax amount to FF 165,5 million, as against FF 143.3 million for 1989.

Provision for profit-sharing is FF 11 million as against FF 9.3 million for 1989.

TF1's aims for 1991 are still:

- to shore up its position as leader both in terms of audience and advertising market share,
- to create a focal centre for European audiovisual production,
- to pursue diversification,
- to establish new lines of business: a News Channel, production studios,
- to prepare the move to its new Head Office.

Personnel

Over the course of 1990, TF1 pursued a vigorous wages and personnel policy resulting in the following:

- the granting, in January 1990, of a 25% supplement to the "13th month" additional salary payment for permanent technical and administrative staff, and to the "14th month" for journalists, bringing the overall supplement up to 50%;
- the granting at the end of 1990, for payment in January 1991, of a further 25% bringing the supplement to the 13th and 14th months up to 75%;
- wage increases higher than the rate of inflation;
- the opening of two additional Corporate Savings Plans in February and October 1990;
- a policy of youth traineeships;
- 26,077 hours of continuous training for 667 staff trainees;
- the coming into force on 31 March 1990 of the TF1's Collective Agreement with independent film directors;
- the improvement of the Group's social welfare scheme.

Targets for 1991 will be:

- to finalise the Collective Agreement between TF1 and production, technical and administrative staff;
- to take part in negotiations for a new performing artists' Collective Agreement;
- to reform the system governing the recoupment of medical expenses;
- to re-shape the pension scheme for the personnel of TF1 and its subsidiaries.

Share performance

With an average value of FF 296.6 over the whole of 1990, TF1 stock held up better than the Société des Bourses Françaises (SBF) general share index, especially after the onset of the Gulf Crisis in August. In fact TF1 shares only lost 1.7% over the year, while the SBF index fell 25%.

At the end of December 1990, TF1 stock ranked No. 2 in the Paris Second Market, with market capitalisation of FF 6.1 billion, i.e. 5.2% of the total capitalisation of the Paris Second Market (against 3.9% at 31.12.89).

The monthly aggregate of daily trading volumes was lower in 1990 than in 1989: 274,708 shares compared with 502,062. Nevertheless, at the end of 1990 TF1 shares were rated seventh among the thirty most actively traded stocks on the Paris Second Market in terms of capital exchanged.

Share acquisitions

During the past financial year, the Board of Directors made use of the annual authorisation granted by the Shareholders' 9 June 1989 AGM to normalise TF1's position on the stock market, by purchasing 4,967 shares and selling 9,010. The balance at 31 December 1990 was 5,950 shares acquired at an average price of FF 267.6.

Shareholders

- In accordance with Article 356 of the French Companies Act, shareholders having a more than 5% stake in TF1 at 31 December 1990 are listed below:
- Since the closing of the 1990 accounts,

the composition of the shareholders of

Bouygues	25%
Pergamon Media Trust Plc	10%
Groupe Worms et Cie	5.7%
GMF	5.9%

TF1 SA has been modified due to the intention of the Maxwell Group, a member of the original Acquiring Group, to dispose of its holding.

The Maxwell Group's 12% was held through:

Pergamon Media Trust Plc	10%
Maxwell Media	2%

10% of the above has been redistributed among the original acquiring group as follows:

Crédit Lyonnais	6,1%
Société Générale	2,4%
Banque Indosuez	0,8%
Groupe Worms et Cie	0,7%

At 11 April 1991, the date on which this report was compiled, the 50% held by the Acquiring Group broke down as follows:

Bouygues	25%
Crédit Lyonnais	7,3%
Société Générale	4,5%
GMF	2,8%
Worms et Cie	2,2%
Editions Mondiales	2,0%
Indosuez	2,0%
Maxwell Media	2,0%
Bernard Tapie	1,7%
Sebdo Le Point	0,3%
Autres Membres	0,2%

- Finally the Board informs shareholders that through its subsidiaries:
 - SC La Réservée,
 - Syalis,
 the company controls 163,623 TF1 shares, i.e. 0.7% of the capital and voting rights.

