

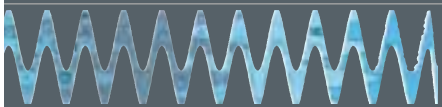
Creating and transmitting images



2002 annual report



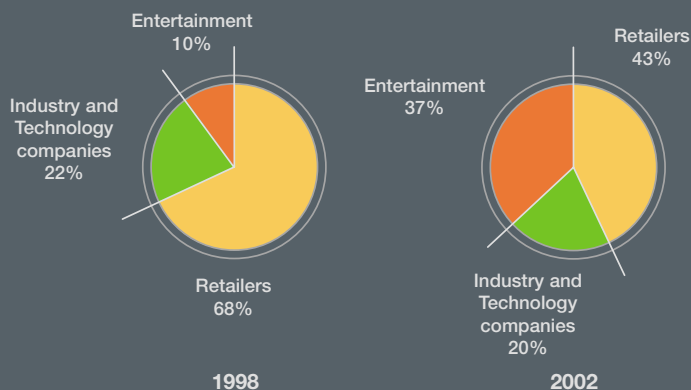
THOMSON



Today Thomson is

A balanced customer portfolio

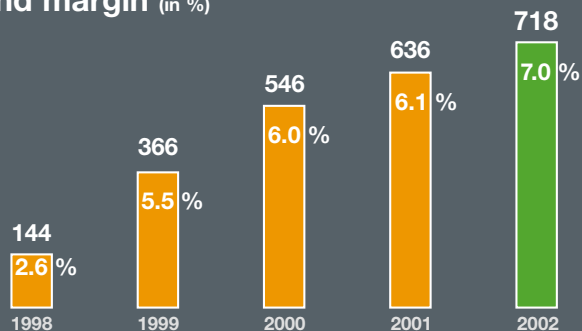
Sales revenue per type of customer



The customer portfolio reflects the Group's repositioning on the entire video chain, with considerable reinforcement of its business with content creators and network operators. Following the acquisitions of Technicolor, Grass Valley, Grundig's decoder business, and Panasonic Disc Services Corporation etc., carried out in 2001 and 2002 and the growth achieved in this field, this segment represents 37% of the Group's sales revenues.

Constant growth of profitability

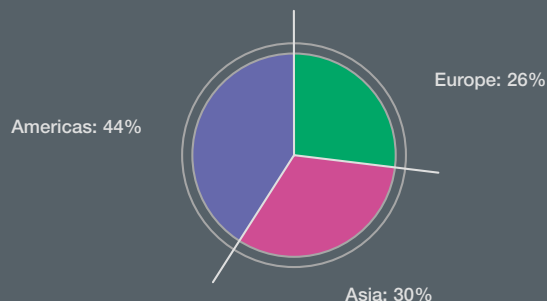
Operating income (in millions of euros) and margin (in %)



The Group's repositioning makes it less sensitive to the strong fluctuations in the consumer electronics market, and takes it into business areas where prospects for growth and profit margins are stronger. In this way, Thomson benefits both from its capacity to manage traditional businesses profitably and from the rapid growth in its business with content creators, a field where it is asserting its technological, industrial and commercial leadership.

A worldwide presence

Worldwide workforce breakdown



As a worldwide group, Thomson enables its customers to benefit from its global expertise and from its local skills, to give them the best possible service. It organizes its manufacturing activities to have a flexible and open-ended industrial base, with units located in low cost areas.

present



throughout the video chain

From motion picture studios to television network broadcasters, from cable networks to satellite broadcasting operators, and from retailers to consumers, the video chain is undergoing **fundamental transformations caused by the development of digital technologies and the expansion of high speed networks.**

More than ever, the creation, transmission and reception of images form an integrated chain that requires an all-encompassing **vision to reap all the benefits of technological innovation.**

To accompany its customers in this transition, Thomson uses its leading position in the consumer electronics markets to broaden its offer to include **supply of technologies, products and solutions for content creators and broadcasters.**

Today Thomson is a world **leader on each segment of the video chain** – creation, distribution and access – to which it brings its **high quality standards and culture of innovation.**

With its technological expertise, industrial skills, four strong brands - Technicolor, Grass Valley, RCA and THOMSON - and integrated vision of the video chain, **Thomson gives its customers the means to successfully manage this change. This capacity forms the basis for our ambition and our development.**

Table of contents

Message from the Chairman and from the Chief Executive Officer	2 - 5
Corporate governance	6 - 11
Financial performance	12 - 15
Strategic positioning	16 - 27
Sustainable development	28 - 36

Message from the Chairman of the Board of Directors



Frank Dangeard
Chairman of
the Board of Directors



Thomson is one of the first French corporations to have put into application the NRE law, separating the functions of Chairman and Chief Executive Officer.

This separation is already common practice in the English-speaking business world. It provides additional guarantees for the functioning of the Group's management bodies, in particular the Executive Committee in charge of day-to-day management and implementation of the strategy determined by the Board of Directors. This separation also gives the Board of Directors complete freedom to perform its control mission, and to play its role in the Group's development.

I was appointed Chairman of the Board of Directors on October 8, 2002, after a period of two years as Vice-Chairman. I shall be inaugurating this new mode of corporate governance in a spirit of complete continuity with the strategic line defined over the last five years. Our Board of Directors will be the guarantor of this continuity, while continuing to move the Thomson Group forward, benefiting from the quality and expertise of its administrators, and backed up by its Strategic Committee chaired by Thierry Breton, its Audit Committee chaired by Christian Blanc, and its People and Organization Committee chaired by Marcel Roulet.

Our strategy has completely transformed the Thomson Group.

Five years ago, Thomson was state-owned, centered on the highly cyclical business of consumer electronics, and managing a large number of brands. The Group was also suffering from

severe financial fragility. The change of our name in 2002 indicates the scale of the transformation. We are now known as Thomson and have become one of the most prominent worldwide suppliers of technologies, products and solutions for all players in the video chain, from movie studios to mass retailers of consumer electronics devices and the consumer.

From one end of this chain to the other, the increasing prominence of digital technologies and the development of broadcasting networks are creating fundamental changes.

Our strategic positioning enables us to respond directly to the needs of players in this video chain.

We rely on four famous brands (Technicolor, Grass Valley, THOMSON, RCA), benefit from a strong financial stability, both in terms of balance sheet, income statement and cash generation, and our stock ownership structure has been substantially modified. Since we have considerably strengthened our customer portfolio, which now includes names as prestigious as The Walt Disney Co., DreamWorks, Universal, DIRECTV, EchoStar, News Corp, Canal+, Wal-Mart, Carrefour and many others, we now have the means to create new markets and new services.

In a difficult economic climate, Thomson is going to pursue its development.

The difficult economic situation in which the Group is working has not prevented it from producing excellent results in 2002, representing considerable progress since the previous year. However the performance of the share price has been disappointing, despite the progress made in terms of market share, cash generation and improvement of the balance sheet and stock ownership.

In this difficult context, on the strength of its leading positions in the video chain and its financial stability, the Thomson Group will continue to evolve. During 2003, the Board of Directors and the Executive Committee will work to define our strategic ambition for 2006.

It is this confidence in Thomson's future which has led the Board of Directors to propose the distribution of a dividend for the first time in the Group's history, in order to associate our shareholders with Thomson's successful repositioning and the continuation of our development.

Interview with

the Chief Executive Officer

What is your verdict on Thomson's financial performance in 2002?

With operating income of 718 million euros, representing an increase of 13% compared to 2001, and net income of 373 million euros, representing an increase of 30%, we have achieved another improvement in our results, despite operating in a difficult environment.

This is an outstanding performance, continuing the steady and continuous growth in profitability: our operating margin has accordingly increased from 2.6% in 1998 to 7% in 2002.

As a direct result of the improvement in profitability, the cash flow generated by our operations increased by 13% in 2002, to reach a total of 1.461 billion euros.

This has given us the means to strengthen our position through external growth upstream of the video chain, in the products and services targeted at movie studios and broadcasting platforms, only having recourse to indebtedness to a marginal extent: our net indebtedness stands at 231 million euros, i.e. approximately 5% of shareholders' equity. These remarkable results have been achieved at a time when our consolidated net sales have dropped 2% to stand at 10.187 billion euros.

