



Activity Report 2002

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Dominique Maestracci, David Roskas,
David Boutard, Miramax Film Corp.,
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Columbia TriStar International, MGM,
Warner, Universal, Studio Canal, Disney,
Pathé, Diaphana, Fox, TCM, Warner Bros,
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Noé Productions, Téléma.



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n°98-01.

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Key figures

CONSOLIDATED FIGURES

Revenues

(€M)

0 500 1,000 1,500

2000 Pro forma

Broadcasting	1,615.0
Publishing / Distribution	282.9
Eurosport	170.8
TPS	225.0
Production	65.6
Audiovisual rights	68.4
Thematic channels	48.0
Internet	4.1
Others	0.0

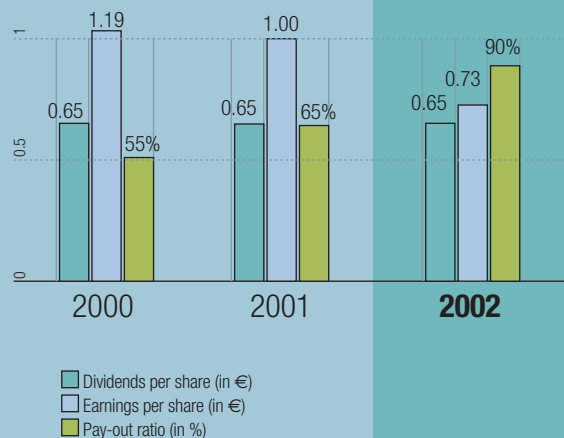
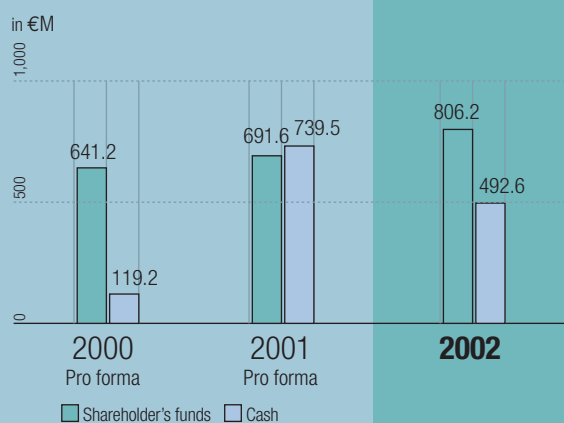
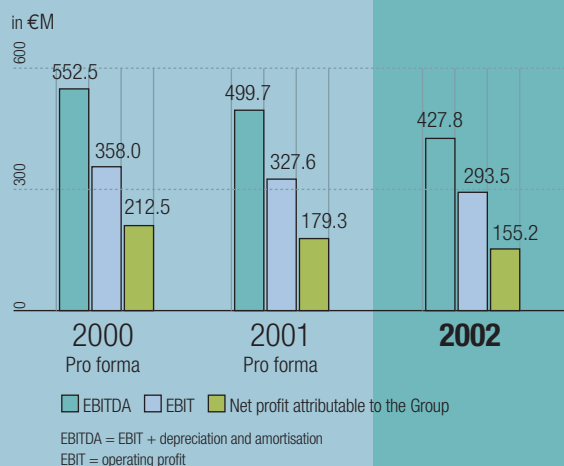
2001 Pro forma

Broadcasting	1,537.7
Publishing / Distribution	279.4
Eurosport	293.7
TPS	266.4
Production	94.2
Audiovisual rights	36.9
Thematic channels	53.0
Internet	8.0
Others	0.0

2002

Broadcasting	1,540.5	58.0%
Publishing / Distribution	343.3	12.9%
Eurosport	294.3	11.1%
TPS	289.8	10.9%
Production	78.8	3.0%
Audiovisual rights	47.9	1.8%
Thematic channels	47.4	1.8%
Internet	11.0	0.4%
Others	2.3	0.1%

Pro forma accounts are explained in the consolidated financial statements, note 2.2.



Consolidated figures in €M

2000 Pro forma

2001 Pro forma

2002

Evolution of programming costs

741.2

770.1

881.6

Stocks of programmes and broadcasting rights

549.3

641.1

666.6

Cash flow

371.0

397.1

270.2

Investments in French production

295.7

331.2

336.4



Key figures 2002



TF1 shareholders

On December 31, 2002

Source: Euroclear

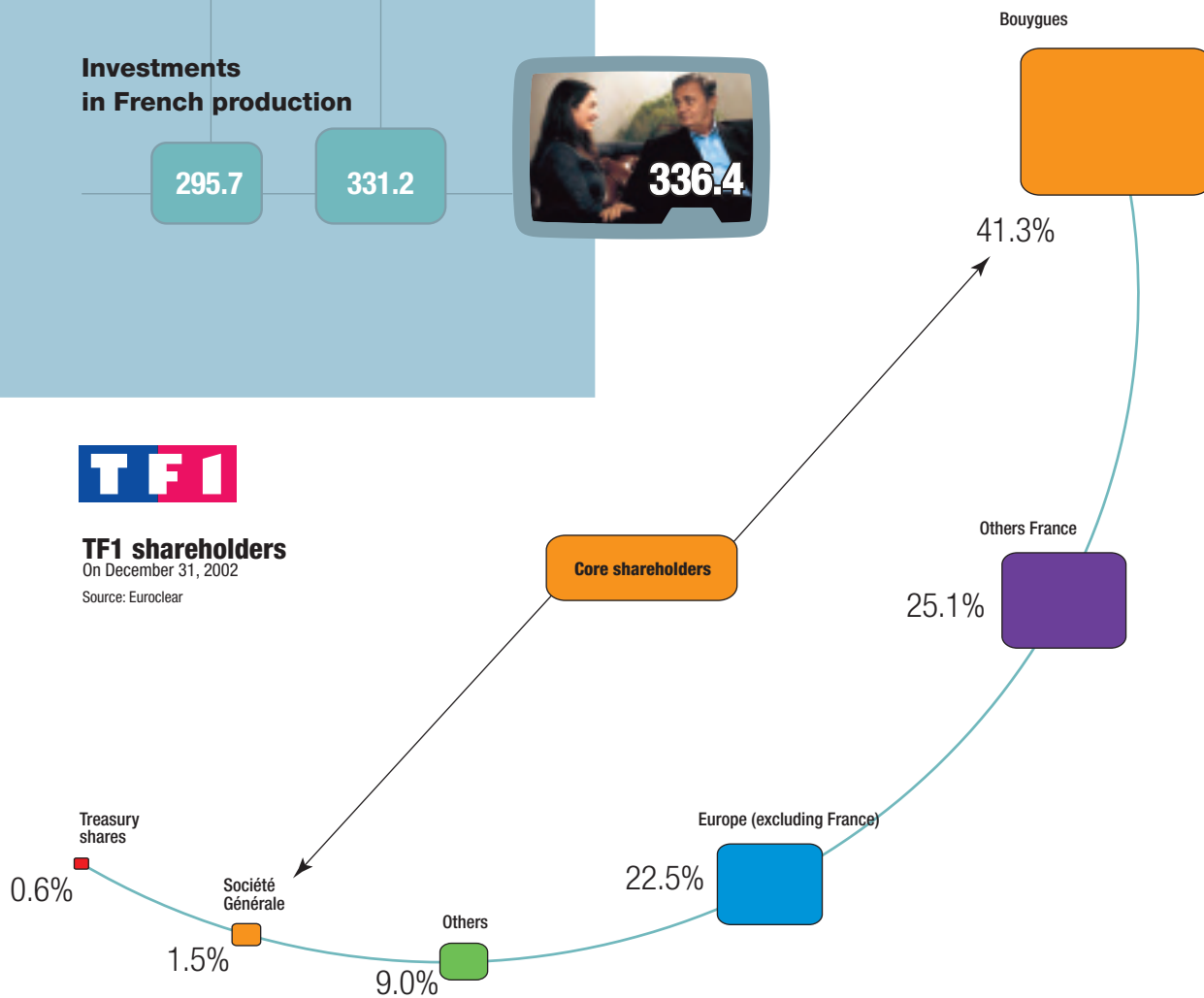




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	Thematic channels
	Production and broadcasting rights
	TPS
	Market and stock yield
	TF1 non-trading company



Chairman's statement



Dear Shareholders,

After a difficult start to the year, marked by a depressed advertising market, the short-lived performance of the French national team in the football World Cup and the introduction of new TV drama/film production obligations, the second half of the year was much more favourable, helping your company achieve marginally positive growth in full-year advertising revenue. This suggests that, over the next few years, we can expect to see performance growth for your channel, which has:

- appealed to younger audiences and consolidated its leadership position in the main advertising target market – women under 50 – thanks to an innovative, unifying and events-based programme offering. Achieving the 95 best audience ratings in 2002 once again reflects the power of TF1;
- increased advertising revenue by nearly 1% due to a pick-up in advertiser spending in the second half;
- increased its stake in TPS (now 66% controlled).



This improvement is also apparent in our diversification subsidiaries. Their turnover now accounts for more than 40% of the group's total consolidated revenue. The improved performance is particularly evident at:

- TF1 Vidéo, which has confirmed its position as the leading French producer/distributor of video products,
- TPS, which reduced its full-year losses by almost two thirds and is expected to reach breakeven in 2004,
- TF1 Entreprises, whose revenue from licences, music and interactive services linked mainly to the successful real TV programmes, has helped boost turnover,
- Eurosport which, thanks to its successful audience ratings, especially for the Winter Olympic Games in Salt Lake City, has improved its profitability in a European environment marked by the demise and restructuring of numerous cable and satellite distribution platforms.

In a European broadcasting environment experiencing upheaval, your group has managed to reinforce its leadership position and adapt to the new situation.

In all the major areas of our activity – broadcasting, distribution, content acquisition and production – we continue to apply the strategy already defined several years ago.

Broadcasting

Our main objective is to reinforce the TF1 channel's position in terms of both audience and advertising revenue. The latter is the group's main source of cash flow and helps finance its development.

We apply this same strategy to our complementary offer of theme channels so that they can be considered references in their thematic offerings and in their markets. Once again this year, and in spite of a difficult environment, we will continue our efforts in this area. With this in mind, we intend to expand the international distribution of Eurosport and LCI.

Distribution

Increasing our stake in TPS reinforces our position in the French pay TV market. The TF1 group (including TPS) has been awarded five Digital Terrestrial Television licences.

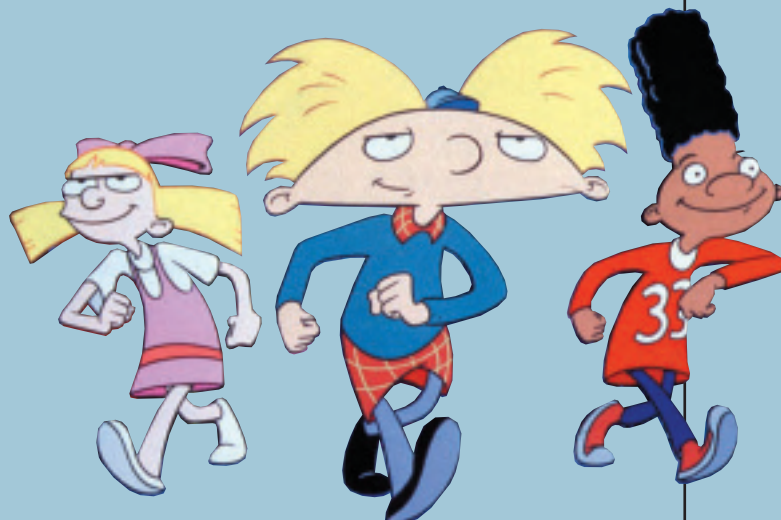
Since end-December 2002, we have launched an experiment to distribute audiovisual content on high-speed phone lines (ADSL) in Paris and the provinces. Moreover, under the aegis of the Government, your company has joined forces with the major French manufacturers in the sector to develop this system of television programme distribution.

Content acquisition and production

TF1 has also remained faithful to its policy of producing, acquiring, distributing and managing content, whether it is intended for the TF1 channel and the thematic channels or other operating methods. Finally, 2003 will feel the full impact of the agreement signed with the American producer Miramax, especially in terms of feature film distribution in cinemas, a new area of activity in which we expect to expand.

For 2003, the TF1 group is expected to see consolidated turnover increase by around 4%, while TF1's advertising revenue is forecast to grow by between 1% and 3%. However, we remain cautious, given the poor visibility and high volatility of the market, which is concerned about threats of war. Against this background, and on the strength of healthy fundamentals, your group is expected to see an improvement in consolidated net profit, which responds to your justified expectations.