Acquisition of holdings

During the financial year TF1 acquired the following holdings:

	% acquired by TF1	Amount invested by TF1 in FF thousand
Syalis	10%	28,602
TF1 Publicité Production	1%	0.5
Euro Média Shop	70%	175
Protécra	100%	14,700
Banco Production	100%	1,000
Média Congrès	49%	122

Having heard the Auditors' Report shareholders are asked to approve the accounts for the financial year ending 31 December 1990, to endorse the Board of Directors' management of the company, and to give their consent to the operations and agreements provided for under Articles 101, in accordance with the Law of 24 July 1966.

Due to the company's results and future outlook, a dividend of FF 7 per share will be distributed, together with a tax credit of FF 3.50. This will be distributed as from 25 June 1991. Shareholders are reminded that the dividend distributed for the financial year 1988 was FF 3 per share and FF 5 per share for 1989 together with the corresponding tax credits (FF 1.5 for 1988 and FF 2.5 for 1989).

Moreover, the Board of Directors submits for shareholders' ratification its resolution of 11 April 1991 co-opting the Crédit Lyonnais to the Board for the remaining term of office of its predecessor, i.e. until the end of the AGM called to resolve on the accounts of the financial year ending 31 December 1990.

The Board also proposes the renewal of the term of office of the following Directors:

Francis Bouygues
 Martin Bouygues
 François Dalle
 Patrick Le Lay
 Olivier Poupert-Lafarge
 Les Editions Mondiales
 Sebdo S.A. Le Point
 and the Director co-opted in lieu of Pergamon Media Trust.

The Board also requests shareholders to appoint Etienne Mougeotte as Director for a term of 2 years in replacement of Maxwell Media whose term expires at the end of the current meeting.

Finally, the Board seeks shareholders' authorisation for a duration of five years to issue, on Board resolutions alone, one or more debenture loans on one or several occasions to a value not exceeding FF 250,000,000.

The Board also requests the renewal, for a duration of 18 months, of the company's authorisation to buy up to 10% of its own share capital in order to normalise TFI's position on the stock market.

The Board of Directors

SHARE PERFORMANCE

TF1, A SOUND INVESTMENT

After a decline in July and August 1990, TF1 stock rose back in late December 1990 to virtually the same level as at 31 December 1989.

The TF1 share remains an attractive investment for a number of reasons:

- the Group's capacity for development,
- its profit-making capacity,
- a shareholder-centred dividend policy.

At 31 December 1990, TF1 ranked No.2 in the Second Market of the Paris Bourse, with market capitalisation of FF 6 billion, i.e. 5.2% of the total capitalisation of the Second Market.