How have your different divisions fared?

The Group's overall performance is the result of several changes. Firstly, due to a tough competitive environment, the sales of consumer devices are down.

In this business sector, we put the priority on the sales margin by adjusting our cost structure and making our industrial base as flexible as possible.

Moreover, business for our Digital Media Solutions division is enjoying strong growth, with sales revenues up 53%, increasing from 1.758 billion euros to 2.686 billion euros. Our organic growth on this segment - excluding acquisitions - was 11%, confirming the dynamism of these markets. Above all,



Charles Dehelly
Chief Executive Officer

this growth was achieved while at the same time clearing a slightly improved operating margin, at 13.9%. Finally, I would like to underline the excellent performance of our Patents and Licensing division, which since 1999 has enjoyed steady organic growth every year. This business segment is a source of revenues, and above all of profits. So in 2002, Thomson reinforced its growth and profitability profile. This performance bears out not only our management capacity but also the relevance of our strategic repositioning.

What is Thomson's new positioning today?

We form a worldwide group covering the whole of the video chain, capable of assisting all the economic players in this chain to reap maximum benefit from digital technologies. Our business outside consumer electronics now represents more than 56% of our revenues.



Interview with

the Chief Executive Officer

Over the past three years, we have conducted a development strategy to become the world's top supplier of technologies, products and services to movie studios, and to broadcasters and network operators.



We are convinced that the creation, broadcasting and reception of video and audio content are all part of a continuous chain. The movie studios provide content for this video chain. In addition, broadcasting and reception are very closely linked: modems and decoders are used not only by the consumer but also by the network operator. The explosion of digital technologies is accentuating this trend and requires increased capacities for integration and coherence, especially on the technological level. These are commercial and technological synergies that Thomson wants to develop in the context of the digital transition.

This positioning on the entire video chain considerably reduces the exposure of our operating income to variations in the consumer product market, and it gives us access to more dynamic and profitable markets.

So why remain in consumer electronics and strive to be present in the entire video chain?

Simply to satisfy our customers' needs more effectively, thanks to a sustained rate of innovation. In a technological group like Thomson, innovation is at the heart of our strategy.

Our strong presence on the consumer electronics market brings us in-depth knowledge of consumer requirements and trends.

This true understanding is a constant source of innovation to develop new components and engage in research which will lead to new inventions and new patents. Above all, it enables us to imagine new solutions with our customers that will enable them to develop new profitable activities because they meet a real need and correspond to a real trend.

Similarly, our close collaboration with the major content producers is a source of new technological challenges, such as the protection of content, or video compression to transmit television pictures down a telephone line. Here again, this very close relationship with our customers enriches our capacity to innovate and enables us to provide the major mass retail groups – and through them the consumer – with compatible and open-ended products allowing them to protect their investment while permitting access to new digital content and services.

How have the entities acquired these last few years been integrated?

Our results show that this integration was a great success. The challenge in a business like ours was to secure the loyalty of the personnel, to reduce integration costs, and to deploy the expected synergies as quickly as possible. In each case, it only took a few months to harmonize the information systems and unify the purchasing policies. We were able to benefit from synergies in purchasing and general expenses in the same year the companies were acquired. Also, most of the acquisitions led to commercial synergies, enabling us to address a wider customer base with a more comprehensive offer of products, services and solutions. Finally, the people employed by the purchased companies were immediately integrated into our Knowledge Community and management networks. They have made an enormous contribution and quickly saw the advantages to be gained from becoming part of our Group.

We have respected these companies, and have brought them our strengths in innovation and development. Technicolor has become, thanks to Thomson, the leading worldwide DVD manufacturer and has considerably reinforced its post-production service offering. While continuing to serve movie studios through its traditional services, Technicolor also enables studios to benefit from the fantastic potential of digital technologies.

What are your challenges for 2003 and your strategic spheres of development?

We are going to continue the transformation of Thomson in an environment that will remain affected by many uncertainties. We intend to achieve long-term profitable growth based on the quality and competitiveness of our products, services, and solutions. We rely on our values of ethics and respect for people and the environment, that we will continue to promote both internally and outside the Group.

We will do this by making the most of our presence throughout the entire video chain, and also by developing our range of services to customers: content creators, network operators, major mass retail groups.

We will continue our geographical deployment, especially in China which is a strong growth market. These areas of progress take the concrete form of three major programs which are engaging our personnel throughout the world: "TARGET" to develop our offer to content creators and network operators; "New Frontier" to take advantage of the growth in the Chinese market; "TQS" to increase customer satisfaction, enhance the quality of our processes, reduce costs and control risks.

Why have you become Thomson?

In 2002, Thomson multimedia became Thomson. This decision is emblematic of our change in strategic positioning, while maintaining historical continuity. It is a banner under which we bring together all the men and women who are part of the Group, whether they joined us recently or many years ago, and who are our most valuable asset. It is also a strong signal to our customers, partners, supplies and shareholders, telling them that Thomson has changed, considerably reinforcing its technological, industrial, commercial, human and financial resources to achieve its ambition: to be the leader in the digital transition throughout the entire video chain.



Corporate governance

Board of Directors

A more important role

Frank Dangeard

Chairman of the Thomson Board of Directors
Directeur Exécutif-Équilibres Financiers
et Création de valeur, France Télécom
Term expires 2004

Christian Blanc

Deputy at the French National Parliament
Term expires 2005

Thierry Breton

Chairman and CEO of France Télécom
Term expires 2004

Pierre Cabanes

Chairman of Antée S.A.S.
Term expires 2004

Emmanuel Caquot

Director, French Ministry of Industry
Term expires 2007

Catherine Cavallari

Representative of Thomson's employees
Patents and Licensing
Term expires 2007

Thierry Francq

Deputy Director at the French Department of Treasury
Term expires 2005

Michael P. Green

Chairman of Carlton Communications Plc
Term expires 2006

The functions of Chairman and Chief Executive Officer are separate

Since October 8, Frank Dangeard is Chairman of Thomson's Board of Directors and Charles Dehely is the Chief Executive Officer.

As Chairman of the Board of Directors, Frank Dangeard presides over the work of the Board to make the Group's strategic decisions, monitor its activities and results.

With the Strategic Committee, he provides the Chief Executive Officer with his support in order to define the major strategic orientations and to represent the Group on the financial markets, and in relations with shareholders and partners.

To perform his mission, he participates in the meetings of the Management Board and together with the Chief Executive Officer and the Chief Financial Officer, he gives a monthly review of the Group's results.

Frank Dangeard receives remuneration corresponding to this mission, which no longer comprises control and executive powers, since these are held by the Chief Executive Officer.

Clearly distributed roles

The major orientations are prepared at the instigation of the Chief Executive Officer within the Management Board, are then presented to the Strategic Committee, and finally fixed by the Board of Directors.

The Chief Executive Officer is responsible for implementation of these major orientations, performance of which is controlled by the Board of Directors.

The NRE law

Upon the departure of its Chairman and Chief Executive Officer Thierry Breton, Thomson was one of the first companies to put into practice the separation instituted by the law on New Economic Regulations (NRE) between the functions of the Chairman of the Board of Directors and those of the Chief Executive Officer.

This provision stipulated by the new bylaws was approved by vote of the General Shareholder's Meeting on October 8, 2002, and adopted by the Board of Directors meeting held following this General Shareholder's Meeting.

Focus

Eddy W. Hartenstein

Senior Vice-President of Hughes Electronics Corporation, Chairman and CEO of DIRECTV
Term expires 2004

Igor Landau

Chairman of the "Directoire" (CEO) of Aventis
Term expires 2004

Pierre Lescure

Chairman and CEO of Le Monde Presse
Term expires 2004

Didier Lombard

French Ambassador-at-large, International Investment
French Ministry of Finance
Term expires 2007

Jean de Rotalier

Representative of Thomson's employees Manager
Sales Planning Manager
Term expires 2007

Marcel Roulet

Former Chairman and Chief Executive Officer
of Thomson S.A.
Thales and France Télécom
Term expires 2005

Tadahiro Sekimoto

Former President of NEC Corporation
Term expires 2007

Bernard Vergnes

Emeritus Chairman, Microsoft Europe
Term expires 2004

Three expert Committees

With the help of the Executive Committee, the Chief Executive Officer is responsible for management of the Group. Every month he draws up a report on the Group's results for the Board of Directors.