Patrick Le Lay
Chairman &
Chief Executive Officer



	<p>BROADCASTING</p> <ul style="list-style-type: none"> 100% ▶ TF1 Publicité (1987) <ul style="list-style-type: none"> ▷ 100% TF1 Publicité Production (1990) 100% ▶ Studios 107 (1991) 95% ▶ GIE Aphélie (1992)
	<p>PUBLISHING/ DISTRIBUTION</p> <ul style="list-style-type: none"> 100% ▶ TF1 Entreprises (1989) <ul style="list-style-type: none"> ▷ 100% TF1 Vidéo (1998) ▷ 100% Cie Internationale de Communication (CIC) (1991) ▷ 100% Une Musique (1988) ▷ 50% Les Nouvelles Editions TF1 (1997) 100% ▶ Téléshopping (1987)
	<p>INTERNET</p> <ul style="list-style-type: none"> 100% ▶ e-TF1 (1999)
	<p>THEMATIC CHANNELS</p> <ul style="list-style-type: none"> 100% ▶ Eurosport (1991) <ul style="list-style-type: none"> ▷ 100% Eurosport France (1993) ▷ 100% Eurosales (1994) 100% ▶ TF1 Digital (2000) <ul style="list-style-type: none"> ▷ 100% La Chaîne Info - LCI (1994) ▷ 100% Société d'exploitation de documentaires Odyssée (1996) ▷ 50% TF6 (2000) ▷ 50% Extension TV - Série Club (2001) 22% ▶ TV Breizh (2000) <ul style="list-style-type: none"> ▷ 60% Ouest Info (2002)
	<p>PRODUCTION/ AUDIOVISUAL RIGHTS</p> <ul style="list-style-type: none"> 100% ▶ CINEMA 100% ▶ SICCIS (holding cinema) (2001) <ul style="list-style-type: none"> ▷ 100% TF1 International (1993) <ul style="list-style-type: none"> ▷ 50% TFM Distribution (2002) ▷ 100% TF1 International Pictures (2001) ▷ 100% TF1 Catalogue (2001) <ul style="list-style-type: none"> ▷ 100% CIBY DA (1998) ▷ 100% CIBY 2000 (2002) ▷ 100% Les Films Ariane (1997) <ul style="list-style-type: none"> ▷ 100% Les Films du Jour (1999) ▷ 100% TF1 Cinéma (2001) ▷ 50% Film Par Film (1996) ▷ 49% Téléma (2000) 100% ▶ TF1 Films Production (1980) 50% ▶ TCM Droits Audiovisuels (1996) 73% ▶ TV AND STAGE SHOWS ▶ Groupe Glem SA (1995) <ul style="list-style-type: none"> ▷ 60% Quai Sud TV (2001) 100% ▶ Tout Audiovisuel Production (TAP) (2001) 100% ▶ Alma Production (2001)
	<p>DIGITAL TV</p> <ul style="list-style-type: none"> 66% ▶ Télévision Par Satellite (TPS) (1996) <ul style="list-style-type: none"> ▷ 100% TPS Sport (1998) ▷ 100% TPS Interactif (1998) ▷ 100% Multivision (1992) ▷ 100% TPS Terminaux (1999) ▷ 100% TPS Motivation (2000) ▷ 100% SENT (1999) ▷ 100% TPS Jeunesse (1996) ▷ 100% TPS Foot (1999) ▷ 100% TPS Cinéma (1996) <ul style="list-style-type: none"> ▷ 100% TPS Cinétoile (2002) ▷ 100% TPS Cinéfaz (2002) ▷ 100% TPS Star (2002) 80% ▶ Visiowave (2000)

Principal directors

(February 2003)

Main subsidiaries

TF1 Chief Executives



■ **Patrick LE LAY**
Chairman
Chief Executive Officer



■ **Etienne MOUGEOTTE**
Senior Executive Vice President
Head of Broadcasting



■ **Claude COHEN**
CEO & Executive Vice President
of TF1 Publicité

General Management

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

Emmanuel GRADOS
Director of Human Resources
and of Internal Communication

Maxime LOMBARDINI
Director of Business Development

Pierre MARFAING
Senior Vice President, Technical
Resources and New Technologies

Jean-Pierre MOREL
Executive Vice President,
Administration and Finance

Broadcasting

Edouard BOCCON-GIBOD
Secretary General of Broadcasting

Takis CANDILIS
Vice President, French TV Dramas

Franck FIRMIN-GUION
Vice President, Entertainment
and Magazines

Olivier FISCH
Vice President, Communications

Frédéric JAILLANT
Vice President, Sports

Jean-François LANCELIER
Vice President, Broadcasting

Robert NAMIAS
Vice President, Information
and News

Laurent STORCH
Vice President, Acquisition
and Children

TF1 Publicité

Patrick LE LAY
Chairman

Claude COHEN
Vice President, General Manager

Martine HOLLINGER
Sales Manager

Jean-Bernard ICHAC
Director, Marketing, Strategy
and Business Development

Jean-Pierre MOREL
General Manager, Operations

TF1 Entreprises

Emmanuel FLORENT
Chairman

Michel BROSSARD
Vice President, General Manager

e-TF1

Management Company:
TF1 Entreprises
represented by
Emmanuel FLORENT
Vice President, General Manager

TF1 Vidéo

Pierre BROSSARD
Chairman

Une Musique

Nadine LAIK-BLANCHARD
Chairman

Téléshopping

Michel KUBLER
Chairman

TF1 Films Production

Etienne MOUGEOTTE
Chairman and Chief
Executive Officer

Laurent STORCH
Vice President, General Manager

Groupe Glem

Etienne MOUGEOTTE
Chairman

Gérard LOUVIN
Vice President, General Manager

Studios 107

Jean ADAM
Chairman

Cinema Division

Patrick BINET
Vice President, General Manager

Pascal DELARUE
Executive General Manager

TFM Distribution

Jean-Paul ROUGIER
Vice President, General Manager

Eurosport

Angelo CODIGNONI
Chairman and Chief
Executive Officer

Jean-Pierre PAOLI
Vice President, General Manager

TF1 Digital

Etienne MOUGEOTTE
Chairman and Chief
Executive Officer

Serge LAROYE
Vice President, General Manager

La Chaîne Info

Management Company:
TF1 Digital
represented by

Etienne MOUGEOTTE
Chairman

Jean-Claude DASSIER
Vice President, General Manager

Odyssée

Management Company:
TF1 Digital
represented by

Gérard CARREYROU
Vice President, General Manager

Série Club

Serge LAROYE
Chairman

Fabrice BAILLY
Vice President, General Manager

TF6

Serge LAROYE
Chairman

Fabrice BAILLY
Vice President, General Manager

TV Breizh

Patrick LE LAY
Chairman

Rozen MILIN
Vice President, General Manager

Télévision Par Satellite

Emmanuel FLORENT
Chairman and Chief
Executive Officer



Sector analysis

Advertising

The TF1 generalist channel, the group's 14 thematic channels and the website live partly or entirely off the advertising spending of French or foreign companies. Advertising accounts for nearly 57% of the TF1 group's operating income.

The TF1 group's advertising visibility remains limited despite a still high degree of dependence. This is a market that reacts to anticipated changes in the economic, geopolitical and social climate. It is both cyclical and volatile.

Developments in 2002¹

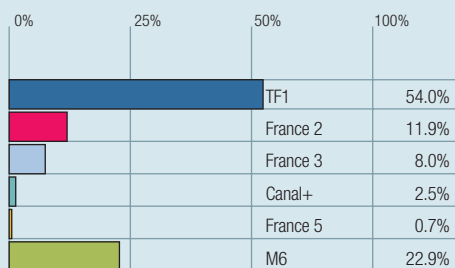
The multimedia advertising market grew 3.4% in 2002 to reach €14.8 billion, after falling 1.1% in 2001. The press was the only media to experience a slowdown in 2002 (down 4.6%). Radio saw the strongest growth (+19.6%), while television (national, regional and complementary channels) saw gross revenue increase by 8.4%. Television's market share rose 1.6 point to 34.8%.

Change in gross revenue and market share for media in 2002

Media	Gross revenue in €M	Change 02/01 in %	Market share in %	Change 02/01 in pt
Press	5,499.0	- 4.6	37.1	- 3.1
Total TV	5,164.2	8.4	34.8	1.6
<i>National and regional channels</i>	<i>4,753.6</i>	<i>7.1</i>	<i>32.0</i>	<i>1.1</i>
<i>Thematic channels</i>	<i>410.6</i>	<i>25.3</i>	<i>2.8</i>	<i>0.5</i>
Outdoor	2,120.8	0.6	14.3	- 0.4
Radio	2,042.8	19.6	13.8	1.9
TOTAL Media	14,826.8	3.4		

Source: Sécodip - gross figures excluding cinema.

Breakdown of gross revenue within the TV advertising market in 2002



Source: Sécodip.

Historical trend of free-to-air operators' TV advertising market share:

	TF1	France 2	France 3	Canal+	France 5	M6
1997	50.2%	18.4%	11.5%	2.6%	0.3%	17.0%
1998	50.2%	17.6%	11.1%	2.7%	0.4%	17.9%
1999	51.1%	16.3%	10.2%	2.8%	0.5%	19.1%
2000	53.8%	12.7%	8.4%	3.2%	0.6%	21.4%
2001	54.9%	11.4%	7.6%	2.5%	0.6%	23.0%
2002	54.0%	11.9%	8.0%	2.5%	0.7%	22.9%

1. Source: Sécodip.
2. Zenith Optimedia forecasts - December 2002.
3. Source: Médiamétrie.
4. Source: Aform, TPS and TF1.
5. Source: Médiaclubsat.

Outlook for 2003

The agency Zenith Optimedia² forecasts a 2.1% increase in TV advertising spending in France in 2003 (+1.6% in multimedia) and a bigger increase in 2004: +3.5% (+3.5% in multimedia).

Sécodip figures for gross spending in January 2003 point to an increase of 9.3% for the market. TF1 achieved an increase of 10.7%.

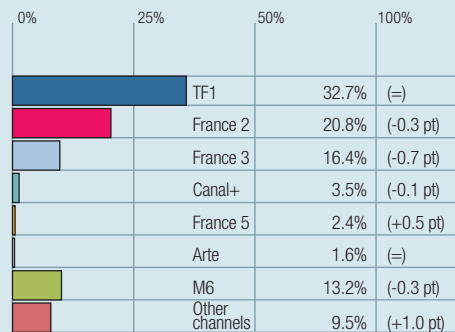
Television consumption and audience share³

Television is a medium where consumption is increasing. In the space of 10 years, the average daily consumption (or daily viewing time) for individuals aged 4 years and over has increased by 23 minutes and for women under 50 by 40 minutes. In 2002, the figure was 3 hours 20 minutes for individuals aged 4 years and over and 3 hours 23 minutes for women under 50.

Therefore, for each television channel, with an equal audience share, the number of television viewers has continued to rise. An increasing number of French people are watching TF1, to which they are devoting an average 1 hour 6 minutes per day.

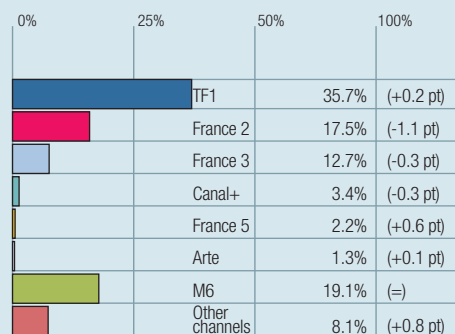
The audience breakdown between the different free-to-air television operators was stable in 2002. TF1 has consolidated its leadership position with 32.7% for individuals aged 4 years and over. With the exception of the public-sector channel France 5, all the other free-to-air channels have seen a slight decline in their audience in favour of the thematic channels. The latter now account for 9.5% of the national audience.

In the target market "individuals aged 4 years and over", the 2002 audience breakdown was as follows:



Source: Médiamétrie.

In the target market "women under 50", TF1's advertising target, the 2002 audience breakdown was as follows:



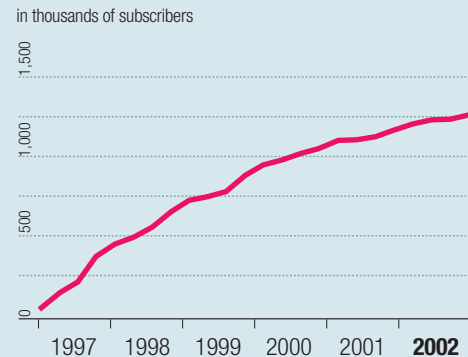
Source: Médiamétrie.

Cable and satellite television

In the satellite television market, TPS' new subscriber market share was slightly lower in 2002 (down 2 points at 37%). Net market growth for the year was around 200,000 subscribers (net of contract cancellations).

At 31 December 2002, TPS had 1.172 million subscribers to its DTH offer and 258,000 subscribers to the TPS cinema channels via overseas satellite and cable networks. CanalSatellite has a total of nearly 2 million subscribers.