In terms of average trading volumes,

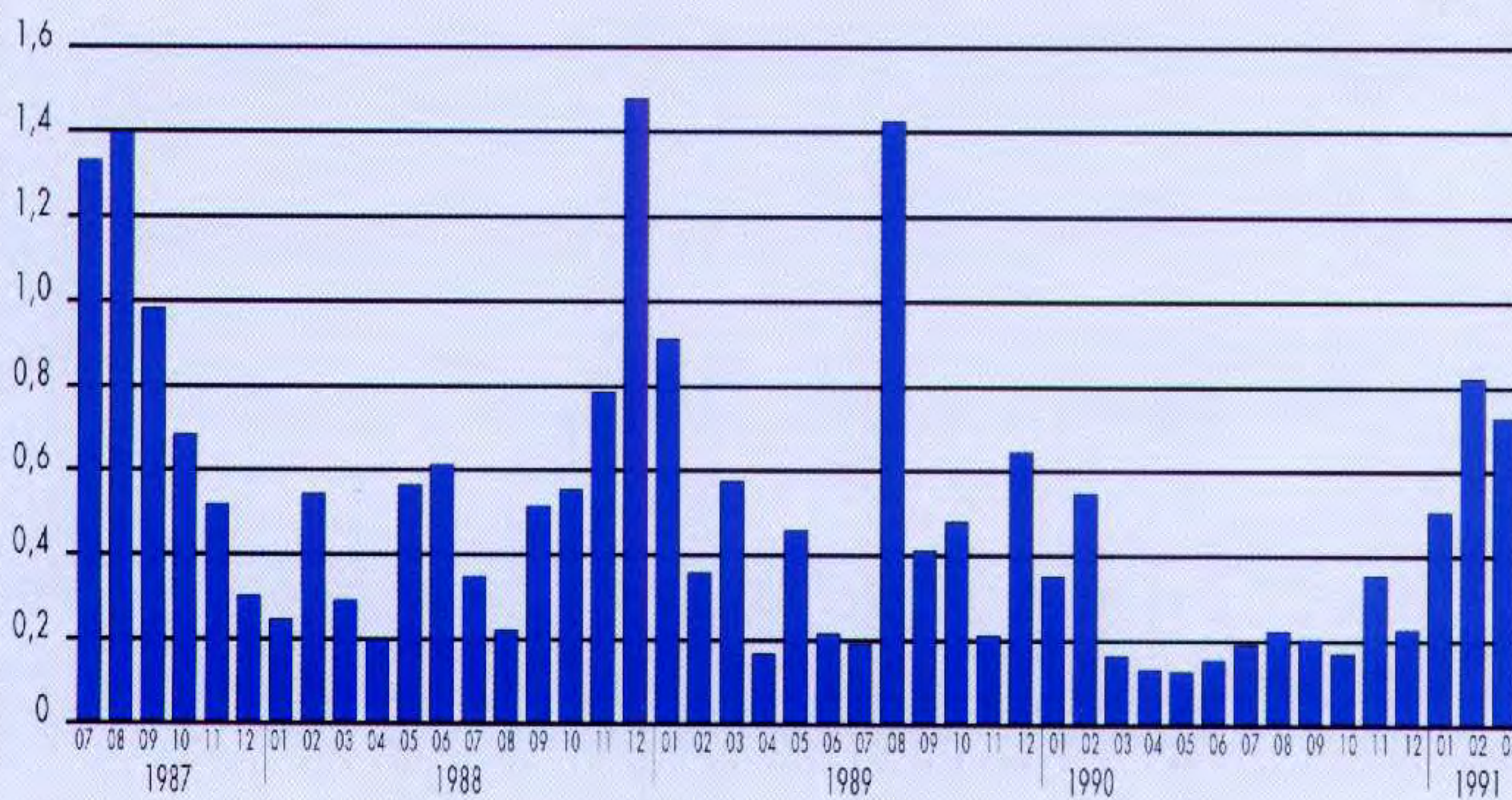
the TF1 share was rated seventh among the 30 most actively traded stocks on the Paris Second Market. This exemplary credit-worthiness and excellent liquidity provide sound guarantees for the shareholders and investors who place their trust in the Group.

The average share price in March 1991 was FF 299, corresponding to a market capitalisation of FF 6.3 billion.

MONTHLY AGGREGATE OF DAILY TRADING VOLUME

Shares in millions

At 28/3/91



COMPARATIVE PERFORMANCE BETWEEN TF1 SHARES

(basis - FF 178 on 24 July 1987)

At 28/3/91



CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 1990

ASSETS	FF thousand	
	31.12.90	31.12.89
INTANGIBLE FIXED ASSETS		
Films completed or in the course of production	63 036	36 131
Other intangible fixed assets	3 353	3 772
	<u>66 389</u>	<u>39 903</u>
GOODWILL	2 250	—
TANGIBLE FIXED ASSETS		
Land	53 908	53 908
Freehold buildings	174 400	183 215
Other tangible fixed assets	146 741	103 817
	<u>375 049</u>	<u>340 940</u>
FINANCIAL ASSETS		
Long-term investments and related loans	1 346	9 671
Other financial assets	18 328	17 938
	<u>19 674</u>	<u>27 609</u>
FIXED ASSETS	463 362	408 452
STOCKS		
Programmes and film rights	1 667 382	1 449 234
Raw materials and supplies	30 842	28 720
	<u>1 698 224</u>	<u>1 477 954</u>
DEBTORS		
Trade debtors	1 087 940	932 752
Other debtors	755 621	587 079
	<u>1 843 561</u>	<u>1 519 831</u>
MARKETABLE SECURITIES	469 689	582 376
CASH AT BANK OR IN HAND	66 878	22 969
CURRENT ASSETS	4 078 052	3 603 130
Deferred expenses	82 719	49 671
Deferred taxation	73 147	62 920
	<u>155 866</u>	<u>112 591</u>
TOTAL ASSETS	4 697 280	4 124 173