A reinforced Board of Directors

In 2002, the Board of Directors actively contributed to the Group's development, meeting on 12 occasions. It underwent considerable renewal, with the arrival of administrators bringing recognized expertise in several key areas. Igor Landau, appointed in September 2002, brings his valuable expertise in the various aspects of intellectual property. Pierre Lescure, appointed in September 2002, is one of the leading players in the media world.

Eddy W. Hartenstein, Chairman of DIRECTV, and Doctor Sekimoto, former Chairman of NEC, were named as non-voting administrators.

2003 will be the first year in which employee shareholders participate in the Board of Directors, where they will hold two seats. This composition of the Board of Directors puts it in a position to play an active role in the Group's strategic developments. Charles Dehelly assists the Board, although he is not a Board member.

Since 1999, three Committees have been assisting the Board of Directors by giving their opinions on various matters.

The Strategic Committee reviews projects linked to corporate development (investment, competitiveness, strategic agreements), and industrial partnerships. It is chaired by Thierry Breton and its members are Frank Dangeard, Chairman of the Board of Directors, Emmanuel Caquot, Eddy W. Hartenstein, Pierre Lescure, Didier Lombard and Bernard Vergnes. It held five meetings in 2002.

The Audit Committee verifies the quality of the Group's accounting and financial documents, and ensures compliance with control procedures. This committee chaired by Christian Blanc also comprises Marcel Roulet and Igor Landau. Four meetings were held in 2002. Frank Dangeard participates but is not a committee member.

The People and Organization Committee focuses on the functioning of the Board of Directors, management remuneration and employee profit-sharing arrangements. It is chaired by Marcel Roulet, and the committee members are Frank Dangeard, Chairman of the Board of Directors, Pierre Cabanes, Eddy W. Hartenstein and Bernard Vergnes. Five meetings were held in 2002.

Executive Committee

This committee has fifteen members. It meets every Monday with the Chief Executive Officer, and the managers of the strategic business units and the support functions. Its function is to analyze results, decide upon what action to take to achieve objectives and conduct the Group's operations.

Charles Dehelly
Chief Executive Officer

Al Arras
Senior Executive Vice-President
Audio, Video and ATLINKS

Christian Briere de La Hossieraye
Senior Vice-President
Human resources

Tom Carson
Executive Vice-President
Patents and Licensing

Jean-Philippe Collin
Senior Vice-President
Purchasing and SPRING program

Jean-Charles Hourcade
Senior Vice-President
Research and Innovation

Franck Lecoq
Executive Vice-President
Displays and Components

Patrice Maynial
Senior Vice-President
Corporate Secretary and Legal Counsel

Eric Meurice
Executive Vice-President
TV/Video

John Neville
Senior Executive Vice-President
Integration

Mike O'Hara
Executive Vice-President
Marketing and Sales Consumer Products

Lanny Raimondo
Senior Executive Vice-President
Digital Media Solutions

Enrique Rodriguez
Executive Vice-President
Broadband Access Products

Stéphane Rougeot
Senior Vice-President
Communications and Entrepreneurship

Julian Waldron
Senior Executive Vice-President
Chief Financial Officer

system



Organization in networks

Continuity of management

Thomson has a closely-knit management team with an international culture, which has been closely associated with the Group's recovery and repositioning.

Today this team is led by Charles Dehelly, who joined the Group in 1998. Before being appointed Chief Executive Officer, he was one of the principal members of the Executive Committee. As Chief Operating Officer, he made a major contribution to Thomson's return to profitability, by reorganizing its industrial activities, and actively participated in its strategic repositioning.

Three management networks

The dynamism of Thomson's management derives from its network-based structure.

The premier network is the Executive Committee, in which all the Group's strategic business units and support functions are represented.

In addition to its weekly meetings, the Executive Committee also meets every six months for strategic discussions and to determine the actions to implement in the subsequent half-year. This seminar also offers an opportunity to hold a talent review of the members of the other management networks.

The Operational Committee forms the second management network.

Its members are 81 managers appointed because of their performance, leadership and contribution to business. It ensures the Executive Committee's decisions are implemented and plays an active role in making proposals to improve the Group's performance and prepare its strategic development.

The third network is constituted by the 360 Entrepreneurs.

They represent all the Group's areas of expertise and geographical zones. They are selected on the basis of their performance, expertise and potential, and meet twice a year. By relaying key messages to their organizations, they ensure there is a commonality of vision and shared values throughout the whole Group. They are mobilized in all the performance improvement programs.

Three new top-priority programs

Thomson is mobilizing its teams in worldwide programs.

Three programs were launched in 2002.

- **TARGET**, led by Lanny Raimondo, aims to develop the offer to content creators and network operators, via the extension of post-production services, management of digital images and geographical expansion in Europe and Asia.
- **New Frontier**, led by John Neville, aims to take advantage of the strong growth in the Chinese market, particularly by developing tube manufacturing business and implementing partnerships with the major electronics groups.
- **TQS**, is a worldwide Quality program led by Al Arras, aiming to improve the quality of processes, reduce costs and control risks in order to improve customer service. It covers every business sector: purchasing, manufacturing, R & D, marketing and sales, human resources and finance.

Focus

The Management Board

In October 2002, Charles Dehelly decided to create a Management Board to assist him in strategic thinking about the Group and investment decisions. This Board meets several times a month.

The other members are the four Senior Executive Vice-Presidents: Al Arras, John Neville, Lanny Raimondo and Julian Waldron.

Frank Dangeard, Chairman of the Board of Directors, also attends these meetings.

Simple
transparent information

Share highlights

	2001	2002
Highest (in euros)	57.65	36.7
Lowest (in euros)	18.31	12.39
Share price end of December	34.5	16.26
Average daily volume	970,402	1,817,060
Capitalization end of December (in millions of euros)	9,146	4,563
Number of shares at end of December (in thousands)	265,114	280,614
Net income per share (in euros)*	1.04	1.35
Net dividend per share (in euros)	-	0.225

* Calculated on the average number of shares.

Thomson is **listed on the Paris and New York Stock Exchanges.**

Communication of information to its shareholders and financial markets is simple and transparent, constantly updated on the Group's website and also available via a dedicated phone number. In particular, the annual report and the COB reference document are available for downloading from the website.

The shareholders were associated with the Group's transformations via two General Shareholder's Meetings on September 27 and October 8, 2002. At this last Meeting the new Management team was presented to the shareholders, together with the new bylaws in application of the NRE law – in particular the separation between the functions of the Chairman and the Chief Executive Officer – and the administrators representing the employee shareholders were appointed. These new bylaws were approved by a vote of the General Shareholder's Meeting.

www.thomson.net

Financial
information calendar

April 16, 2003: net sales in 1st quarter 2003

July 23, 2003: results from the 1st half of 2003

October 15, 2003: net sales in 3rd quarter 2003

The General Shareholder's Meeting called to give its ruling on the accounts for the financial year 2002 was held on May 6, 2003.

Note: these dates are given as an indication only, and may be modified.

Stock
exchanges

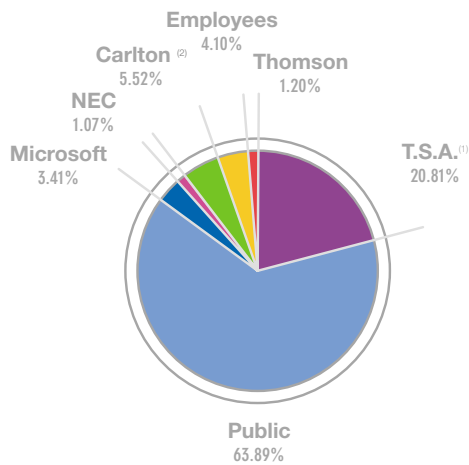
EURONEXT code 18453

NYSE ticker TMS.N

Highlights

Main trends in 2002

Stock ownership structure on February 28, 2003



⁽¹⁾ Owned 100% by the French state. This figure was accurate before TSA's transfer of shares to Thomson employees in the framework of the offer of March 2002.