The subscription trend at TPS since it was set up (1996) is as follows:



In France, the pay television market⁴ (offering of more than 15 channels) continues to grow. The penetration rate for French homes went from 21.8% in 2001 to 23.5% in 2002 (with a satellite penetration rate of 13.9%) for a total of nearly 5.4 million homes receiving the offering of either TPS, CanalSatellite or the various cable operators.

Thematic channels

2002 was a tough year for the thematic channels. The cable operators' financial difficulties and the cost-cutting affecting satellite platforms increased the pressure on fees paid to thematic channels.

The complementary channels' advertising market continues to consolidate: in 2002, the top ten thematic channels (in terms of audience) accounted for 67%⁵ of advertising spending. The market represents 6.8% of the television advertising market, whereas the audience for all these channels passed the 10% mark in 2002 for individuals aged 4 years and over.

Table of top 15 thematic channels⁵ (in blue, TF1 group channels):

	Genre	Channels	Audiences *
1	Generalist	RTL9	2.7
2	Sport	Eurosport	1.6
3	Children	Canal J	1.4
4	News	LCI	1.1
5	Children	Télétoon	1.0
6	Generalist	TF6	0.9
7	Generalist	13ème Rue	0.8
8	Children	Disney Channel	0.7
9	Children	Cartoon Network	0.6
10	Generalist	Série Club	0.6
11	Movies & Sport	TPS Star	0.6
12	Generalist	TV5	0.5
13	Generalist	TMC	0.5
14	Children	Fox Kids	0.4
15	Movies	Cinestar 1	0.4

* Audience shares in % on individuals aged 4 and above, multi-channels environment.

Group overview

TF1: 16 years of dynamic business

In 1987, when TF1 was privatised, the TF1 brand consisted solely of the free-to-air generalist channel. Expansion over the last 16 years has now made TF1 one of the key players in the French and European audiovisual sector, with four major areas of diversification, 3,480 employees and a market capitalisation of €5.4 billion.

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, who together hold 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). TF1 no longer has the benefit of licence fees and relies solely on advertising revenue. For the first time, the channel's audience share breaks through the 40% threshold.

1988

Patrick Le Lay is appointed Chairman and CEO of the TF1 group.

Creation of **Une Musique**, music recording and publishing 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). Foundation stone laid 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 Publicité Production** to promote the channel's identity.

Trop Belle pour Toi by Bertrand Blier, co-produced by **TF1 Films Production** wins 5 "Cesars" including best film. For the first time, investment in French film production exceeds FF1.0 billion.

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. TF1 enters the thematic channels' market with this acquisition.

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, which brings together all its staff on the one site. *Hélène et les garçons* and *Premiers Baisers* are the first of the successful afternoon sitcoms aimed at young people. 1992 also sees the development of the channel's TV dramas, with *Julie Lescaut* and *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 and marks TF1's commitment to French and European football.

1994

The Bouygues group increases its stake in TF1 from 25% to 34%.

The gamble on a continuous news channel pays off: the news channel **LCI** is launched on cable on June 24. Cinema release and triumphant success of the film *Un Indien dans la Ville*, co-produced by TF1 Films Production.

1995

With the acquisition of 60% of **Glem**, TF1 becomes a producer of entertainment programmes. It also creates its website www.tf1.fr, which is an immediate success. The Czech version of Eurosport introduces the channel in Central Europe. Now present in 43 countries and available in 12 languages, it is the leading pan-European channel covering 66 million homes and nearly 15 million television viewers daily. As for LCI, it is already received by nearly 2.5 million viewers.

The Publishing/Distribution division's turnover exceeds FF1.0 billion, under the impetus of TF1 Vidéo, Téléshopping and TF1 Entreprises.

1996

Creation and launch of **TPS** (satellite television) 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. TF1 also takes a 36.6% stake in **Film Par Film**, a feature film production company.

For the first time, **TF1 Entreprises** distributes a non-derivative product of the channel, the "Jojo's" (which will enjoy a second life in 2002), while **TF1 Vidéo** experiences a resounding success with *Les Trois Frères* (more than 650,000 copies distributed). March sees the CSA renew TF1's broadcasting licence (granted in 1987) for five years.

1997

Launch of the documentary channel, **Odyssée**, aimed at expanding TF1's presence in the thematic channels market and supplementing the TPS offering. 15 months after its launch, TPS boasts nearly 350,000 subscribers at December 31. **TF1 Vidéo** now distributes the René Château Vidéo film catalogue (800 titles).

Four Cesars are awarded to films co-produced by **TF1 Films Production**: *Capitaine Conan* by Bertrand Tavernier (2 Cesars), *Pédale Douce* by Gabriel Aghion and *Les voleurs* by André Téchiné.

1998

Eurosport attracts 80 million television viewers (cumulative audience share) with 24-hour broadcasting of the Nagano Olympic Games. On July 12, TF1 attracts more than 20 million viewers when it broadcasts the final of the football World Cup. Launch and distribution on TPS of **Shopping Avenue** (home shopping channel) and **Infosport** (the first sports news channel). TF1 International supplements its library of broadcasting rights with the acquisition of **Ciby DA's** catalogue. The TF1 group now ranks third among French feature film catalogue owners.

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. The UK version of the sports channel is launched.

TPS creates **Superfoot** and **Superstades** (pay-per-view) to broadcast French Première and Second League football matches. The platform's offering is also extended with CinéFAZ, a new cinema channel.

Platinum record for Emile et Images, with their album *Jusqu'au bout de la nuit* produced and developed by **Une Musique**. On June 7, the TF1 stock moves from the *Second Marché* to the Monthly Settlement Market of the Paris Stock Exchange.

2000

On May 10, the TF1 share enters the CAC 40 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 July 2, TF1 attracts more than 21 million television viewers for the broadcasting of the Euro 2000 final.

On September 1, **TV Breizh** (channel focusing on Brittany and the sea, in which TF1 has a 22% stake) is launched on TPS, CanalSatellite and the main cable networks. In December, TF1 launches the mini generalist channel TF6 in partnership with M6. **TF6** is distribute on TPS and certain cable networks.

2001

In January, TF1 acquires 50% of **Série Club**, the "100% series" channel.

Also in January, TF1 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 *Tanguy*, a film produced by Téléma (production company in which TF1 has a 49% stake), but even more so of the 11 films co-produced by TF1 and having exceeded each 1 million cinema admissions in 2001, confirms the group's involvement in cinema film production/co-production.

2002

TF1 increases its stake in TPS, following the acquisition in January of the 25% owned by France Télévision Entreprises and France Télécom, and in July, of the 16% owned by Suez. TPS is now 66%-owned by TF1 and 34%-owned by M6.

The decision to increase its stake testifies to the group's confidence in the future and profitability of satellite television. **TPS** announces the release of its new generation decoder, "**Le Platini**", a digital set-top box for the reception and recording of the platform's programmes.

Furthermore, the second Médiacabsat study indicates very strong growth in audience share for all the TF1 group's thematic channels. This is especially true for **LCI** and **Odyssée**, whose presence in their respective target markets has more than doubled.

TF1 and Miramax sign a partnership agreement to set up a joint venture, **TFM**, to distribute movies in French theaters. The final episode of *Star Academy* (1st season) attracts more than 11.8 million television viewers for a 51.4% audience share. The success of this new entertainment has a knock-on effect on a number of the group's subsidiaries. On December 31, 2002, total sales of *Star Academy* (1st season) singles and albums reached 5.8 million copies.

2002 Key events



Broadcasting

JANUARY

The final episode of *Star Academy* (1st season) attracts more than 11.8 million television viewers, for a 51.4% audience share¹.

The Têlérama - La Croix - Sofres barometer shows the French public has increased confidence in TF1's news programmes. 44% of people surveyed believe TF1 to be the most credible TV news source.

TF1 and Buena Vista International Television sign a multi-annual agreement for the broadcasting of Disney! programmes and the acquisition of first broadcast cinema feature films, series and recent TV films.

MARCH

Start of shooting of *Jean Moulin*, a prestige TV drama produced by TF1 and GMT, with Francis Huster in the title role.

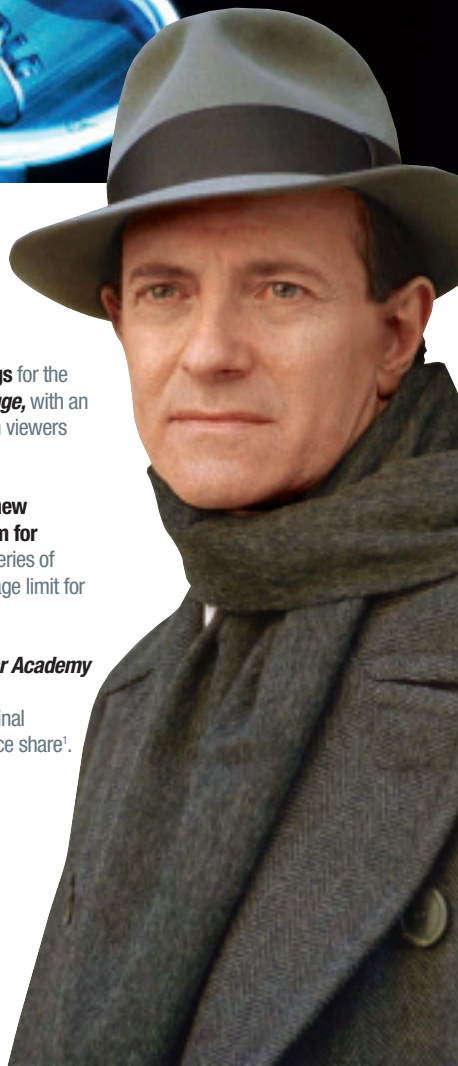
APRIL

L'ami d'enfance, an episode of the series *Le juge est une femme*, is awarded TéléPolar's Cognac 2002 prize.

TF1's special edition for the first round of the presidential elections attracted 9.3 million television viewers¹.

JUNE

2002 Football World Cup: TF1, LCI and Eurosport devote their airtime to the event and broadcast all the matches as well as several programmes on the competition and behind the scenes news. TF1 Licences, TF1 Games and TF1 Interactif also develop a range of merchandise and services around the event.



JULY

Successful audience ratings for the summer TV drama, *L'été rouge*, with an average 9.2 million television viewers and a 45% audience share¹.

NOVEMBER

The channel introduces the new programme grading system for children, represented by a series of pictograms highlighting the age limit for a particular programme.

DECEMBER

New audience record for *Star Academy* (2nd season) which attracted 11.6 million viewers for the final episode, i.e. a 56.2% audience share¹.

Production/ Audiovisual rights

JANUARY

Release on French screens of *Astérix et Obélix: Mission Cléopâtre*, co-produced by TF1 Films Production, and boasting more than 14 million admissions during its run.

APRIL

Glem announces the signing of an exclusive programme co-production agreement with UK company Granada, giving Glem a right of first option on its future concepts.

MAY

TF1 and Miramax sign a partnership agreement to set up a joint venture, TFM, to distribute movies in theatres in France.

JUNE

One year after it was set up, Alma Productions starts filming the pilot for the new fiction drama, *Marion Jourdan*, with Micky Sebastian the main heroine.

SEPTEMBER

Glem blows out its 20 candles.

NOVEMBER

Cinema release of *Ah ! si j'étais riche*, co-produced by TF1 Films Production and Téléma, with a total of 1.1 million admissions during its run.



1. Source: Médiamétrie, individuals 4 years and over.



Thematic channels

FEBRUARY

Eurosport, which already broadcasts three of the four Grand Slam tennis tournaments, announces the signing of an agreement with ATP to broadcast the **Masters Cup** from 2002 to 2004. **Eurosport** beats audience records with its broadcasting of the **Winter Olympic Games** in Salt Lake City and attracts a total of more than 130 million viewers over the whole Olympic Games.

MARCH

2nd **Médiacabsat** study: the TF1 group's thematic channels all record very strong growth, especially **LCI** and **Odysée**: they more than double their audience share in their respective target markets.

SEPTEMBER

Purchase of the press agency **Ouest Info** by **TV Breizh**, which now owns 60% of the capital.

OCTOBER

Odysée is awarded the Prize for the **best European documentary channel** at the Hot Bird TV Awards in Venice. The CSA selects five of the TF1 group's channels for **digital terrestrial television**: TF1, Eurosport, LCI, TF6 and TPS Star (the latter being 66%-owned via TPS).



TPS

MAY

The European Commission agrees to TF1 acquiring France Télévision Entreprises' **25% stake in TPS**.

TPS announces the release of its new generation decoder, "**Le Platinium**", a digital set-top box for reception and recording of the platform's programmes. The set-top box, built in partnership with Sagem, is completely evolutionary thanks to the updating of software by satellite.