LIABILITIES	FF thousand	
	31.12.90	31.12.89
Share capital	210 000	210 000
Revaluation reserve	30 705	30 705
Reserves	444 088	331 574
Profit (Group share)	300 377	217 496
SHAREHOLDER'S EQUITY	985 170	789 775
Minority interests	6 939	31 779
Government grants for investment	21 582	29 300
Provision for liabilities and charges	85 329	60 824
Provision for deferred taxation	151 805	151 239
PROVISION FOR LIABILITIES AND CHARGES	237 134	212 063
Financial creditors and borrowings (1)	53 129	213 852
Trade creditors	1 831 142	1 636 715
Other creditors	1 556 614	1 209 982
CREDITORS AND OTHER LIABILITIES	3 440 885	3 060 549
Deferred income	5 570	707
TOTAL LIABILITIES	4 697 280	4 124 173

(1) Including current bank overdrafts
at 31.12.90 = FF 19,584 thousand
at 31.12.89 = FF 183,903 thousand

CONSOLIDATED PROFIT AND LOSS ACCOUNT AT 31 DECEMBER 1990

	FF thousand	
	1990	1989
PRODUCTS AND SERVICES SOLD		
Advertising revenue related to broadcasting	5 238 494	4 807 951
Home shopping	245 908	264 656
Technical services	127 385	106 660
Other	216 731	127 368
	5 828 518	5 306 635
External productions broadcast	(1 804 125)	(1 705 955)
Variation in stocks of in-house production	29 420	3 180
Staff expenses	(799 270)	(784 145)
Other operating expenses	(2 622 158)	(2 309 041)
Depreciation and provisions (net balance)	(154 554)	(199 941)
	(5 350 687)	(4 995 902)
OPERATING PROFIT	477 831	310 733
Financial revenues	57 012	42 967
Financial expenses	(39 697)	(28 990)
FINANCIAL RESULT	17 315	13 977
PROFIT OF FULLY-INTEGRATED COMPANIES BEFORE TAXES AND EXTRAORDINARY ITEMS	495 146	324 710
EXTRAORDINARY RESULT	18 192	32 564
Profit-sharing	(14 202)	(13 066)
Income tax	(196 055)	(124 127)
NET PROFIT OF FULLY-INTEGRATED COMPANIES	303 081	220 081
Minority share of profit	(2 704)	(2 585)
NET PROFIT GROUP SHARE	300 377	217 496

CONSOLIDATED SOURCE AND APPLICATION OF FUNDS FOR THE YEAR ENDED 31

	FF thousand	
	1990	1989
SOURCE OF FUNDS		
Funds from operations:		
Net profit	303 081	220 081
Depreciation and provisions	149 742	82 743
Government grants for investment	(19 368)	(10 585)
Capital gains/(losses) on disposal of fixed assets	1 166	(30 363)
Other	(16 708)	(4 003)
	417 913	257 873
Proceeds from disposal of fixed assets	6 549	31 941
Increase in share capital and reserves	11 650	14 644
TOTAL SOURCE OF FUNDS	436 112	304 458
APPLICATION OF FUNDS		
Dividends	106 130	63 225
Purchase of fixed assets	180 903	120 190
Reduction in borrowings	1 680	984
TOTAL APPLICATION OF FUNDS	288 713	184 399
Consolidation adjustment	(31 993)	25 981
NET INCREASE IN WORKING CAPITAL	115 406	146 040
CHANGE IN WORKING CAPITAL REQUIREMENTS		
(Decrease)/Increase in:		
Stocks and works in progress	220 270	(51 944)
Trade and other debtors	344 240	447 734
	564 510	395 790
(Decrease)/Increase in:		
Trade creditors	(633 575)	(443 531)
Other creditors	87 087	21 142
	(546 488)	(422 389)
INCREASE/(DECREASE) IN WORKING CAPITAL REQUIREMENTS	18 022	(26 599)
Consolidation adjustment	1 843	(48 278)
MOVEMENT IN NET LIQUID FUNDS	95 541	220 917
NET INCREASE IN WORKING CAPITAL	115 406	146 040