⁽²⁾ Carlton placed the shares on the market in November 2001 in anticipation, by a process of convertible bonds.

In 2002 Thomson's **stock ownership structure underwent considerable modifications**. First of all, the proportion of capital held by the public has now become the majority, representing nearly 64% today. The share held by the French state via TSA continued to diminish, as did that held by NEC. The Alcatel and DIRECTV companies no longer hold shares in Thomson. This modification has led to **greater liquidity of Thomson shares**, with the average daily trading volume rising to more than 1.8 million securities.

The share value continued to be mainly influenced by the consumption of consumer electronics products, despite the fact that this has become a smaller business within the Group. Thomson's activities are now more centered upstream of the video chain on non cyclical markets, where growth and margins are strong.

As an indication of its confidence in the Group's capacity to create value in the long term, the Board of Directors decided to submit for the shareholder's approval at the General Shareholder's Meeting on May 6, 2003, a **proposal to distribute a dividend** of 22.5 euro cents per share.

Stock price evolution in 2002



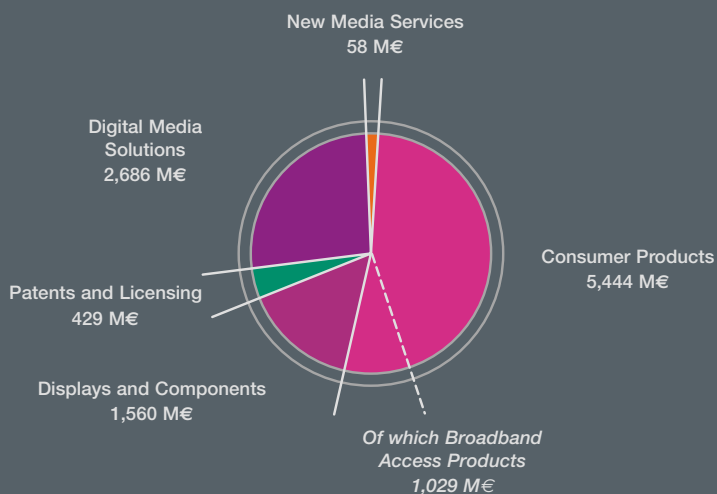
Focus

Financial transparency

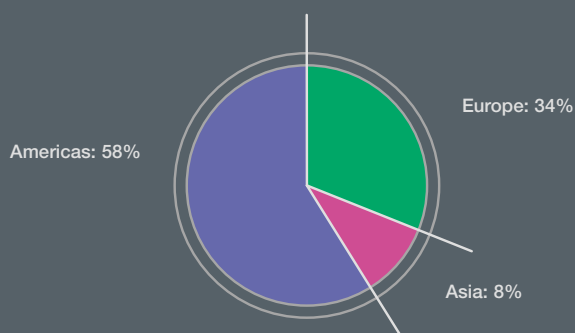
In its edition dated January 31, 2003 classifying CAC 40 companies according to their transparency (excluding financial securities), "Le Nouvel Économiste" placed Thomson in the leading group for both general transparency and financial transparency.

Sales revenues: growth of the most profitable business sectors

Breakdown by division



Breakdown by geographical zone



The distribution of the sales revenue by business area in 2002 reflects Thomson's repositioning on the entire video chain, reducing exposure to consumer products which are characterized by substantial price reductions and limited margins.

In 2002, sales in the **Consumer Products division** dropped in value by 16.8 %, as the Group continued to put the priority on defending its margins rather than seeking sale volume. The sales revenue for **Displays and Components** fell by 5.1% in a very difficult market context in the United States.

In parallel, Thomson continued to develop its business with content creators and network operators.

The **Digital Media Solutions division** benefited from an increase of 52.8%, with the integration of the latest acquisitions (Technicolor, Grass Valley, PDSC, several post-production companies). The increase of +1% at constant perimeter demonstrates the dynamism of the markets where this business is positioned, guaranteeing solid organic growth. The business with network operators reinforced its customer base with EchoStar and BSKyB and now supplies the four largest worldwide satellite television operators.

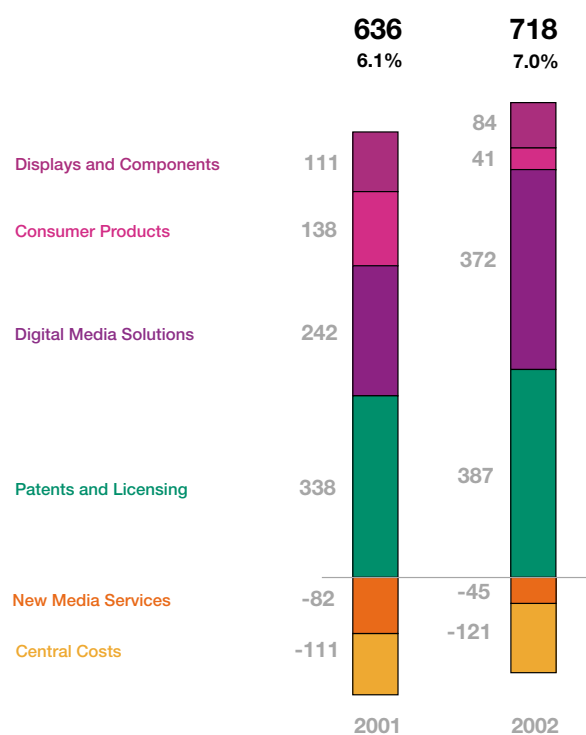
Sales in **Patents and Licensing** (+8.7%) are also rising, demonstrating once more this business sector's capacity for steady growth, fueled by the registration of 552 new patents in 2002.

The total sales revenue of 10.187 billion euros represents a drop of 2% in 2002 (increase of 2.3% excluding exchange rate impact). The Group's repositioning has therefore enabled it to limit the impact of difficult market conditions for consumer products, and to increase its sales revenues in more profitable business sectors.

continues its profitable growth

Operating income: another year of progress

Operating income and margin (in millions of euros)



The year 2002 ended with **another increase in operating income** (+13%). All the Group's divisions made a positive contribution to this result, apart from the New Media Services division (-45 million euros) where the loss is just over half that of 2001.

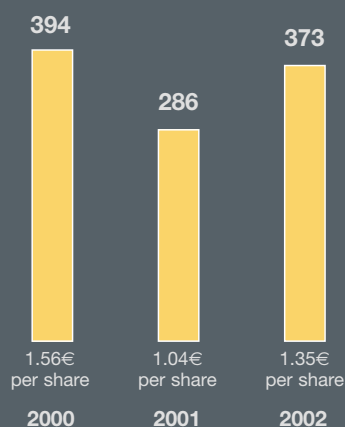
The **contributions from Patents and Licensing**, with 387 million euros (+14.5%) and **Digital Media Solutions**, with 372 million euros (+54%) led to results that were better than expected. This performance demonstrates the positive financial impact of the repositioning strategy upstream of the video chain.

Despite a difficult market in the United States, **Consumer Products managed to produce a positive result** with 41 million euros, as did Displays and Components with 84 million euros. In the United States, the shutdown of ports and price reductions had a significant impact on Consumer Products business, which nevertheless achieved considerable progress in the high-end segment, supported by the launch of the Scenium range.

The continued improvement of the operating margin also reflects the effectiveness of the effort to rationalize costs and control the supply chain. Thomson was able to adapt its organization and costs to difficult market conditions. It sought economies of scale, focused its manufacturing activities on products where it is a leader and benefited from its size via a centralized purchasing policy.

The Group also reduced its sales costs and administrative expenses (-3% between the second half of 2001 and the second half of 2002). The drop in general expenses during a period of external growth demonstrates the capacity to rapidly integrate the newly acquired companies. This management effort was conducted while increasing research and development expenditure: 374 million euros, an increase of 1.8% compared to 2001 (+5% excluding exchange rate impact).