JULY

TF1 increases its stake in **TPS** by 16%, following the acquisition of Suez's holding. This gives TF1 **66%** of TPS' capital.

TPS benefits from the split of half of **Universal's** film catalogue, obtaining the right to broadcast, amongst others, **The Mummy returns**.

OCTOBER

For the first time in France, **TPS** offers **Quidonc** services and **The Yellow Pages** on interactive TV.

TPS signs a five-year agreement with **Walt Disney TV International** for the television operating rights of its films, which will be screened on the TPS Star channel.

DECEMBER

TPS introduces a **double programme-control system**, offering a second level of protection for young people under 18 years of age.



Publishing/ Distribution

FEBRUARY

The musical **Roméo et Juliette** is released on a prestige double DVD, capitalising on the show's success: more than 5 million CDs sold and a total audience of more than 750,000 in Paris.

JUNE

Launch of the new letters game **Composio**, by **TF1 Games**.

AUGUST

Release of the DVD **Lord of the Rings**, with 1.6 million copies sold at end December 2002.

OCTOBER

TF1 Games launches the parlour game **Cranium** and obtains exclusive import and distribution rights for France.

DECEMBER

At 31 December 2002, total sales of **singles and albums for Star Academy (1st season)** reach 5.8 million. At the same date, sales of the two albums of **Star Academy (2nd season)**, launched in October, have already reached 1.7 million.



Advertising



JUNE

The short programme **L'Euro ça compte**, devised and produced by TF1 Publicité Production (TPP), is awarded the **Grand Prix des Stratégies Média 2002**, in the category "Sponsorship or partnership deal".

SEPTEMBER

Reorganisation of the TF1 group's **advertising arm** to optimise the communications media offering via the TF1 channel, thematic channels and interactive services.

Leading French TV channel

Between 1987 and 2002, the TF1 group developed upstream and downstream of the broadcasting industry while maintaining its pre-eminence in free television. As a result, diversification activities represented around 43% of group operating income in 2002.

With an average audience share of 32.7% for individuals aged 4 years and over, TF1 confirms its status as the most popular channel with the French public. TF1 attracts nearly three out of every four French viewers daily thanks to its varied, exclusive, events-based programmes and the quality of its news.



Annual report

Group's activity

12



Broadcasting

The group's traditional activity, the TF1 free-to-air channel has succeeded in meeting the challenge of being in tune with the times while pioneering the television of the future.

16



Advertising

Powerful and diverse advertising slots mean that the advertising arm is able to offer advertisers global solutions.

18



Publishing/Distribution (Including the Interactive Division)

The publishing/distribution division helps optimise the group's revenue and promotes its expansion in fast-growing markets such as the video market.

20



Thematic channels

In less than 10 years, TF1 has reinforced its leadership position with the creation of thematic channels that have proved to be among the most popular. Eurosport, with its international presence, has made TF1 the leading broadcaster of sports images in Europe.

24



Production and audiovisual rights

The activity of this division consists of the production, acquisition and sale of broadcasting rights.

26



TPS

With 66% of TPS at end-2002, TF1 is now a key player in pay television in France.

28



Market and stock yield

The TF1 stock is quoted on the Paris stock exchange. SICOVAM code: 5490.

30



TF1 non-trading company

TF1 is committed to a global process of sustainable development, as has been the case for several years.



Broadcasting

A generalist and family-oriented channel, TF1's programming is centred on the major themes of general public interest: news, TV drama, entertainment, sport, films, youth culture, magazines and documentaries make up the bulk of the channel's programme offering. The programming is both dynamic and entertaining since it is continually being adapted to suit television viewers' tastes.

With the growth in multi-channel platforms increasing programme and theme-based offerings, TF1 has positioned itself as a "living" media offering, exclusive and events-based television.

TF1 is by far the most popular channel with the French public, attracting 32.7% of all television viewers and 35.7% of women under 50 (the category favoured by advertisers).



Others **1%**



Movies **4%**



Sport **5%**



Children **10%**



Advertising **10%**



News **11%**



Magazines and entertainment **27%**



TV dramas and series **32%**

News

News constitutes the backbone of TF1 and has been a key contributor in establishing the channel's identity.

In 2002, a year rich in political events (Presidential and General elections), television viewers once again acknowledged TF1's expertise in news handling.

The two daily programmes have easily outstripped competition. TF1's 8 o'clock evening news achieved the biggest audience ratings for 2002 (all programmes combined) with 14.8 million viewers. Moreover, its audience ratings have remained very stable with an average of 8.6 million viewers each evening. The 1 o'clock news averages more than 7 million viewers.

The strength of the news on TF1 can also be attributed to investigative reporting in magazine formats. The Sunday magazine *Sept à Huit* beat its audience record with 7.8 million viewers, reinforcing its position as a key news programme. *Le Droit de Savoir*, broadcast in the second half of the evening, has on two occasions improved on its best audience rating, with 3.8 million viewers in January 2002 and 4.9 million in January 2003.

Source: Médiamétrie.

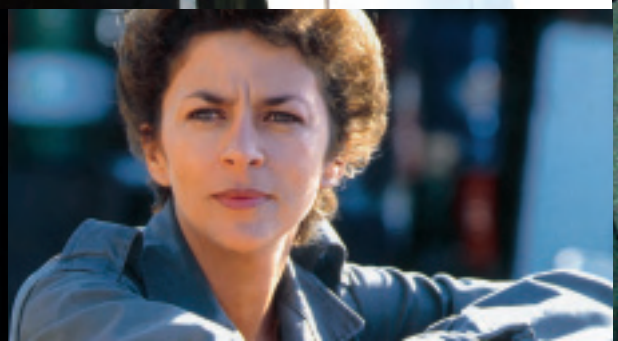
Programming Allocation in 2002 (air time)

TV dramas

TF1's programmes continue to give pride of place to French TV dramas. A rich and constantly updated offering is the guarantee of success. This resulted in 43 of TF1's French TV dramas ranking among the 100 best audience ratings in 2002.

Recurrent TV dramas such as *Julie Lescaut*, *Navarro*, *Les Cordier Juge et Flic* and *Joséphine ange gardien* continue to be safe bets. At the same time, the renewal of series and television films continued in 2002 with the confirmation or arrival on the scene of new heroes with *Femmes de Loi*, *Le Juge est une femme*, *Père et Maire*, *L'emmerdeuse*, *le Grand Patron*, *Alex Santana* and *Malone*.

The major summer TV drama, *l'Été rouge*, was also a resounding success (average of 9.2 million viewers for the five episodes), while the three episodes of *Fabio Montale*, an event-laden drama with Alain Delon, were among the 11 best audience ratings in 2002.





Summer TV dramas, successful destinations

Like the “best seller” novels devoured on the beach in the summer, TF1 has a long tradition of summer TV drama. With 10 years’ expertise in this area, the channel decided to add a detective aspect to the script of its serial *L’Eté Rouge*, broadcast in 2002. The hero is not a police character in the mould of those seen on Thursday evenings in *Navarro*, *Julie Lescaut* and the *Cordier* family, but a man wrongly accused and forced to carry out an investigation to prove his innocence and retain his freedom. Apart from the detective aspect, which is new for this type of TV drama, the channel also gambled on innovative casting.

The serial was a **winning recipe** for the channel this year, attracting a wide and family-based population of viewers, and achieving audience records for a summer saga! The detective story combining suspense, love affairs and family conflicts, captivated an average 9.2 million viewers aged 4 years and over, attracting an increasing number of the public over the five episodes.

A lengthy project, the preparations for TF1’s summer saga start 2-3 years before it is put on air. Takis Candilis’ teams, around ten people in TF1’s TV drama department, initiate the projects but also monitor them very closely until they go on air. Between the “recurrent programmes” on Mondays and Thursdays, the prestige mini-series and the summer sagas, TF1 produced some 176 TV films this year.

Each project is assigned to a team of writers who develop it in the form of a “bible”, setting out the story and building the characters. Once validated, the “bible” will then be turned into a script with strict specifications.

Another advantage of shooting new series is the choosing and development of sets. The series take place in natural environments, which help anchor the script.

The story also draws inspiration from regional cultures.

Summer 2003 will be played out between the sea in the Basque region and the Pyrenees mountains. The new series, *Bleu Océan*, will have a cast of well-known actors and see a return to the family saga. As for the summer of 2004, the plans are for a detective series set in Provence.

Like many TF1 projects, these summer serials offer the group the opportunity to develop a cross-disciplinary approach incorporating telephony, music, Internet and merchandising.

Furthermore, in addition to being re-broadcast on TF1 (with profitability in mind), the series also have a commercial life. Pre-purchase or co-productions involving foreign channels, sales via the TF1 International catalogue or release on DVD and VHS by TF1 Vidéo all pave the way for other broadcasts.





Magazines and entertainment

Initiated in 2001, the policy of innovation and renewal in the area of games, entertainment, infotainment magazines and real TV has helped TF1 not only to successfully develop expertise to ensure the continuity of these new television genres, but also to attract a younger audience to TF1 programmes. This is illustrated by the second seasons of *Star Academy* and *Survivor*, which both saw a big increase in their audiences, and the arrival of *Temptation Island*.

Star Academy attracted 7.7 million viewers with an average 50% audience share for women under 50 during prime time. Meanwhile, *access* attracted an average 4.4 million viewers and achieved a 54% audience share for women under 50.

Games, a prominent feature of TF1, are still enjoying considerable success, whether they are broadcast daily (*Attention à la Marche*, *Le Bigdil*), regularly (*The Weakest Link*) or on a one-off basis (*Who Wants To Be A Millionaire?*).

Complementing the traditional infotainment magazines such as *Combien ça Coûte ?* or *Sans aucun doute*, the new generation of magazines has been a resounding success: *Vis ma vie*, *Appels d'urgence*, *Confessions Intimes* and *Ya que la Vérité qui Compte*.

TF1 remains faithful to its policy of covering major events and is still turning in excellent performances in this sphere: *Les Enfoirés* (11.3 million viewers), *Election of Miss France* (9.2 million), *Who Wants To Be A Millionaire?* 'Spécial inondation' (8.2 million), and even *Domino day* (7.7 million) and the *NRJ Music Awards* (7.8 million).

Lastly, in the field of prestigious adventure and discovery magazines, TF1's exacting editorial policy has paid off with the success of *Usuaïa Nature*, which entered the 2002 top 100.

Source: Médiamétrie.



Sports

2002 was a "football year" for TF1.

TF1 reaped the full benefits of its exclusive broadcasting rights for the World Cup. The presence of the French national team and the considerable popularity of this event, combined with the attraction of a constantly evolving competition generated a significant increase in television viewing and had a positive impact on TF1's brand image and audience ratings.

Moreover, the exclusive broadcasting of the French national team's friendly matches is always a very popular event with the French public, with 9 of the 13 matches broadcast among the 100 best audience ratings in 2002.

The final of the Champions League also attracted nearly 8.5 million television viewers despite the absence of French clubs at this level of the competition.

Cinema

TF1 continues to be the leading channel for exclusive, unscrambled film broadcasts, devoting two prime time a week to cinema. TF1 screens numerous original films in all the popular genres to satisfy public demand and expectations.

After 2001, which was marked by the exceptional predominance of films in the top 100 audience ratings, TF1 saw 22 feature films among the 100 best audience ratings for 2002. The films *6 Jours 7 Nuits*, *Taxi 2* and *Le masque de Zorro* each attracted more than 10 million viewers.

Satisfying all segments of the public, while giving priority to advertising targets and controlling programming costs, continues to be TF1's main objective. It is through its ability to offer the best programmes in all genres and to promote audience loyalty through a quality programming policy that TF1 has been able to affirm its leadership in the broadcasting sector.





Sept à huit, the editorial team's successful magazine

Laurence Ferrari and Thomas Hugues have been presenting *Sept à huit* every Sunday since September 2000. This news magazine produced by Eléphant & Compagnie is broadcast from 7 p.m. to 8 p.m. With an average audience share¹ of nearly 30% since its launch, the programme has succeeded, in the space of two seasons, in promoting viewer loyalty and achieving a number of audience records: 39.3% on September 16, 2001 for the *Spéciale USA* and, more recently, 38.7% on 17 November 2002 with, in particular a portrait of *Saddam Hussein*, "*Profession dictator*".

The two presenters point out that **"the concept of the programme** is to view current events through a prism, personified by a central figure. We do not report the news story like a news bulletin, but report on stories in the news. We attempt, on each shooting assignment, to get as close as possible to the men and women we are covering. The journalists attempt to get to the immediate truth, which is often more meaningful than any lengthy discourse against a background of specious images".