NOTES TO THE CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 1990

1.1 THE TF1 GROUP

1.1 PRESENTATION OF TF1 AND ITS SUBSIDIARIES

TF1

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

Principal subsidiaries

The major subsidiaries composing the

Group are the following:

- TF1 Publicité SA, the station's advertising entity.
- TF1 Films Production SA, involved in the co-production of short and full-length feature films.
- Télé Shopping SA, which handles TF1's Home Shopping business.
- TF1 Editions SA, mainly publishes

books related to TF1 broadcasts.

- TF1 Entreprises SA, engaged in related activities: Teletext, video, and the sale of related programmes and film rights.
- Protécra SA and Banco Productions SA, respectively acquired and created in May 1990, produce programmes to be broadcast by TF1.

1.2 THE CONSOLIDATED ACCOUNTS

The consolidated accounts have been prepared from the statutory accounts of TF1 and its subsidiaries and have required certain restatements.

1.3 SCOPE OF CONSOLIDATION

Fully-consolidated subsidiaries

	Legal structure	% holding	Share capital FF thousand
T.F.1. Publicité	SA	98,90	275
TF1 Films Production	SA	99,96	2 000
Télé Shopping	SA	84,96	1 000
TF1 Editions	SA	50,94	500
Une Musique	SA	99,72	250
TF1 Entreprises	SA	99,36	250
La Réservee	SC	100,00	10
Syalis	SA	99,76	250
TF1 Publicité Belgique	SA	74,18	3 300
TF1 Publicité Production	SA	98,91	50
Banco Production	SA	99,94	1 000
Dubé	SARL	99,36	50
Euro Média Shop	SA	69,84	250
TF1 International	SA	99,72	250
Luxtel 1 (*)	SA	100,00	206
Protécra	SA	99,99	10 000

(*) Company formed under Luxembourg law.

During the financial year, TF1 acquired 10% of SYALIS, bringing its total holding up to 99.76%. SYALIS had been

created in 1987 on the request of the French Authorities for the purpose of holding the remaining share capital not subscribed by personnel on privatisation. In 1989, SYALIS used the option

granted by the French Authorities to sell off a large portion of the Company's shares still not purchased by the personnel, thus disposing of 1,270,000 shares.

Companies consolidated under the equity method

Following the restructuring of the capital of SFP in which TF1 did not invest, TF1's holding has been reduced from 22.51% to 4.4%. SFP is consequently no longer consolidated. MERCURY International and TRICOM, in which TF1 has 50% and 33.33% holdings respectively, are consolidated under the equity method.

Subsidiaries not consolidated

Certain subsidiaries which are not significant to Group accounts (Médiamétrie, Télé Europe) and the subsidiary under liquidation (TF01) have not been consolidated.

2. ACCOUNTING PRINCIPLES AND METHODS

2.1 GENERAL PRINCIPLES

The Group accounts have been prepared in accordance with Generally Accepted French Accounting Principles, notably

those prescribed by the French Companies Acts of 3 January 1985 and 17 February 1986. They have been prepa-

red under the historical cost accounting method except for the revaluation of tangible fixed assets at 31 December 1986.

2.2 COMPARABILITY OF ACCOUNTS

The financial year ending 31/12/90 is a 12-month accounting period comparable to the previous period without restatement.