Net income: strong rise in income (in millions of euros)



The Group's net income increased by 30% to 373 million euros, reflected by a net margin of 3.7%, up 0.9 points compared to 2001. The Group benefited from positive net interest income, reflecting its solid financial structure and limited financial debt. It continued to integrate costs for rationalization of its businesses, particularly in the Displays and Components and Consumer Products divisions. The total amount of these costs was 141 million euros in 2002, representing 1.3% of the sales revenue, i.e. a slight increase on 2001.

The tax burden diminished significantly in 2002, to 56 million euros. In 2002 Thomson changed to the consolidated taxable income system, applicable retroactively as from January 1, 2001. The Group benefited from the positive impact of this retroactive application for 2001, and from a slightly diminished current tax burden in 2002.

The increase in the net income is reflected in the net income by share, which increases by 29% to reach 1.35 euros.

Dividend: a key decision

0.225
euros per share

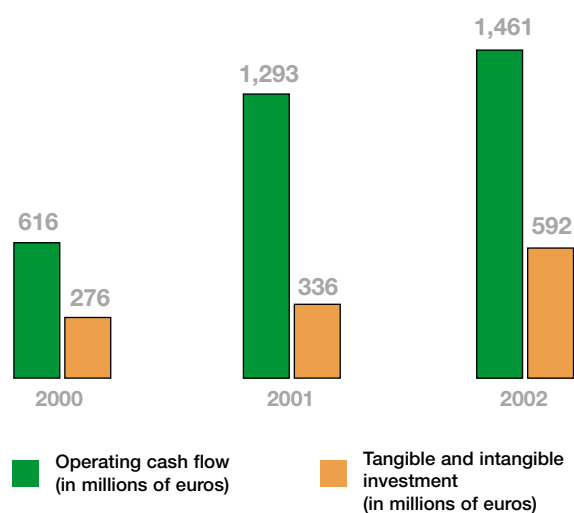
The Board of Directors approved a dividend of 0.225 euros per share for 2002, the first in the Group's history. The dividend will be submitted for the approval of the General Shareholder's Meeting to take place on May 6, 2003. This decision is based on the renewed rise in income in 2002, and reflects Thomson's profitability and its sound financial structure.

continues

its profitable growth

Cash flow and investment:

reinforced cash flow



As a result of the progress made in operational performance and the improvement in profitability, the Group's operational cash flow rose strongly in 2002 to reach 1.461 billion euros.

The working capital requirement expressed as a percentage of the sales revenue stood at 13.3% on December 31, 2002 compared to 17.1% on December 31, 2001. Progress has been achieved in many areas, in particular in inventory, management of outstanding accounts receivable and delays in payment.

On December 31, 2002, inventory represented 9.1% of sales (10.4% in 2001), and customer accounts receivable corresponded to 15.9% of sales (19.5% in 2001), while accounts payable debts dropped to stand at 11.7% of sales as against 12.8% in 2001.

Net tangible and intangible investment amounted to 592 million euros for the year as against 336 million euros in 2001: DVD replication lines, very large cathode-ray tube line in Mexico, production capacities for glass and extra flat tubes. Cash available prior to acquisitions and financial operations totaled 513 million euros. This cash flow enabled the Group to finance a high proportion of the acquisitions made in 2002, which represented a net financial investment of 1.124 billion euros.

Financial structure:

a solid balance sheet

Shareholder's equity on 12/31/2002

3.947
billion euros

Net financial debt on 12/31/2002

231
million euros

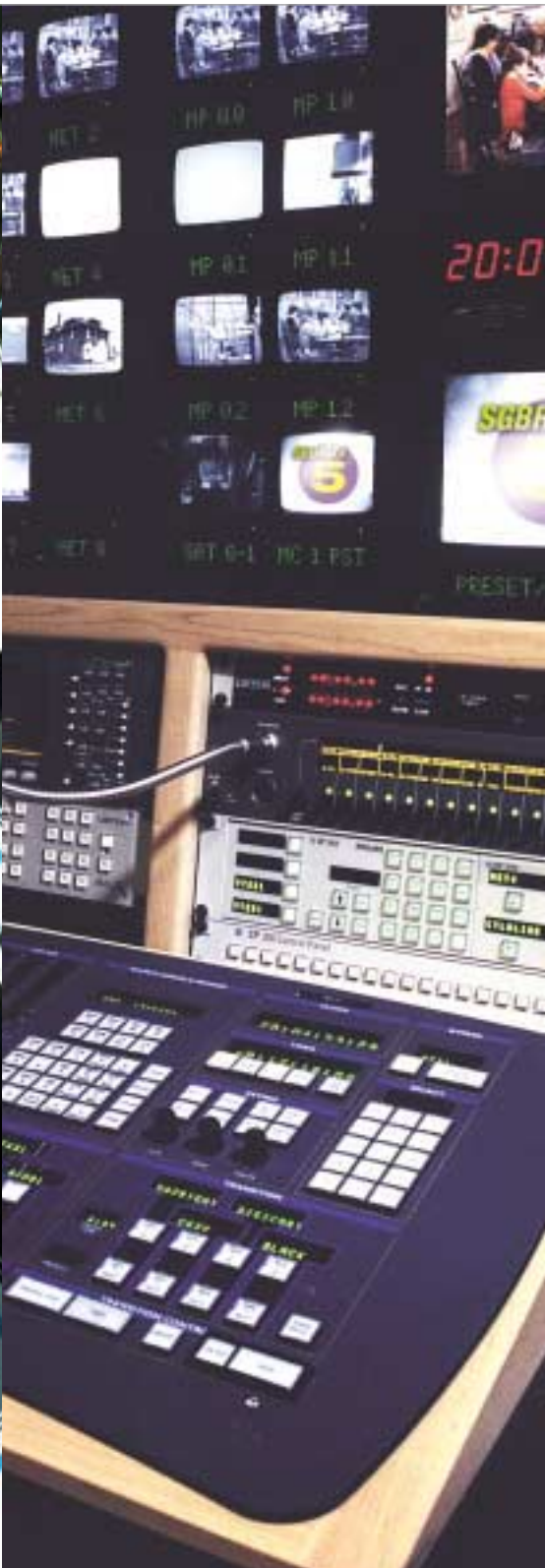
Thomson ended the year with a **net financial debt** of 231 million euros, significantly lower than the predicted figure, and to be compared with a net cash position of 401 million euros at the end of 2001.

With **shareholder equity** of 3.947 billion euros, Thomson has a gearing of approximately 5% and a solid balance sheet structure, on which it can build to continue its development.

This financial stability is reflected in the **BBB+ rating** that Thomson obtained from Standard & Poor's in July 2002.

Thomson has consolidated its leadership throughout the video image chain with a strategy combining acquisitions and organic growth. This strategy has contributed to developing the Group's customer portfolio, reinforcing its offer to content creators and distribution companies and strengthening its market positions.

Thomson at each



RCA
SCENIUM

Creation

Distribution

Access

Innovation

Brands

step

in the video chain

Innovative technologies to meet the needs of every player in the video chain

Content creators – motion picture studios and television broadcast networks – find in Thomson a technological partner and service provider that offers them unbeatable quality and freedom to create, in order to use, protect and enhance their most precious commodity: content.

Thomson offers one of the broadest equipment portfolios on the market: cameras, routers, video switchers, video servers, converters, and personalization systems.

The Group also provides a comprehensive range of video and audio post-production services. It processes and replicates film, manages distribution of feature films, sells screen advertising and manages digital conversion of films to replicate and sell them on DVD and video cassettes to consumers.

Between content creation and reception, Thomson offers its expertise to network operators (television networks, satellite, cable, and telecommunications companies), enabling them to bring a huge number of programs to a mass audience with digital quality sound and video on high speed networks.

It supplies these customers with professional video equipment and solutions, plus digital decoders, high speed cable and DSL modems.

Downstream along the video chain, Thomson offers its expertise to both retailers of consumer products and industrial and technological groups. They all need high quality products integrating technologies that are simultaneously reliable and innovative to help consumers make the digital transition. Thomson offers retailers the complete range of consumer electronics devices: digital television sets, decoders, hard disc recorders, DVD players, mp3 digital audio products, home telephones, and audio systems.