Programme content is necessarily dependent on current events. Usually, **the programme features a "hot" topic**, while the other themes relate to a recent or "about to break" news event. Subject choices are made in two stages. Every Monday morning at 10 a.m. the *Sept à huit* editorial meeting brings together some ten or so reporters and fifteen journalists around Emmanuel Chain, the producer, Laurence Ferrari and Thomas Hugues. The exchange of ideas produces a summary of news-related or pre-news topics. Moreover, an Editorial committee comprising Etienne Mougeotte, Robert Namias, Emmanuel Chain and the two presenters meets every Monday evening to validate the topics and the summary.

In the event of a disruption in the news, as in the case of the events of 9/11, the magazine is able to react and adapt by finding the necessary airtime to cover the latest developments but without cannibalising the news bulletins. The concept has changed little over the seasons but has been refined. Topics are now longer, taking up to 20 minutes, and interviews have a new look. Instead of the guest facing the camera alone, journalists are now favouring the portrait format, with snapshots of the guest's daily life. No revolutionary changes are needed since the magazine is updated each week thanks to the news.

1. Source Médiamétrie, individuals aged 4 years and over.





Advertising

TF1 Publicité offers a diversified, comprehensive range of advertising media, from classic advertising to relational marketing, enabling it to respond to all advertisers' problems.

TF1 remains the key channel in any media plan. It ensures maximum exposure to all segments of the public and enables the brands to rapidly attain the visibility they seek through mass-market communications.

TF1 has numerous advantages: the channel has some powerful advertising slots with access to a substantial family audience. These qualities are particularly attractive to advertisers since TF1 Publicité has proved, in a recent study with Marketingscan, that powerful advertising slots have a more effective immediate impact on sales.

Thematic channels help refine the communications strategies by targeting specific population categories very popular with advertisers. In this environment, TF1 Publicité offers a bundle of powerful channels focused on major themes:

- **Eurosport France**, the generalist sports channel with optimum coverage of the male population and A/B+;
- **LCI**, the 100% news channel and reference for decision-makers;
- **TF6**, the mini generalist channel which is already among the top three channels favoured by young adults;
- **Télétoon** and **Cartoon Network**, two complementary and essential channels in the children's universe;
- **Odysée**, the discovery channel;
- **TV Breizh**, the regional generalist channel.

On all the channels served by TF1 Publicité and distributed on digital platforms, the advertisers also have the opportunity to implement **interactive communications**, creating a personalised link with the viewers.

- **Internet** with www.tf1.fr: boasting a rich and varied content (news, people, sport, etc.), regularly supplemented by "mini-sites" focusing on each major event covered by the channel (World Cup, *Star Academy*, etc.), www.tf1.fr confirms its position as France's No. 1 media and news site.
- **TF1 Conso**, an original promotional resource using TV-Web synergy and attracting an increasing number of advertisers.
- **Mobile telephony media** such as Spot (Bouygues Telecom), SMS (multi operators), and *Rendez-vous*, the **consumer magazine**.

TF1 Publicité provides a comprehensive offering of leading advertising media and is guaranteed to find advertisers a solution suited to each communications objective.



Teamwork

The return after the summer holidays in 2002 saw the reorganisation of the TF1 group's advertising business. The marketing arm underwent a radical overhaul designed to more effectively meet the needs of a market constantly in search of greater efficiency and creativity.

The rationale behind this new organisation is the optimum use of TF1 group's various advertising media through a global response to the expectations of both advertisers and their representatives, the media and consulting agencies. Advertisers entrust their advertising budgets to media agencies now working with a single team of TF1 Publicité sales representatives.

Sales representatives have now been formed into **three business units**, each working with specific media agencies and their advertisers. The business units consist of specialists in each of the TF1 group's advertising media (generalist channel, thematic channels and one-to-one). This comprehensive offering enables the group to infuse its clients' campaigns with the efficacy, innovation, creativity and services offering which they are entitled to expect.

Cross-disciplinary networks have also been brought in to support this new "Business Unit" structure. They will help co-ordinate the business units, provide them with a market overview and share their experiences.

Lastly, TF1 Publicité's marketing teams have adapted to this new organisation. They work in close collaboration with sales representatives, reacting to the latter's needs in a wide variety of areas by supplying them with arguments, market analyses and assessments of TF1's power in terms of audience.

Thanks to this new organisation, TF1 Publicité's teams are ready to face the new challenges of the French advertising market.





Publishing/Distribution

Complementing the TF1 channel, the Publishing/Distribution division (including the interactive business) brings together the distribution of DVDs and videocassettes, merchandising, telematics and Internet, music publishing and home shopping. Historically and financially, it is the TF1 group's main area of diversification. The Publishing/Distribution activity represented around 13% of TF1 group's operating income in 2002.

TF1 Entreprises

TF1 Entreprises encompasses the following activities:

- **TF1 Licences** markets brand licences to manufacturers (e.g. *Usbuaia*, *Franklin*) publishes magazines (including *Tfou Mag*, *Star Academy*, etc.), designs and distributes derivative products (*Jenifer*; *Priscilla*, etc.);
- **TF1 Games** creates parlour games based on television programmes (*Who Wants To Be A Millionaire?*, *Star Academy*, *Usbuaia*, etc.) and original concepts (*Composio*, *Cranium*, etc.);
- **TF1 Musique** develops record projects related to major events, original music concepts, brands and personalities, for which it has the music rights.

TF1 Vidéo

TF1 Vidéo, the leading French publisher in the market, has seen its business expand considerably since it was created: in addition to mass-market retail outlets and traditional distribution networks, TF1 Vidéo has, since 1997, been offering several video product ranges. In 1999, it launched a dedicated website: www.tf1video.fr.

TF1 Vidéo's catalogue of over 3,000 items covers all types of product – films, sports and children's products. Among its most recent successes can be found: *Taxi 2*, the *Pokemon* series, *Lord of the Rings*, *Le Fabuleux destin d'Amélie Poulain*, *Roméo et Juliette*, plus the hits of previous years such as: *Life is Beautiful*, or the René Château classical video catalogue "la mémoire du cinéma français."

Sales in the French DVD market totalled 49.2 million units in 2002, twice as many as in 2001 (Source: SEV).

Une Musique

TF1 Entreprises' music publishing subsidiary, Une Musique publishes and produces television programme music. This business is complemented by partnerships with the majors in the recorded music industry. Emile & Images, Patrick Bruel and Shakira number among Une Musique's successes.

Téléshopping

Téléshopping is one of the leading operators of home shopping in France. The activities of this subsidiary revolve around programmes broadcast on TF1 (mornings from Monday to Saturday – except Wednesday), the nine million catalogues dispatched in 2002 to more than one million active customers, and a dedicated website: www.teleshopping.fr. The website has become a real growth driver for Téléshopping, with online sales representing turnover of nearly €5 million in 2002, more than 100,000 online orders have generated a net profit over the last three years.

The TF1 group has developed real expertise in home shopping through Téléshopping (catalogue management, logistics processes, product quality, after-sales service) and database management.

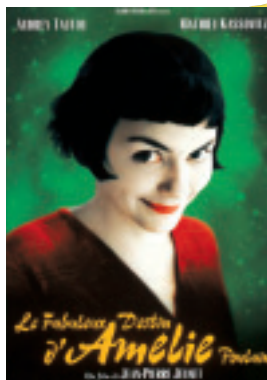
Interactive services

The Interactive Services division has included TF1's telematics and Internet activities since October 2002.

This division optimises technological and editorial synergies to create thematic content that is valid across all its media. A comprehensive range of services is offered to viewers (pay or free versions) via Minitel, Audiotel, Internet, mobile phones (SMS+, WAP), teletext and, since November 2002, i-mode.

From continuous generalist news to sports results and live programmes, viewers can choose their technology to obtain information on everything. The video uses broadband, whether it is getting to the heart of current news with LCI Live or entering the daily lives of the students of *Star Academy*.

Taking part in games show or a real TV programme, voting live during programmes, by telephone, SMS +, Internet or Minitel, everyone uses their favourite medium.





Star Academy, the TF1 group's lucky star

The second season of *Star Academy* has beaten TF1's audience records since it was launched on Saturday August 31, 2002 and up until the final episode on Saturday December 21 when it attracted 11.6 million viewers, or a 56.2% audience share for individuals aged 4 years and over. In addition to its success with the public, this entertainment programme has triggered a reactive and creative response from the Publishing/Distribution business. Internet, fan club, magazines, games, telephony and merchandising... *Star Academy* is a familiar tune!

This success is the culmination of the group's efforts in all its activities. Although TF1 is first and foremost a free-to-air channel, it has also branched out into new activities from Web music publishing to merchandising. The TF1 group's strength has been its ability to unite around one of the channel's flagship products.

Everything was well prepared before the success and before *Star Academy* was broadcast, during the negotiation of programme rights with Endemol. TF1, the Legal department and the Publishing/Distribution division came together to consider all the potential products that could be created around *Star Academy*.

e-TF1 set up the official online site www.staracademy.fr as soon as the programme was launched. Between September 1 and December 21, 2002, the site registered 170 million page viewed and 11 million visits, i.e. more than double the figure for the first season. The contents have also been available on mobile Internet via i-mode.

Figures for **TF1 Interactif** are at their zenith! 2.9 million telephone votes were recorded during the final episode on December 21. Since the start of the second season, *Star Academy* has polled nearly 13 million votes on all available media: audiotel, SMS, minitel and interactive TV. Moreover, 10,000 people have participated in the SMS chat lines and 430,000 messages of encouragement were sent over the whole period.

TF1 Entreprises has also achieved excellent results through its three other departments, TF1 Games, TF1 Licences and TF1 Musique.

After the success of the first edition of the *Star Academy* games box, **TF1 Games** launched the second edition in early September. The new pink packaging contains 900 original questions and a CD of 18 new titles. In the space of two seasons, nearly 180,000 boxes have been sold.

TF1 Licences has signed some 30 contracts with various companies enabling numerous derivative products to be marketed through mass-market retail outlets. These products are proving a big hit with young people: clothing, fashion and mobile phone accessories, watches, and key rings. Moreover, two partnership agreements have been concluded, one with Bouygues Telecom (offering an events-based Nomad phone card in the *Star Academy* colours) and the other with Franck Provost (*Star Academy's* official hairdresser) who has launched a range of *Star Academy* hair ornaments.

A **fan club** created at the end of the summer boasts some 8,000 members. The official *Star Academy* magazine launched in December 2001 has already published 12 issues, with 2.45 million copies printed for an average selling rate of 80%. It is ranked no. 2 for sales in the adolescent press sector. Some 350,000 copies of the December issue were printed.

TF1 Musique has now sold more than 6 million discs (singles and albums) of the second season of *Star Academy*, while Glem, the producer of the *Star Academy* tour, has sold 400,000 places for the first show and has already launched the second show (February 2003), with great bookings.

In addition to *Star Academy*, TF1 is capitalising on other channel programmes (*Ushuaïa*, *Who Wants To Be A Millionaire?*) in an attempt to optimise synergies within the TF1 group.





Thematic channels

On the strength of its television expertise, the TF1 group has developed a broad offering of complementary channels. After the launch of Eurosport in 1991 and LCI in 1994, TF1 now has direct stakes in seven thematic channels and indirect stakes in the seven thematic channels developed by TPS.

Sports, news, cinema, entertainment and documentaries are today being developed by our thematic channels. While their editorial quality is welcomed by viewers, they complement TF1 programming and take their place as a vehicle for news and entertainment.

Thanks to these thematic channels, TF1 today is made up of a family of channels able to meet the needs of all sectors of the population.

Eurosport

Eurosport is the leading sports thematic channel in Europe in terms of audience. Broadcasting to 95.4 million homes in 54 countries in 18 languages (at December 31, 2002), it is one of the most widely distributed channels in Europe because of its presence in the service plan of all cable and satellite operators.

Its programming – more than 6,200 hours of programmes per year including 57% of first run and 30% of live programmes – is one of the most extensive in Europe. In 2002, Eurosport broadcast the Winter Olympic Games in Salt Lake City (24-hour coverage throughout Europe), the European Athletic Championships in Munich, the Ski World Cup, the Artistic Skating World Championships, Roland Garros, the Australian Open, the US Open and the WTA tennis tournament, the Tour de France, the Giro and the Vuelta,

the World Car Rally Championships, the 24-hour Le Mans car race, the Super Racing Week-ends, the Motor Racing Grand Prix events as well as some matches broadcast during the Football World Cup on Eurosport France.

This unique offering helped confirm the channel's leadership position in 2002 (in terms of audience) in seven of the main European markets, i.e. France, Germany, Italy, Spain, the Netherlands, Scandinavia and Poland. In 2002, Eurosport was watched daily by more than 21 million different viewers throughout Europe.