2.3 PROGRAMMES AND FILM RIGHTS

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

a. Programmes are reported under "Programmes and film rights".

b. "Programmes and film rights" covers:

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

c. Elements reported under "Programmes and film rights" at the close of the financial year refer to:

- in-house productions, or co-productions ready for transmission that have not yet been transmitted for the first time; these are valued at their overall production cost (direct cost plus attributable production overheads) or purchase cost;
- purchased broadcasting rights once TF1 has given technical approval to the copy received from the Supplier, and as long as the right has not expired. These rights are valued at the close of each

financial year on the basis of their purchase cost less their "consumption" values as indicated under section "d";

- programmes under production, the copies of which have not received TF1 technical approval. These programmes are valued according to the investment outlay at the closing of accounts.

d. Programmes are deemed "consumed" at the moment of transmission.

d.1 Purchased TV rights and co-produced programmes (Children's - Variety - Theatre - Magazines/Documentaries - News/Sport).

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

d.2 Co-productions of a duration not exceeding 60 minutes.

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

d.3 Purchased TV rights for telefilms, series and delegated co-productions of a duration equal to or exceeding 60 minutes.

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

d.4 Purchased rights for full-length feature films.

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

d.5 All other programmes are written off at first transmission, and therefore do not appear under assets whatever the duration of the owner's rights.

Provision is made in the event of a given programme not being broadcast.

e. Tax allowances for depreciation have been restated in order to eliminate their impact on the consolidated accounts; they constitute part of consolidated equity.

2.4 FILMS

Films co-produced by TF1 Films Production SA are accounted for as intangible fixed assets from the contract date and for the total amount of the commitment. The date the film is declared to be "in the can" determines the date at which the films are recorded under fixed assets.

In accordance with current tax methods, films are written off in two ways:

- either to the amount of box-office revenues
- or at a straight line rate over three years from the issue of the certificate, in the absence of box-office revenues.

2.5 RESEARCH AND DEVELOPMENT

Research and development costs are written off as incurred. They relate essentially to data processing development.

2.6. TANGIBLE FIXED ASSETS

Depreciation methods are the following:

Buildings	straight line	40 years *
Technical plant	reducing balance	3 to 5 years
Other	straight line or reducing balance	5 to 10 years
* As of the date of its becoming TF1 property (prior to 31/12/86: 12 to 20 years)		

2.7 MARKETABLE SECURITIES

The value of marketable securities is calculated as of their date of acquisition.

2.8 GOVERNMENT GRANTS FOR INVESTMENT

Government grants for investment are credited to a deferral account and released to revenue as and when the assets

funded by these grants are depreciated. Grants received by TF1 Films Production from the CNC (National

Cinema Council) are released to revenue for the financial year during which the relevant films are completed.

NOTES TO THE CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 1990

2.9 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

under liquidation are fully provided for.
Pension costs
Rights accrued by personnel aged 55 and over, for which provision was made

in 1989, have been covered in 1990 by an insurance policy and therefore no longer appear under this item.

2.10 DEFERRED TAXATION

For TF1 and its subsidiaries, deferred taxation refers to:
• items restated in order to eliminate effects

of entries resulting from fiscal allowances;
• the difference in time between the accounting of revenue and expenses, and

their inclusion in later tax declarations. Deferred items are recognised under the accrual method of tax allocation.

2.11 ADVERTISING

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

2.12 COMMITMENTS OUTSIDE THE BALANCE SHEET

Purchased programmes and film rights, and co-productions which have acquired the station's firm commitment prior to the closing of the accounting period,

but for which technical approval has not yet been granted, are reported as commitments for their full contractual amount, after deduction of any amounts

already capitalised and reported under "Programmes and film rights".

3. NOTES TO THE CONSOLIDATED BALANCE SHEET

3.1 FILMS

Defined as indicated under section 2.4, the movements for the financial year concerning films co-produced by TF1 Films Production SA break down as follows:

(FF thousand)	1.01.90	Additions	Disposals	31.12.90
Gross value	218 550	67 344	300	285 594
Depreciation	182 419	40 439	300	222 558
	36 131	26 905	—	63 036

3.2 TANGIBLE FIXED ASSETS

Movements of tangible fixed assets, as well as the corresponding depreciation are summarised as follows:
There are no significant leasehold properties.