In addition, Thomson develops and manufactures components, mainly color TV picture tubes, optical components and integrated circuits, that it sells to players in the electronics industry.

Finally, Thomson makes its technologies available **to all the players in the video chain** via licensing programs.

World n° 1 for DVD and VHS replication. **World n° 1** in creation and distribution services. **World n° 2** for broadcast equipment. **World leader** in digital decoders. **European n° 1 and world N° 4** in video network equipment. **Leader** in cinema screen advertising services. **One of the largest** patent portfolios in the world. **N° 2** in production of large and very large color TV picture tubes and leader in optical components. **Leader** on the consumer electronics markets in the United States and Europe. **Worldwide n° 1** in home telephones.

Thomson at each step
in the video chain

Creation

To produce and enhance

Thomson is a leading, global supplier of best-in-class services and equipment for the motion picture and television industries. With its comprehensive range of products and services, the Group is ideally positioned to help motion picture studios and television broadcasters leverage digital transitions.

Following a series of strategic acquisitions over the past two years, Thomson is now seen as a technology leader by television broadcasters worldwide. Thomson offers digital software and hardware infrastructure solutions that form the central nervous system in television broadcast, post-production and mobile production facilities. Helping these customers handle increasingly complex digital production and transition requirements are high-caliber Grass Valley products, which were acquired in March 2002.

The technologies and products of this renowned brand, which have received many prestigious awards, are used for both televised programs and feature films.

With this range of open digital media solutions, broadcasters can replace their tape or analog equipment, re-use their content for other distribution channels, achieve significant cost savings and increase their operational efficiency and programming flexibility.



The Grass Valley Spirit DataCine™ from Thomson is the industry standard for the conversion of film to high resolution digital images. The resulting data is stored for digital post production and special effects.

The international award-winning feature, *The Pianist*: A Focus Features production for which Thomson provided Focus Features, through Technicolor, theatrical print release and marketing/distribution services, DVD packaging services for the home entertainment release, as well as film scanning using the Grass Valley Spirit and color correction using the Grass Valley Specter.



Creation

Distribution

Access

Innovation

Brands

the image

Motion picture studios can count on a broad range of services provided by Thomson's Technicolor business: post-production editing and processing of daily film rushes; replication and distribution of films to thousands of theaters throughout the world; and replication and distribution of hundreds of millions of DVD discs and cassettes for the general public.

Thomson offers a comprehensive range of motion picture services, thanks to a series of acquisitions such as Vidfilm and Still in Motion. Seeking to strengthen Technicolor's creative services, Thomson offers a complete post-production range for production of TV series and movies. It produces screen advertising, prepares the preview trailers, creates high-definition masters of classic films and produces visual effects. Thomson also prepares master tape copies which are distributed to broadcasters.

With Screenvision, a motion picture advertising company held jointly with Carlton Communications PLC, Thomson offers cinema screen advertising services in theaters in Europe and the United States that enables advertisers to reach a targeted audience. In 2002, Screenvision acquired the screen advertising businesses held by UGC (Circuit A) and the Belgian broadcasting company RTBF (RMS International and RMB Europe).

Leader in the buoyant DVD market

The spectacular growth in sales of DVD players goes hand-in-hand with exponential consumer demand for new DVD content. To enrich Technicolor's offering of services, in 2002 Thomson acquired and integrated Panasonic Disc Services Corporation, whose business consolidates Technicolor's position as the world leader for DVD disc replication. This acquisition enabled Thomson to add Paramount and Universal to its already impressive list of customers, including the Walt Disney Company, DreamWorks SKG, and Warner Bros. In 2002, the DVD manufacturing business produced and distributed more than 850 million DVDs. Thanks to its solid and profitable growth, Technicolor is enabling Thomson to develop its activities in a sector less sensitive to changes in the economic climate.



Lilo & Stitch: a Disney production for which Technicolor manufactured and distributed the DVDs and video cassettes, produced the digital releases and provided theatrical marketing services.



Viper Film Stream™ camera.

Technology for digital cinematography

Thanks to the Viper Film Stream™ camera, shooting of motion pictures enters the digital era. Thomson has developed the Viper Film Stream™ camera and the Film Stream™ format, giving film-makers new possibilities: the images are shot and stored as digital data directly compatible with post-production and special effects requirements. This generates cost reductions, such as those related to film negative processing, and creates efficiencies, such as enabling film-makers to view rushes in real time on the shoot without having to wait to have the negatives processed.

Innovation zoom

Thomson at each step
in the video chain

Distribution

Limitless image

Encoders, head-end equipment, decoders and high speed modems: Thomson is a leading supplier of professional and consumer devices designed for television broadcasting networks and cable, satellite, telecom operators. Its technologies link up content creators, content distributors and consumers.

In 2002 the Group substantially increased its customer base and extended its offer to network operators.

Through its subsidiary Nextream, Thomson benefits from a leading position on the European market for professional digital image transmission systems. The year 2002 saw Thomson increase its international market share (with the signature of around a hundred new contracts), thanks in particular to two new product families: video broadcasting servers and IP (Internet Protocol) video transmission equipment.

In 2003 this growth is set to continue, with the launch of a new generation of digital compression systems, a field where Thomson has particularly strong technological expertise.

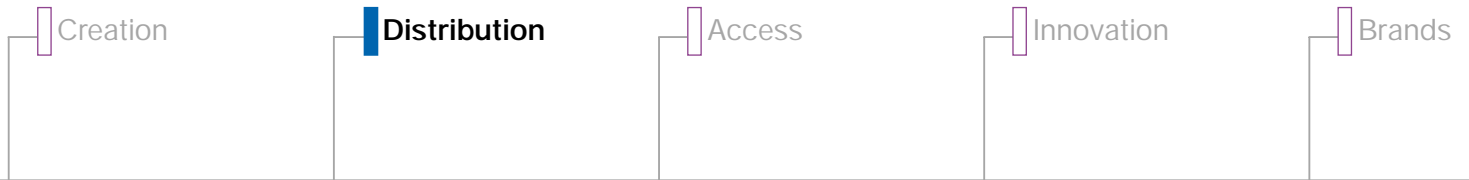
In the United States, an agreement signed with EchoStar to supply satellite decoders for the DISH Network has reinforced the Thomson's satellite business that it originally developed with satellite operator DIRECTV.

In Europe, Thomson purchased Grundig's Digital Intermediate System (DIS) decoder business, bringing BskyB as a customer, the leading supplier of digital television services in Great Britain and Ireland. This acquisition also reinforces its product portfolio, especially in the market for new digital terrestrial television reception devices, which is experiencing growth in Europe.

In addition, Thomson has further reinforced its technological position by purchasing the Canal+



FOX Digital, the network's broadcast center for the United States in Los Angeles, is equipped with an array of Grass Valley products.



distribution

Technologies company, a leader in the fields of conditional access and interactive software solutions. These technologies are at the heart of Pilotime™, the second generation terminal developed by Thomson and launched by *CanalSatellite* in March 2003. This decoder, equipped with a twin tuner and an 80 GB hard disc giving a storage capacity of 40 hours of programming, offers advanced functions such as recording one channel while watching another.

The Group's DSL and cable high speed modem business has faced a difficult situation due to the drop in investments by the major network operators. To renew its product range and improve competitiveness, the Group has begun a series of restructuring operations.

The Group has succeeded in winning the largest market share in the DSL modem segment in Europe, the Middle East, Africa and India. With the increase in demand for broadband connectivity in

the consumer and business segments, the Group will be perfectly positioned to supply more entertainment and more data through more diverse channels.

DSL technologies are opening up exciting new prospects. Although television programs via satellite and cable decoders have been available to consumers for several years, access to these signals depends on where people live or work. This is why Thomson has developed a DSL decoder that makes it possible to transmit video programs via conventional phone lines.

This innovation represents a new market and an essential growth opportunity both for DSL network operators and TV program broadcasters, by enabling them to broaden the services they offer consumers. This product is now undergoing a number of tests, and initial results are promising.



ADSL SuperEncoder.