In September 2000, Eurosport created the sports news channel, Eurosportnews, broadcasting to 14.2 million homes in 70 countries in six languages (English, Spanish, Italian, Polish, Greek and Turkish). The channel's international success was confirmed

in December 2002 when it obtained a distribution licence for China. The international version of Eurosportnews in English will be available from March 2003 in 5,000 Chinese hotels with 1.6 million potential viewers. To date, it is the first and only French commercial channel to have obtained a licence.

In 1999, Eurosport created the site eurosport.com and its five local versions (eurosport.fr, eurosport.de, eurosport.co.uk, eurosport.es, eurosport.it). Reference sports sites for numerous sports fans throughout Europe, combining sports news (current events, reports on competitions, results, timetables) and interactive services (online games, SMS, etc.), they have resulted in a new audience record in June 2002 with 80 million page viewed for the Football World Cup. Eurosport.com also provides sports content for e-TF1 in France and Eurosportnews throughout Europe.



Eurosport

The Olympic channels

In less than 10 years, the Eurosport group has become a favoured partner of the International Olympic Committee (IOC), which now recognises Eurosport as the channel engaged in the widest activity both during and between Olympic Games.

In addition to extensive broadcasting of all the summer and winter Games, the group covers all the Olympic sports between Olympiads, from those attracting the most media attention to the more discreet.

In parallel, the group forged partnerships with the Olympic sports federations, providing them with advice on how to handle the scheduling of their major events and how to produce and promote them.

The high point of these years of labour, the 2002 winter **games in Salt Lake City**, demonstrated the group's ability to bring into play all its resources to provide **24-hour** coverage of the competition in **18 languages**. Success came at a gallop, with audiences comparable to those of the American national channel NBC!

The recognition of Eurosport as an Olympic channel means the group's journalists have privileged access to both federation presidents and athletes, with some of the athletes even acting as consultants for the channel. The marketing teams of Eurosport and the advertising arm are also able to capitalise on direct relations with the IOC, the organisers and the sponsors to forge strong partnerships.

In addition to purely economic considerations, Eurosport is also faithful to its Olympic ideal in that it is the only group to broadcast the Paralympic Games.

With the next Olympic Games to be held in Athens in 2004, Eurosport and the IOC have already started this year to unveil a number of historical and educational programmes on the Olympic spirit and its Greek birthplace. In addition to magazines dedicated to the history of the Games, a presentation on the city and the host region (programmes that have been tried and tested in the latest editions), a series "Everyday heroes" will allow viewers to follow the lives of the athletes during their preparation. Like a travel journal, viewers will follow the various teams, month after month, during their training sessions, but will also discover the social dimension to sport.

The highpoint of this programming is the route of the Olympic flame. Appointed the official broadcaster in Europe, Eurosport will bring the flame's itinerary to life for viewers: a journey of 100 days across five continents.

After the **Athens' Olympic Games**, Eurosport will continue its Olympic route, heading for **Peking for the 2008 Games**.





Thematic channels

LCI

At December 31, 2002, LCI reached 4.6 million homes. During the year, the channel increased its audience by 356,000 new households (+ 8.4%), advancing primarily on the satellite bundles and profiting from the expansion of its position in the French overseas territories and countries bordering France.

According to the Médiacabsat study in July 2002, LCI has doubled its audience in one year and remains the news channel most appreciated by the French, with a 1.1% audience share on an overall basis. On cable and satellite, LCI is still the news channel watched most by the A/B+ categories, with an audience share of 1.5%.

TF6

TF6, the “La Télé Très Télé” and latest of the group’s thematic channels (launched in December 2000), is a mini generalist channel distributed on cable and TPS.

Determined to serve the widest possible audience, TF6 offers:

- innovative programme concepts, with the broadcasting in 2002 of a new game called *Menteur*, presented by Frédéric Joly;
- a cinema offer that focuses on recent, powerful films such as *Volte-Face*, *The Pelican Affair*, and *Esprits rebelles*,
- and an offering of exclusive and original series (including *Witchblade*, *Special unit 2*, *Cold Feet*, *Felicity*, *VIP*).

TF6 also offers a music magazine, *Hit TF6*, and broadcasts a large number of music clips. TF6 has set itself the ambitious objective of unifying a population in search of innovative and original programmes and of becoming the reference channel for the new television offering. TF6 had 1.7 million subscribers at end-2002.

Série Club

Série Club, the “100% series” channel offers its 2.1 million subscribers the best in series.

Série Club offers a rich and varied programming with, in the evening, recent and original series either in a French version or the sub-titled original (*Washington Police*, *Farscape*, *Becker*) as well as major established successes (*Buffy*, *Oz*, *Stargate*, *The Pretender*).

The grid is clear and straightforward, with a theme for each day of the week (comedy on Mondays, fantasy on Tuesdays, “*American Way*” on Thursdays, science-fiction on Fridays, detective series on Saturdays).

Club Emotion a new programme on Wednesdays is aimed at women. During the day in the week, Série Club offers popular series such as *Wonder Woman*, *Cosby Show* and *Starsky and Hutch*.

Odyssee

Launched in 1997, Odyssee offers 17 hours of varied programmes daily, covering nature, animals, science, history, heritage, travel and current events.

Odyssee has instituted a thematic appointment each evening at 8.45 p.m. Subjects covered include: *Pays de France*, *Nature sauvage*, *Voyages sans frontières*, *Aventure extrême*, *Histoire du monde*, *Arts & Spectacles* and *Spéciales*. The latter focuses on current events-related subjects, highlighting the channel’s ability to react to events.

This year a new format was introduced designed to consolidate the editorial policy around these seven thematic appointments. The intention was to simplify and modernise the format to increase the grid’s legibility. Changes were made to the channel’s promotional policy in order to continue with this logic.

At December 31, 2002, Odyssee had 1.7 million subscribers.

Odyssee has co-produced more than 250 hours of documentaries over six years. These include *L’opium des Talibans*, *La loutre*, *Pinder*, *Le géant itinérant* and *Les passagers de l’Everest*.

In addition, viewers can find out what’s on in the weeks to come by accessing www.odyssee.com.

TV Breizh

TV Breizh is a mini generalist channel based in Brittany. Since September 2000, it has been broadcasting on two satellite platforms, TPS and CanalSatellite, as well as on the main French cable networks. At December 31, 2002, it had nearly 3.7 million homes as subscribers.



TV Breizh’s programming is split between national programmes (feature films, TV dramas, series, cartoons) and regional programmes (news, magazines, documentaries, music). The key feature of 2002 was the launch in September of a daily news programme, *Actu Breizh*.

The press agency Ouest Info provides the reports for this programme and is also responsible for relaying the news programmes of TF1 and LCI in the west of France. In 2002, Ouest Info became a 60%-owned subsidiary of TV Breizh through a share exchange with regional daily press newspapers.

TV Breizh’s good audience ratings since autumn 2001 meant that in 2002 it was able to obtain a remuneration from TPS and CanalSatellite, in addition to the channel’s advertising revenue.

Thus, TV Breizh is consolidating its relations with other regional media, particularly *Ouest France*. The channel has joined forces with Ouest France to respond to the CSA’s tender offer for candidates for an analogue broadcasting frequency in the Nantes region.





L'invité de PLS : face-to-face news

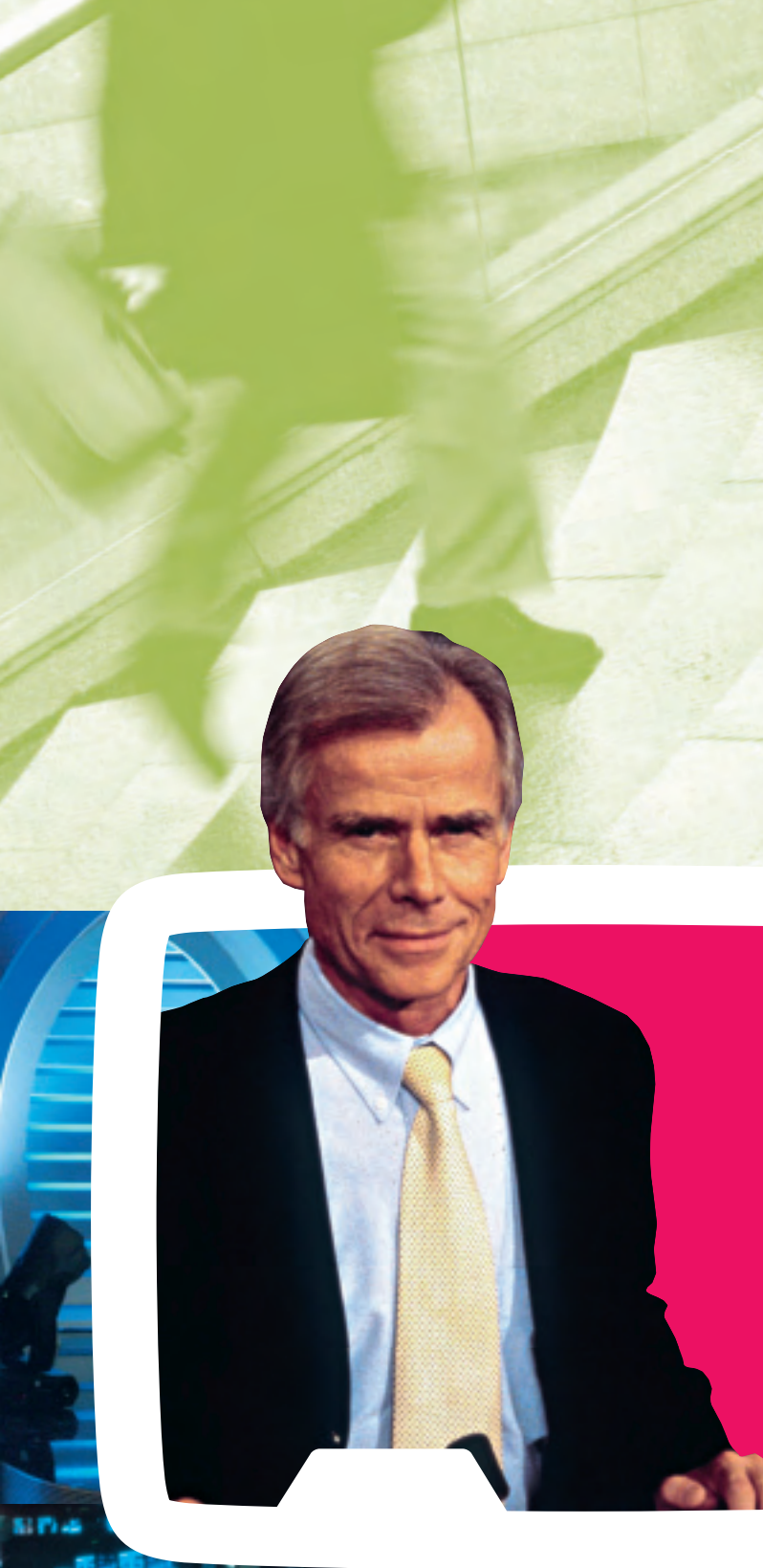
For more than three years, Pierre-Luc Séguillon, a journalist at LCI, has appeared on the screen every Monday to Thursday evening at 7.10 p.m. to present *L'invité de PLS*. Three years during which a succession of key players on the French or foreign political, economic, or social scene have been invited to participate in a 20-minute interview with in-depth discussion on their specific news-related theme.

"It is really the news which governs the choice of my guests", says Pierre-Luc Séguillon. "This can range from the discovery of a new celebrity to a more technical issue such as Social Security funding or the outcome of a conflict." Constantly changing topics is what makes the exercise so difficult: one day it is French politics, the next the potential merger of Crédit Lyonnais and Crédit Agricole, the day after the European summit in Copenhagen. However, it is also this variety which lends richness to the encounter.

Although the journalist draws on the daily press for information, his general knowledge and many encounters also play a part. Then there is the time required to make contact with the guest. "It is my assistant who handles this", he says. "Other than exceptionally, I tend to avoid any preliminary exchange with my guest. For me, this is the best way of ensuring these face-to-face encounters retain their spontaneity and authenticity. This, I believe, is what viewers appreciate."

Everything can be rejigged when current events dictate. This was the case in the encounter with Jean-Pierre Raffarin on October 28, 2002. He was invited to talk to LCI on the enlargement of the European Union, a few days ahead of the Copenhagen Summit. The head of the government said on the Friday evening that he would be available the following Monday. As a result, the guest scheduled to appear that day had to be cancelled and all the human and technical resources were brought into play to bring the interview live from Matignon. In addition to European issues, the interview was also the setting for a number of announcements on issues such as pensions, health and decentralisation, which were widely reported in the press the following day.

At LCI since its launch in 1994 and now heading up three programmes, Pierre-Luc Séguillon is proud to be associated with this channel which combines both the advantages of a small editorial team and the considerable technical and human resources of a large generalist channel like TF1.