Gross value

(FF thousand)	1.01.90	Additions	Disposals	31.12.90
Land	53 908	—	—	53 908
Buildings	215 673	—	—	215 673
Technical plant	205 776	69 983	9 481	266 278
Other	105 413	15 501	6 393	114 521
Fixed assets under production	3 244	28 333	3 244	28 333
	584 014	113 817	19 118	678 713

Depreciation

(FF thousand)	1.01.90	Increase	Decrease	31.12.90
Buildings	32 458	8 815	—	41 273
Technical plant	143 425	45 547	8 674	180 298
Other	67 191	19 663	4 761	82 093
	243 074	74 025	13 435	303 664

3.3 PROGRAMMES AND FILM RIGHTS

The table opposite provides a breakdown of stocks of programmes and film rights, as defined under section 2.3, after deduction of provisions and depreciation.

(FF thousand)	1990	1989
Programmes under production	560 036	439 827
Programmes ready for transmission	1 153 696	1 099 113
Rights available for retransmission	167 726	119 777
Cost	1 881 458	1 658 717
Provisions	(214 076)	(209 483)
Net cost	1 667 382	1 449 234

3.4 MARKETABLE SECURITIES

These consist of FF 426.4 million in "SICAV" unit trusts, and FF 43.2 million in TF1 shares.

3.5 SHARE CAPITAL AND RESERVES

Movements were as follows:

(FF thousand)	1.01.90	Dividends	Other	Profit for year	31.12.90
Share capital	210 000	–	–	–	210 000
Revaluation reserves	30 705	–	–	–	30 705
Other reserves	549 070	(105 000)	18	300 377	744 465
	789 775	(105 000)	18	300 377	985 170

N.B. - The share capital is divided into 21,000,000 ordinary fully paid-up shares each worth FF 10.

3.6 GOVERNMENT GRANTS FOR INVESTMENT

These relate to a grant obtained from the French Authorities for the renewal of the company's Cognacq-Jay head-

quarters, and to a grant obtained by TF1 Films Production from the National Cinema Council, the CNC. The amount

released to revenue was FF 19.4 million as against FF 10.6 million for 1989.

3.7 PROVISION FOR LIABILITIES AND CHARGES

The provisions break down as follows: At 31.12.90, "Other provisions" essentially included TF1's share in the risk of the non-collection of TF1 Publicité receivables.

(FF thousand)	1.01.90	Provided	Released	31.12.90
Claims	39 385	33 159	22 154	50 390
Associated companies	4 072	766	–	4 838
Pension	12 487	–	12 487	–
Other	4 880	28 573	3 352	30 101
	60 824	62 498	37 993	85 329

3.8 DEFERRED TAXATION

Deferred income tax is calculated at the 38% rate prevailing at 31.12.90, and recognised using the accrual method of tax allocation.

a. Deferred tax liabilities relate essentially to special depreciation allowed

(FF thousand)	1990	1989
TF1	135 626	137 332
Subsidiaries	16 179	13 907
	151 805	151 239

for tax purposes on films and may be analysed as follows:

b. Deferred tax assets relate essentially to pension costs and holiday pay accrual that only become deductible for tax purposes when paid.

3.9 DUE DATES FOR DEBTORS AND CREDITORS

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

(FF thousand)	Less than one year	Between one and five years	Over five years	Total
Other debtors	755 621	–	–	755 621
Financial creditors and borrowings	48 113	5 016	–	53 129
Trade creditors	1 831 142	–	–	1 831 142
Other creditors	1 552 922	3 692	–	1 556 614

3.10 OTHER CREDITORS

The breakdown of "Other creditors" is as follows:

The increase in other creditors essentially stems from the variation of credits and graduated tariffs to be granted by TF1.

(FF thousand)	1990	1989
Personnel, taxes and social security	757 763	762 510
Creditors related to fixed assets acquisitions	61 661	42 124
Other creditors	737 190	405 348
Total	1 556 614	1 209 982

3.11 PREPAYMENTS AND DEFERRALS

Deferred expenses essentially relate to prepaid sports transmissions (FF 45.6 million).