Innovation zoom

TV programs on the phone line

French broadcaster TF1 has begun a full-scale experimental project to offer TV programs on an ADSL network. Thomson is participating as the lead technological partner: 200 households are receiving 24 television channels via their phone line, successfully proving that high quality transmission of TV programs via telephone networks using DSL is feasible. Thomson is the technology supplier of encoders, modems and decoders.

This technology enables operators to at last offer a complete range of television services to every household, even if those households do not have access to cable or cannot install a dish. This is a very promising new opportunity for broadcasters, telecom operators and Thomson.

Innovation zoom

Quality images on portable consumer devices

At the 3GSM World Congress, Thomson demonstrated transmission of multimedia content on a network implementing the MPEG-5-Part 10 standard.

The compression technology was developed at the Thomson Research and Development Laboratory at Princeton. With this complete transmission system, Thomson can offer portable consumer devices with added value services, by using Nextream encoders and video servers as well as Thomson consumer products such as networked LYRA™ video players.



Pilotime™: high-end digital decoder developed for *CanalSatellite*.

Thomson at each step
in the video chain

Access

To receive and enjoy

To enable consumers to easily receive and store video content, Thomson offers high quality products, technologies and components combining great design, simplicity and efficiency.

In 2002 Thomson substantially rejuvenated its consumer product offerings under the brand names THOMSON in Europe and RCA in the United States, concentrating on the Scenium range of high-end products. In the United States, the Group also launched a brand new line of high definition widescreen television sets, and Thomson's pioneering developments in widescreen TV technology received an Emmy Award from the Academy of Television Arts and Sciences. In Europe, the new line of projection TV sets with integrated DVD players was awarded the "Star of the Year 2003" prize by the Design Observer and "Video projector of the year 2002-2003" prize by EISA.

The beginning of 2002 saw the launch of the third generation of flat plasma and LCD models (including an LCD with an integrated DVD player) that combine image and sound quality with sleek design.

In June, the Scenium home cinema line-up presented 21 new generation products, comprising widescreen television sets with flat screens, television sets with integrated DVD, projection TV sets, DVD players and digital recorders, Dolby amplifiers and the Thomson's LYRA™ personal



THOMSON Scenium™ rear projection TV with integrated DVD, awarded an EISA European Outstanding Product prize in 2002.

Innovation zoom

Reward for innovation

The THOMSON Scenium™ rear projection TV (44 inches diagonal) and Thomson's audio mp3 LYRA personal Jukebox were both awarded the EISA prize (European Imaging and Sound Association) for "video projector of the year 2002-2003" and "audio product of the year 2002-2003". This annual prize (awarded by a committee of journalists from 40 specialist magazines) is given to new products in recognition of their technological advancement, relevance to the market, design and value for money.



the image

jukebox that offers up to 300 hours of mp3PRO music playback capability. In October, Thomson added the Scenium™ Digital Media Recorder, which combines the benefits of a DVD player and hard disc recorder. At the 2003 Las Vegas Consumer Electronics Show, Thomson showcased a new Audio/Video LYRA™ Jukebox that will be introduced in 2003.

The Group has capitalized on the new organizational structure set up in 2001, based on worldwide product lines benefiting from a single design, plus support and sales teams organized on an international scale.

Thomson has developed partnerships with retailers by deploying new services that enable them to improve supply chain management, increase product turnover and reduce inventory. Thomson has received many awards from its customers for its initiatives. Wal-Mart voted it "Supplier of the Year" in Canada for its sales forecast and inventory management programs;

Best Buy gave Thomson its "Bravo Award" for a collaborative management program with suppliers, aiming to improve sales forecasts; Office Max designated Thomson "Strategic Supplier of the Year 2002" for the quality of its audio, video and telecommunication products; Aaron's also named Thomson as "Supplier of the Year" for the fourth consecutive year.

On the components segment, Thomson has reinforced its strategy aiming to concentrate on components with the strongest added value. For television, Thomson is concentrating on manufacture of color TV picture tubes (14.8 million units in 2002) and glass, where it is one of the world leaders. For CD and DVD players it is concentrating on manufacture of optic pickup modules. The Group is also developing integrated circuits, in its Integrated Circuit Design House. Fifteen new integrated circuits were developed in 2002 for MPEG-2 encoders, DSL modems, and 5 Ghz video transmission.

Innovation zoom



THOMSON Scenium™ DVD player with integrated hard disc.

Perfect marriage of a DVD player and a high capacity hard disc

The THOMSON Scenium™ DTH 7000 is a multi-purpose product commercialized worldwide (available under the THOMSON Scenium™ and RCA Scenium™ brands). It is both a progressive scan DVD player and a hard disc recorder. It can pause live TV and has an integrated TV program guide that facilitates program recording and offers customers unique recording comfort and playback quality. With its integrated 40 GB hard disc, the Digital Media Recorder™ combines performance as a high-end DVD player with a capacity for storage of video content, JPEG format photo files and mp3 files for hours of music playback.



LYRA™ Audio/Video Jukebox equipped with a hard disc makes it possible to watch up to 80 hours of recorded video programming and listen to more than 600 hours of music in the mp3PRO™ format.

Thomson at each step
in the video chain

Innovation and intellectual

A constantly

Thomson innovates at every link of the video chain to bring customers the technological coherence that is so vital to develop new activities. Its 3,000 research engineers are constantly adding to its patents portfolio, the value of which grew again in 2002.

For content producers, Thomson is delivering digital technologies that are revolutionizing the broadcast, television production and motion picture industries. The Viper Film Stream™ camera introduced in April 2002 is the most advanced digital cinematography tool available in the market and was the first to provide the high quality necessary to episodic television and movie making. It enables content creators to shoot and store images in a digital format compatible with their post-production and special effects systems.

The acquisition of Grass Valley and its development teams made Thomson the world's leading supplier of broadcast servers, routers and switchers. In 2002 alone, the Group introduced new products in its server, storage, router and switcher product lines, as well as in its digital new production and camera lines.

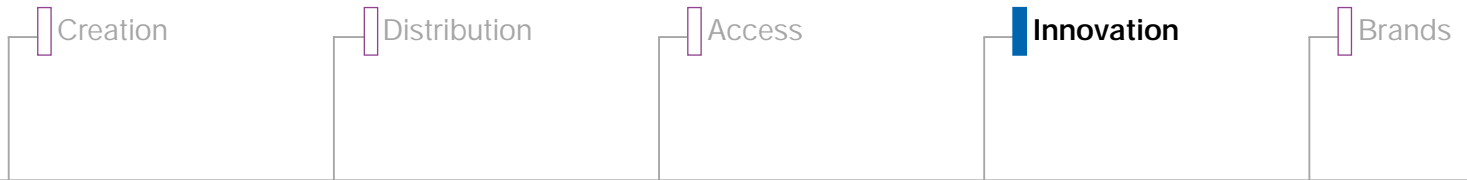
Content management and broadcasting:

Throughout the video chain, there are many applications where video compression has already afforded new business opportunities by expanding channel counts and allowing new services. Thomson is already the leader for MPEG-2 technology. In its Rennes and Princeton laboratories it is actively contributing to the definition of the low and medium speed decompression standard H.264, developed by JVT (Joint Video Team). This standard will operate in parallel to the MPEG-2 standard for applications requiring more efficient coding.

It reinforces the Group's technological offer to network operators, in parallel to the Nextream teams and the decoder activities.



Microscope analysis of a radio frequency circuit developed by Thomson in Rennes, France.



property

enriched and enhanced capital

The acquisition of Canal+ Technologies brings Thomson renowned expertise in software solutions to protect content distribution (Conditional Access systems) and manage interactive applications.

Storage and transmission of images and sound:

Thomson is involved with standard setting for tomorrow's pre-recorded DVDs, with high-definition content and enhanced interactivity, as well as the potential for blue and red laser technologies for recordable DVDs.

The Group is continuing its work in the digital audio field, with the mp3PRO™ technology. Thomson has also developed robust 5 GHz wireless transmission of video content. This technology will be used in Home Networking solutions developed by the Group.