Production/Audiovisual rights

In 2002, TF1 continued to restructure its “cinema” and “audiovisual rights” activities around the acquisitions and production, distribution, and catalogue businesses.

The acquisition business has been scaled down, with efforts focusing on distribution (creation of TFM in partnership with Miramax), while some catalogues have been merged and new ones acquired.

TF1 Films Production

Investments associated with TF1’s obligations are made by TF1 Films Production, which co-produces some 20 feature films a year. Consequently, this subsidiary acquires the broadcasting rights intended for TF1 and a co-producer’s share entitling it to revenue generated by the films’ screening.

At end-December 2002, TF1 Films Production had co-produced 7 of the 13 French films that exceeded one million viewers¹, including *Astérix and Obélix* (14.6 million admissions), *Monsieur Batignole* (1.7 million), *Le raid* (1.5 million), *Amen* (1.3 million), *3 zéros* (1.3 million), *Décalage horaire* (1.1 million) and *Ab ! Si j’étais riche* (1.0 million).

Glem

Through its 73%-owned subsidiary, Glem, the TF1 group has developed recognised know-how in the production of live-performance and entertainment programmes for television. They include:

- the real TV programme *Temptation Island* broadcast in July-August 2002,
- *A tort ou à raison* presented by Bernard Tapie in the second half of the evening,
- evening specials such as the *NRJ Music Awards*, *Les Sosies* and *Miss France*,
- numerous magazine formats such as *Sans Aucun Doute*, *7 Péchés Capitaux* and *Confessions Intimes*, produced by Quai Sud, a 60%-owned subsidiary of the Glem group since end-2001.

Tours of the musical *Roméo et Juliette* and *Star Academy*, the shows *Georgian Legend*, *Anthony Kavanagh* and *André Rieu* were the key events in 2002. The show *Roméo et Juliette* has also moved onto the international stage (Canada, Antwerp and London).

Glem, via its recorded music subsidiary, Baxter, also produces the albums *Roméo et Juliette* and *Georgian Legend*.

1. Le Film Français, cinema releases.





Everyone into the cinemas!

On the strength of its cinema division's proactive role in acquisitions, the co-production and sales of French and foreign films, the TF1 group decided in 2002 to branch out into the complementary activity of film distribution to cinemas in France.

TFM Distribution – TF as in TF1 and M as in Miramax – is a SPV formed in July 2002 as the result of an agreement between the TF1 group and the American cinema producer Miramax, a Disney subsidiary.

This new entity, with fourteen staff, intervenes at each stage of the film distribution process. Upstream, the marketing teams are responsible for managing film promotion/advertising, while the sales force negotiates and concludes the contracts with the cinema operators. By D-day, copies have to be produced and distributed. Then comes the billing, collection and accounting followed by operating revenue.

This small, young team has nevertheless announced a number of large-scale projects. Although operational for less than six months in 2002, they distributed 6 films and have announced some 18 cinema releases for 2003. The programme includes foreign films produced by Miramax, as well as French films produced by Téléma (Charles Gassot) or other associate producers.

In any event, "plurality" is the name of the game, with films for all segments of the public, and big name producers and quality castings competing on the billboards. Steven Soderbergh (*Ocean's Eleven*, *Erin Brockovich*), Stephen Daldry (*Billy Elliot*), George Clooney and Quentin Tarantino (*Pulp Fiction*), behind the camera, can be found directing the likes of Julia Roberts, Meryl Streep, Nicole Kidman, Julianne Moore, Richard Gere, Catherine Zeta-Jones and Salma Hayek.

TFM Distribution plays the synergy card just like the various activities of the TF1 group. It has forged direct film partnerships with the teams of TF1 Licences (for merchandising) and with Une Musique (for original film sound tracks) and TF1, the leading French television channel, is now a key player in all cinema activities.





TPS

Thanks to TPS, all French homes can benefit from the advantages of digital television. With its exceptional sound and picture quality, TPS' straightforward and comprehensive offering includes the best¹ cinema channels available on cable and satellite, the major and essential thematic channels, practical and amusing interactive services, as well as exclusive broadcasting of all the national channels.

With a 66% stake in TPS, TF1 is in a position to optimise the potential synergies between the generalist channel – exclusively available in digital form on TPS – the group's thematic channels and the interactive events-based services (voting, quiz shows, forecasts) associated with programmes (*Star Academy*, World Cup).

Conscious of the crucial aspect of the quality of its channels and their programmes, TPS ambitiously involved itself from the outset with a premium positioning focused on cinema and sport. Meanwhile, cable and satellite audience ratings as measured by Médiamétrie show that the general public consistently selects channels created directly by TPS.

Spearheading its offering, the TPS Star channel, launched in September 2001, was the culmination of this programme investment policy and has become, in only a few months, the leading cinema channel available on satellite and cable.

In the space of six years, TPS has succeeded in winning 1.172 million subscribers in France and has 258,000 cable subscribers (mainland and overseas) to its premium offer.

An enhanced cinema offer

To enable it to offer powerful, diversified events-based programming, TPS has renewed its output deals with MGM (exclusivity for all the James Bond films including *Die another day*, and *Windtalkers*) and Paramount (*Mission Impossible 2*, *Tomb Raider*, *K-19*) thus securing the broadcasting rights for the blockbusters produced by these major Hollywood studios.

TPS has extended its film offering on TPS Star this year thanks to new contracts with Universal Studios (*The Mummy Returns*, *American Pie 2*, *The Grinch*) and Walt Disney TV International (*102 Dalmatians*, *Pearl Harbor*, *Disney's the kid*).

TPS continues to develop a special relationship with the French cinema. After the success of *La vérité si je mens 2*, followed by *Tanguy* and *Le Boulet* in 2002, TPS Star was awarded the Oscar for the best foreign film in Hollywood with Danis Tanovic's *No Man's Land*. It has also taken out a purchase option on a number of new films (*Ab si j'étais riche*, *24 h de la vie d'une femme*, *La femme piège*) scheduled for cinema release at end-2002 and during 2003.

All these films are being screened for the first time in France on the TPS Star premium channel.



A constantly evolving channel offer

The offer was expanded in 2002 with thematic channels such as ESPN Classic Sport, Gourmet TV, Motors TV, Sailing Channel, Teletoon +1 and KTO. TPS also continued to develop its interactive services with, in particular, the launch of a "Yellow Pages" service and new services in the home betting range (Pariez SpOt, Multi, Quinté+) launched for the first time on television on TPS.

TPS provides a family offer, distributing an offer of more than 200 channels and services in digital quality, with (on an exclusive basis) all the national channels in digital, 6 cinema channels, 308 Premier League matches per season, all the other sports, thematic channels for all the family, a wide choice of options, 70 channels from around the world, 7 pay-per-view channels, more than 60 permanent interactive services as well as 44 radio stations available with "CD" sound quality.

Innovation pays off

On April 29, TPS launched *Le Platinum* in partnership with Sagem. Thanks to its hard disk, this digital set-top box frees subscribers from the time constraints of watching their favourite programmes. The *Platinum* allows subscribers to interrupt a live broadcast and return to it later at the exact point where they left it, record their favourite programmes without a video recorder and even create their own personal video library with more than 30 hours of digital programmes. Made available for the first time in France to TPS subscribers, *Le Platinum* offers innovative functionalities for 94% of them and is also user-friendly according to 93% of users (source: Sofrès Média).

Company profile

- **TPS is a commercial distributor**, a producer of channels and services, and a digital broadcasting platform
- **TPS has 518 full-time staff.**



The success of channels produced by TPS

Another vote in favour of the channels and services produced by TPS according to the results of the MédiaCabSAT study published in July 2002, Médiamétrie's tool for measuring the audience share of channels available on cable and satellite:

- **The TPS Star, Cinéstar 1, Cinéstar 2, Cinéfaz and Cinétoile** channels constitute the main cinema offering with an audience share of 7.2%, including 2.9% for TPS Star, among their cable and satellite subscribers.
- **Télétoon** is the leading children's channel (for 4-10 year olds and 4-14 year olds) in terms of audience share among its cable and satellite subscribers.
- Among the eight sports channels, **Infosport** is ranked joint second in terms of audience share among its cable and satellite subscribers.
- Available exclusively on TPS, **TPS Interactif** (Météo Express, Bandiagara) boasts a total of 25.1 million contacts per month on its interactive services, up 24% on the same measurement period in 2001.

1. Cumulative audience share of TPS cinema channels (excl. TPS Star) as % of total population, according to the MédiaCabSAT study (January-June 2002): 1.1%.

Source: Médiamétrie's MédiaCabSAT - July 2002.

TPS



Television cinema

With a premium offering of five thematic channels covering the major cinema film genres, TPS Cinéma's €80 million investment in the programme schedule (including nearly €30 million on the acquisition of French films), agreements signed with American studios, ensuring a first or second broadcasting window for the main blockbusters, and a range of films offered first on a "pay-per-view" basis, TPS is the big screen.

The schedules of the satellite bundle's cinema channels speak for themselves. **Some 1,200 films are broadcast** or re-broadcast each year, 60% of which are French or European films. These screenings are complemented by daily or weekly news magazines on the cinema, shows and football.

Launched in autumn 2001, TPS Star is the powerhouse of the bundle's cinema channels with more than 40 new films monthly for all the family. On this channel, cinema takes the form of thematic evenings or tours of major cinema events, with prime time at 8.45 p.m. and "bonuses" as on DVDs. In the space of only a few months, TPS Star has become the no. 1 premium channel available on cable and satellite in terms of audience share (source: Médiacabsat - January/June 2002).

Cinéstar 1 and Cinéstar 2 are the channels for recent films. Cinéstar 1 also screens short films and original series. Associated as it is with these two channels, TPS Star is cited by 75% of TPS subscribers as one of their main reasons for subscribing.

Cinéfaz's cinema programmes have three themes. By offering, for example, a month of "Westerns", a week of "James Bond", or a night of "horror" films, Cinéfaz provides three excellent ways of discovering the A to Z of films, actors and producers. The style is more unusual and targets the "DVD generation".

Lastly, Cinétoile screens the big classics in black and white and in colour, legendary films aimed at cinema enthusiasts.

This rich and complementary programming is the result of agreements that TPS has entered into with the main American studios, essentially Paramount and MGM, but also Universal, Columbia and independents like New Regency and Dreamworks.

Cinema is visual entertainment. For this reason, TPS is involved in major events such as film festivals or important film ceremonies. The Cannes Festival, the Comedy film festival at Alpe-d'Huez and the Deauville Festival are key events. This year, TPS was fortunate to have a Hollywood Oscar nomination in the "best foreign film" category with the feature film *No man's land* for which it provided pre-financing.

Like most TF1 group entities, TPS is seeking to exploit synergies with the group. On December 7, 2002, the TPS Star and Odysée channels broadcast a special "Pearl Harbor" evening, with 100% exclusivity, to coincide with the 61st anniversary of the event. The evening kicked off with an original historical documentary broadcast on Odysée before TPS Star took over with the screening of the "making of" and the Michael Bay film, both broadcast for the first time on television.





Market and stock yield

Dividends and yield

At December 31, 2002, the group's share capital totalled €42,810,116, based on a nominal value per share of €0.2 (see paragraph 5.3 of the Financial Statement in the Directors' Report).
There are no investment certificates, no preference shares and no shares with double voting rights.

Year	Dividend paid ⁽¹⁾ (€)			Share price ⁽¹⁾ (€) (closing price)			Yield (closing price)
	Net	Tax credit	Total	+ high	+ low	close	
1996	0.24	0.12	0.36	9.7	7.2	7.6	4.8%
1997	0.24	0.12	0.36	9.4	7.4	9.4	3.9%
1998	0.34	0.17	0.51	17.1	9.4	15.2	3.3%
1999	0.46	0.23	0.69	54.9	14.8	52.0	1.3%
2000	0.65	0.325	0.975	94.2	45.9	57.5	1.7%
2001	0.65	0.325	0.975	63.1	19.1	28.4	3.4%
2002	0.65⁽²⁾	0.325⁽³⁾	0.975	36.9	19.6	25.5	3.8%

1. Adjusted for 10 for 1 split.
2. Submitted for approval at the General Meeting.
3. Based on a 50% tax credit.

The TF1 stock is quoted on the Paris stock exchange; SICOVAM code: 5490. There is currently no request for it to be admitted to any other stock exchange.

At December 31, 2002, TF1's market capitalisation totalled €5.45 billion.

At December 31, 2002, the TF1 stock was included in the following stock market indices: CAC 40, ITCAC, SBF 120 and FTSE Eurotop 300. The TF1 stock is also included in the following sustainable development indices: DJSI STOXX, FTSE4Good Europe and ASPI Eurozone.

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

Tax status

Under present French Law, the applicable tax regime is as follows:

• Individual shareholders resident in France

Dividends from French shares are taken into account as part of revenue from securities in order to determine the taxpayer's global income.