4. NOTES TO THE CONSOLIDATED PROFIT AND LOSS ACCOUNT

4.1 OTHER OPERATING EXPENSES

Other operating expenses may be analysed as follows:

(FF thousand)	1990	1989
Transmission costs (TDF)	517 702	505 229
Subcontracting	799 225	727 607
Sundry contributions	487 370	429 532
Taxes other than corporate income tax	46 536	36 891
Other	771 325	609 782
	2 622 158	2 309 041

NOTES TO THE CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 1990

4.2 FINANCIAL REVENUES AND EXPENSES

Net revenue realised on the disposal of marketable securities amounts to FF 53.9 million. A provision of FF 6.5 million has been made to cover SOREAD shares.

4.3 EXTRAORDINARY RESULT

The extraordinary result for 1990 may be analysed as follows (in FF Million) :

Capital loss on disposal of fixed assets	(1,1)
Extraordinary depreciation of fixed assets	(4,9)
Prior period adjustment	6,4
Share in grants released to revenue	19,4
Other	(1,6)
	18,2

4.4 CORPORATE INCOME TAX

The application of deferred income tax at the rate of 38% is based on the assumption of 50% of profits being distributed as dividends, and is calculated as the average of the 34% current tax rate and 42% rate applicable in the event of the distribution of dividends.

The reported tax rate, i.e. the ratio of the FF 196,055 thousand total tax bur-

(FF thousand)	1990	1989
Current taxation	205 716	175 963
Deferred taxation	(9 661)	(51 836)
Total	196 055	124 127

den to pre-tax profit, is 39.27%. This is mainly due to the following:

- the impact of the application of the accrual method of tax allocation (decrease from 39% to 38%) i.e. FF 2.5 million;
- the tax supplement on the distribution

of dividends (FF 10 million).

Since 01.10.89, TF1 has applied the tax consolidation system. The subsidiaries considered within the scope of tax consolidation are TF1 Publicité, Une Musique, TF1 Films Production and TF1 Entreprises.

4.5 TRANSITION FROM TF1 SA COMPANY PROFITS TO CONSOLIDATED PROFITS

	FF thousand
TF1 SA profits	280 872
Profits from subsidiaries	63 384
	344 256
Restatements	
- Provisions for depreciation of programmes (net balance)	(33 001)
- Elimination of impact of tax allowances	16 192
- Depreciation of goodwill	(3 929)
- Deferred taxation	9 658
- Dividends received from subsidiaries	(23 670)
- Other	(6 325)
Consolidated profit	303 181
Minority interests	(2 704)
Net profit (Group share)	300 477

5. OTHER INFORMATION

5.1 COMMITMENTS OUTSIDE THE BALANCE SHEET

The realisation dates for commitments, as defined under section 2.12, may be analysed as follows:

The "Programmes" item includes long-term contracts with respect to variety shows to an amount of FF 964 million. "Rights other than sports transmission" includes TF1's commitment to purchase full-length film rights from GIE

(FF thousand)	within less than one year	after more than one year	Total
Programmes	675 642	725 497	1 401 139
Rights other than sports transmission	458 028	602 500	1 060 528
Sports transmission rights	80 593	278 955	359 548
Other	6 116	32 196	38 312
	1 220 379	1 639 148	2 859 527

Sogedif, a 90% subsidiary of Société Générale. TF1 requested Sogedif acquire up to a maximum of FF 200 million. This commitment amounted to FF 131.6 mil-

lion at 31.12.90. Realisation dates relating to sports transmissions have been calculated using the foreseeable transmission date of the given event.

5.2 PERSONNEL

The number of employees at the closing dates, according to the standards in force under the Collective Agreement on Communication and Audiovisual Production was as follows:

	1990	1989
Workers and office employees	272	324
Technical staff	552	548
Managerial and executives	476	415
Journalists	249	254
	1 549	1 541