They will consequently be liable to income tax and will incur:

- CSG of 7.5%, 5.1% being deductible from taxable income,
- social levy of 2%, non-deductible,
- CRDS of 0.5%, non-deductible.

These dividends will also benefit from the same annual allowance as bond revenues: €2,440 for married couples and €1,220 for unmarried, widowed or divorced people. This allowance is not applicable to taxpayers chargeable at the top rate of tax.

• French resident legal entities liable to corporate income tax

Dividends paid are liable to common law conditions.

Shareholders may benefit from the parent company regime if they hold more than 5% of the share capital of the distributing company.

• Shareholders not resident in France

Dividends distributed by companies registered in France are liable to a 25% withholding tax if the shareholder is resident in a country outside of France. The withholding tax may be reduced or eliminated in accordance with the relevant double tax agreements.

Please note that this is a simplified presentation of tax regulations.



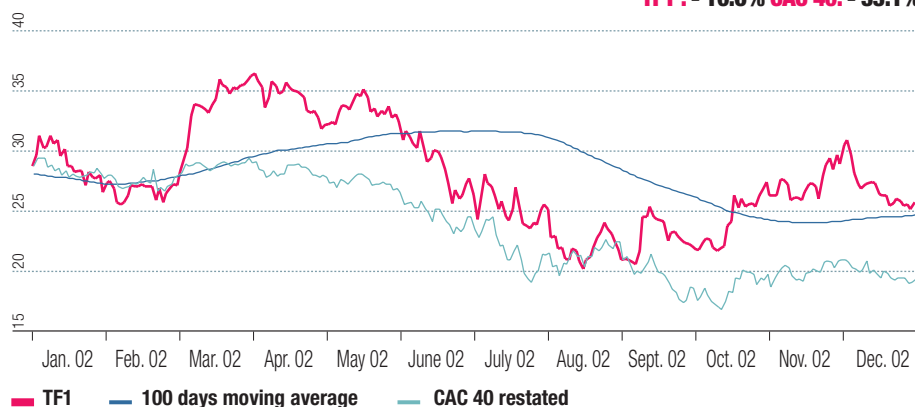


Share price performance and volumes

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

Year	Month	+ high ⁽¹⁾ (€)	+ low ⁽¹⁾ (€)	Close (€)	Number of shares traded ⁽²⁾	Market capitalisation ⁽³⁾ (€M)
2000	January	57.5	45.5	54.6	1,785,780	11,530.6
	February	67.5	53.7	67.5	1,140,548	14,254.9
	March	95.7	70.0	77.0	1,695,722	16,261.1
	April	82.0	54.1	75.3	2,015,019	15,902.1
	May	81.7	58.0	69.0	2,146,228	14,571.6
	June	75.9	66.8	73.0	3,688,439	15,416.4
	July	85.4	70.0	80.2	8,423,162	16,936.9
	August	85.0	71.7	82.1	9,441,931	17,338.1
	September	88.7	64.8	65.0	15,677,546	13,726.9
	October	69.9	53.3	64.3	18,698,062	13,579.1
	November	66.8	47.9	50.4	19,063,964	10,643.6
	December	59.0	50.7	57.5	10,926,718	12,143.0
2001	January	63.8	50.0	55.0	14,424,459	11,615.1
	February	54.5	43.3	47.0	20,792,841	9,919.3
	March	50.0	35.6	38.9	22,958,240	8,204.5
	April	48.9	35.8	47.3	14,054,795	9,989.0
	May	48.5	38.2	38.5	21,912,299	8,130.6
	June	41.9	32.2	34.5	17,865,710	7,277.4
	July	39.2	31.2	38.6	16,573,817	8,141.1
	August	39.8	31.5	32.0	15,756,226	6,755.7
	September	32.0	20.2	21.0	25,599,967	4,434.8
	October	28.7	18.5	25.0	28,266,619	5,271.1
	November	35.1	24.6	27.1	26,809,491	5,727.3
	December	31.2	26.2	28.4	14,112,735	6,018.6
2002	January	31.6	26.0	27.1	14,482,576	5,745.1
	February	27.7	24.9	26.9	13,437,677	5,706.9
	March	36.1	26.7	35.7	37,913,751	7,559.8
	April	36.9	30.0	31.6	35,879,485	6,699.1
	May	35.0	30.2	32.8	26,467,830	6,953.5
	June	33.1	24.2	27.1	26,955,816	5,788.1
	July	28.8	21.6	25.0	28,193,278	5,327.0
	August	25.1	19.6	20.8	20,814,102	4,438.8
	September	25.9	20.1	21.5	35,463,759	4,588.2
	October	28.1	20.4	26.0	34,688,307	5,551.1
	November	31.3	24.9	30.3	21,226,844	6,458.5
	December	31.5	23.8	25.5	16,978,884	5,449.7
2003	January	26.7	22.3	22.9	17,128,356	4,903.9
	February	22.9	20.8	21.2	19,169,359	4,542.2

TF1 stock price, in €



Source : Euronext Paris SA.

Note: adjusted for 10 to 1 split in June 2000.

1. Highs and lows are those recorded at stock market sessions.

2. Traded volumes represent transactions recorded both on and off the central CAC system.

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





TF1 non-trading company



Ethical broadcasting

TF1 has made numerous efforts in terms of ethical programming. It is, first and foremost, a family-oriented generalist channel, which attaches considerable importance to the respect of its television viewers, and especially children. TF1 is one of the few channels in France to have created an internal programme conformity service, which exercises control upstream of all the programmes scheduled for broadcasting on the channel. In agreement with the CSA, TF1 has adopted the use of icons for programme identification. Furthermore, programmes for children are vetted by psychologists.

In terms of advertising spots, there are three levels of control:

- the “Bureau de Vérification de la Publicité” (BVP) provides a preliminary opinion on the broadcasting of the advertising spot, on presentation of the advertising films. Although obligatory, this opinion is no guarantee against any recourse by the CSA or a third party. However, it helps advertisers avoid contravening any code of ethics and legislative and regulatory measures. The BVP also has a Consultancy service, which provides legal opinions on presentation of story-boards. The BVP is a member of the ‘Alliance’ network, an European organisation for the respect of ethical advertising;
- TF1, with a team responsible for viewing each of the advertising spots after the BVP has given its opinion;
- the CSA carries out a control after the event.

In renewing TF1’s broadcasting licence on 20 November 2001, the CSA underscored the channel’s efforts in sub-titling programmes for the deaf and the hearing-impaired. It fixed a minimum annual volume of 1,000 hours for this type of programme. In 2002, TF1 scheduled 1,752 hours of sub-titled programmes.

TF1 has committed to significantly increase the presence of anchors, journalists and actors from “visible minorities”. These efforts allow TF1 to discover talent in these communities and to promote their access to the channel.

In 2002, TF1 broadcast, in periods of high visibility (before or after news bulletins) a number of short programmes such as *SOS planète eau* or *Le sommet du développement durable*, aimed at making viewers aware of environmental issues and the challenges of sustainable development. These are complemented by regular programmes covering the environment, such as *Usuaia* and *Très chasse*.



Advances in terms of social benefits

TF1's ongoing social benefits policy extends beyond the company's legal obligations. The main advances in terms of social benefits are as follows:

In terms of **employee savings**, TF1 has set up three mutual funds for the management of employee savings. The TF1 Actions fund, in place since 1988, receives the maximum top up allowed under the law, i.e. (for the time being) €3,450 per annum and per employee. Furthermore, the special employee profit sharing reserve, in existence since 1989, equates in most cases to a 14th month's salary for employees.

The **welfare benefits regime** contains generous cover benefits. For example, the lump-sum death benefit paid to a surviving spouse amounts to 350% of the annual salary + 100% per child in the household. The benefits are doubled in the case of accidental death. TF1 has also subscribed to an insurance policy specific to professional risks associated with reporting conditions. In addition to its recurrent legal obligations, the medical service has developed a genuine policy of sickness prevention, in particular by offering employees the possibility of free vaccinations.

In terms of **medical insurance**, TF1 finances 50% of the total contribution. The guarantees offered are of high quality (dentures reimbursed at 450% of the standard reimbursement rate, spectacle lenses reimbursed at 10% of the Social Security's monthly ceiling).

TF1 also makes a **welfare assistant** available to employees. The welfare assistant is responsible for attending to employees in difficulty and offering solutions ranging from a social housing loan to the allocation of housing in the framework of the 1% employers contribution mechanism. TF1 manages some 300 rental properties in conjunction with the collecting agencies. It regularly notifies the housing committee of any actions taken regarding housing allocation and the "1%" loan.

TF1 has implemented for several years a generous **family welfare policy**:

- birth allowance and marriage allowance fixed at €915,
- pregnant women continue to be paid in full throughout the period they are off work, while from the 6th month of pregnancy their working week is reduced by 10 hours. Furthermore, they can benefit from four weeks' nursing mother's leave subsequent to maternity leave,
- nursery allowance fixed at €8 per day of child care,
- leave for family events (marriage, birth, death, moving home, sick child).

In the case of **sickness absence**, an employee who has been with the company for more than three months receives his/her monthly salary in full for a period of three months. An employee who has been with the company more than five years receives his/her monthly salary in full for a period of four months. Beyond these monthly limits, the employee will come under the welfare benefits system. Furthermore, company employees with a long-term illness recognised by the Social Security retain their entire salary for the first three years.

Working conditions at TF1: TF1 provides a company restaurant and makes the maximum contribution to the cost of a meal allowed under the law, i.e. €4.6. TF1 also makes available to its staff a gym with electronic equipment, a sports doctor, a travel agency, a hairdressing salon and a shop. There is a book suggestion in the company restaurant.

Smoking areas have been introduced in all the TF1 group's buildings. In addition to complying with current regulations, they are fitted with air purifiers to significantly reduce nicotine levels in the air. The air is analysed regularly and the checks have always been satisfactory. In an attempt to protect the ozone layer copier filters are changed regularly.



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TF1 and the community

The TF1 group has strong ties with the community, which are apparent through the various existing types of sponsorship.

Each year over the last 14 years, TF1 has supported the operation “Pièces Jaunes”, which in 2002 collected close to €15 million to finance projects aimed at improving the conditions and care of hospitalised children. This operation is organised by the foundation Hôpitaux de Paris - Hôpitaux de France, whose president is Mrs. Bernadette Chirac, and benefits from awareness advertising banners on the channel. All the events are widely reported during television news bulletins. A series of fifteen modules of varying lengths which follow the “solidarity travellers” and are broadcast between programmes throughout the weekend.

The fourteenth pièces jaunes collection campaign kicked off on January 6, 2003 and finished on January 31. For three days, the “piggy bank” high-speed train wended its way across France collecting the small change accumulated by thousands of children. Celebrities from all walks of life were present, beginning with Olympic gold medalist David Douillet, the operation’s sponsor for the seventh year running.

This year, for the first time, the collection was in euros (yellow, copper and two-toned) although any last remaining francs were also very welcome. This money will be used to finance ambitious and innovative projects, such as the 2004 opening of the home for adolescents in difficulty within the Cochin hospital in Paris.

Meanwhile, on Tuesday, January 28, 2003 at 8.55 p.m. Jean-Pierre Foucault welcomed, for the second year running, a host of artists for a “Who Wants To Be A Millionaire ?, pièces jaunes special” edition. A cheque for the total winnings, i.e. €300,000, was handed over to Mrs. Bernadette Chirac at the end of the programme.

In 2000, 2001 and 2002, TF1 and the association *Ensemble contre le Sida* combined their efforts for 48 hours live to draw attention to the fight against AIDS, informing, mobilising and encouraging viewers to make donations. The two days focused on the need for prevention and for the care of sufferers and collected over €2 million in committed donations. Faithful to its policy, the association donated 50% of the sum collected to research and 50% to prevention and support programmes.

Such one-off operations are backed up throughout the year by a policy of solidarity with a multitude of charitable organisations to which TF1 devotes advertising space to promote their activities. *Aides et Action*, the *Comité National Contre le Tabagisme*, the *Fondation de France*, *Reporters Sans Frontières*, *Unicef* and many others have benefited from the support of TF1 to obtain greater exposure.

In 2002, the channel earmarked the equivalent of around 1% of its advertising revenue to these various causes: free advertising space, special “Pièces jaunes” programmes, 48 hours highlighting the fight against AIDS, financial contributions in the case of natural disasters.

In order to maximise the benefits of an effective communications system and this public involvement, TF1 became one of the founders of jeveuxaider.com, the first “solidarity portal” in France launched on January 31, 2002.

As a result of what is considered to be a socially responsible policy, TF1 is now included in three sustainable development indices: the DJSI STOXX, the ASPI Eurozone® and the FTSE4Good Europe Index.



Télévision Française 1

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