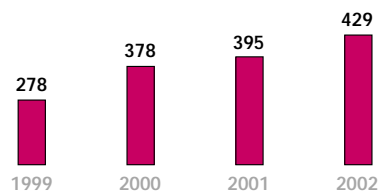
Display technologies: the Group has fast-tracked its R & D effort on organic light-emitting diode displays (OLEDs) which are slimmer, give better performance and are less expensive than LCDs. For plasma display and LCD television sets, Thomson is concentrating on image pre-processing and electronic addressing technologies.

Licensing revenues rose 9 % in 2002, continuing the increase observed since 1999. Thomson possesses a portfolio of 35,000 patents, the average age of which is 6.5 years.

This portfolio has grown because new patents issuing from the Group's R & D have been registered, totaling 553 in 2002. It has also benefited from the intellectual property of the newly acquired companies (Grass Valley, Canal+ Technologies).

Licensing: steadily rising net sales

(in millions of euros)



One major and significant fact is that for the first time, revenues from digital business (DVD, decoders, MPEG LA) represented more than 50 % of the licensing programs. Thomson has created a licensing program for professional studio equipment. The Group successfully continued its DVD licensing program, with notably the signature of its first licenses with Chinese companies. Finally, Thomson has decided to join the MPEG LA association, which licenses all companies using MPEG-2 Video compression solutions in their products.

Innovation zoom



New system for protection of video content

At the 2003 Las Vegas Consumer Electronics Show, Thomson presented SmartRight™, a system for protection of audio-video content on the home's digital networks. When SmartRight™ is associated with conditional access systems or Digital Rights Management systems (DRM), it offers an end-to-end solution to protect digital content. SmartRight™ is renewable by means of smart cards, and offers a fair balance between protection of the content owners' rights and consumers' home recording expectations.

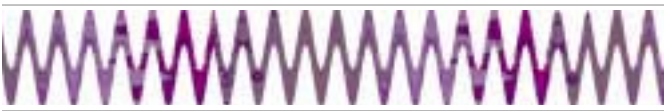
Zoom

A revolution in wireless transmission

At the 2003 Las Vegas Consumer Electronics Show, Thomson demonstrated its mastery of 5 GHz wireless transmission with a new set of integrated circuits satisfying two standards: HiperLAN2 and IEEE802.11a. This set of integrated circuits manages all types of applications and content. This is a valuable asset for transmission of high-definition images and will lead to new consumer products that do not need wires to communicate.



Thomson at each step
in the video chain



Four renowned



THOMSON

In 2002 Thomson multimedia became Thomson. This name change reflects the strategic repositioning that has enabled the Group to become a leader in technologies, solutions and services to create content, and broadcast it to the consumer. This common banner incorporates more than 74,000 employees in 38 countries.

For its customers, *the Group is represented*



Worldwide leader in services for the media and content providers

“ From quality film prints, DVD/CD and Videocassette products, to reliable logistical and inventory support and innovative creative services, Technicolor provides the solutions we need to deliver DreamWorks entertainment to audiences everywhere. ”

Jim Tharp
Head of Theatrical Distribution
DreamWorks SKG



Solutions for broadcast
TV/film production professionals

“ Home Box Office has been distributing digital television for more than 10 years, and on the air with high-definition feeds for more than three years. Today, HBO is implementing a tape- to server-based technology for its 28 networks and has chosen the Grass Valley line of Profile® XP Media Platform systems as its edge network playout servers. It is starting to test the feasibility of using Profile XP Media Platform servers for HD origination as well. The increased storage capacity yielded by the server-based approach at HBO is driving a good return on its digital investment. ”

Charles Cataldo
Senior Vice-President Broadcast Operations
Home Box Office



brands



A worldwide group

The Group has modified its organizational structure to adapt to these changes and focus on its customers:

- **Content and Networks** (37% of 2002 sales): with Technicolor and the screen advertising business (Screenvision) on the one hand, and the professional broadcast business (Broadcast) and Broadband Access Products (Broadband) on the other;
- **Consumer Products** (43% of 2002 sales): television sets and audio-video products on the one hand; accessories, portable audio-video devices, telephony products and

services to distributors on the other;

- **Components** (16% of 2002 sales): sales of components to electronics and technological groups;
- **Licensing** (4% of 2002 sales): management of the patent portfolio and licensing programs.

The businesses of the former New Media and Services division are divided between the Consumer Products and Content and Network divisions.

in the market by four renowned brands.

RCA

The leading consumer electronics brand in the United States

“ When it comes to consumer recognition on the retail floor, Thomson is clearly an industry leader. This leadership is reflected in the company's ongoing efforts to strengthen the manufacturer/retailer relationship and develop added-value service. In recognition of these initiatives, Best Buy presented in 2002 Thomson with the annual Bravo Award for its contribution to a new sales forecasting and inventory management program. ”

Mike London
Executive Vice-President
Best Buy

THOMSON

The leading consumer electronics brand in Europe

“ The Group's decision to capitalize on the THOMSON brand in 1997 has proved a success. Today THOMSON is one of the major brands on the European Consumer Electronics market. It is supported by a range of innovative products that fulfill European consumers' requirements and create value for distribution. In addition, Thomson has improved the quality of its service to distributor partners, in particular in the areas of security of supply and punctuality of deliveries. ”

Serge Amiard
Chairman of the Board of Directors
Darty

By virtue of its positioning, business units and worldwide presence, the Thomson Group is faced by challenges that are human, industrial and environmental. It takes up these challenges by integrating and promoting new skills, respecting national cultures, constantly adapting its production resources to market requirements, controlling its impact on the environment and developing long-term relations with its customers and suppliers. These are its core commitments.



Thomson



Human resources

Industrial base and Quality

Environment

Ethics charter

m a k e s

long-term commitments

The Thomson Group maintains a broad vision of its business activities and together with its partners forms an “extended enterprise”. The hallmark of its corporate culture is cooperation. In-house, the enterprise mobilizes all its employees in priority projects, and its managers in management and expertise networks. In the same spirit, Thomson develops long-term cooperative relations with its customers, technological partners and suppliers, to include them in a common striving for shared economic performance. This open culture characterizes the Group’s relations with its shareholders, potential investors, financial partners, as well as local authorities, associations and labor organizations. The Group is well aware that all the stakeholders in its business activity are affected by its development, and by its financial, social and environmental impacts.

Wherever the Group's sites are located, they contribute to local development in terms of jobs, investment and community facilities, even though the Group has a worldwide purchasing policy for reasons of optimization. Moreover, this characteristic

contributes to the Group's broadened vision and reduces social risk by avoiding concentrations of suppliers in specific employment areas. The requirement for personal progress, quality and training which is specific to Thomson entities makes each site a potential additional source of development, especially in countries where this development is beginning.

Thomson fulfills its social responsibilities using the same “extended enterprise” approach. Everywhere in the world, its restructuring programs are conducted with the same concern to limit their impact both on employees by helping them find work, and on the local socio-economic environment by encouraging the introduction of new activities.

Because the Thomson Group believes sustainable development of its activities is inconceivable without relations of trust with its stakeholders, it devotes all the energy, innovation, anticipation and sense of dialogue necessary to such relations, in order to achieve this balance.



Thomson's Ethics Charter has been signed by the 456 members of the three management networks, is on display on every site, and states the principles that must be applied throughout the Group.

Thomson Group values
Progress **Speed**
Commitment **Partnership**
Vision **Innovation**
Ethics **Determination**
Integration **Transparency**

Thomson makes

long-term commitments

Human resources

Integrated and



Thomson is present on every continent, and its activities require a very wide range of qualifications. The Group therefore implements dynamic human resources management to support its development and repositioning.

The year 2002 was marked by intense activity in the human resources management field.

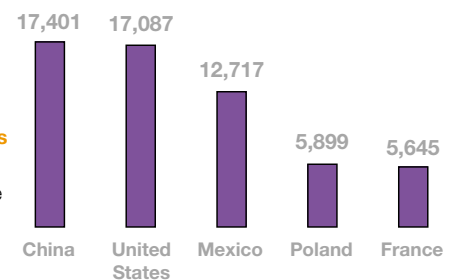
With more than 74,000 employees on December 31, 2002, Thomson has increased its workforce by more than 3,000 people. This rise has been caused by two opposing movements. On the one hand, the Group has continued to restructure to remain competitive and has ensured its industrial base is flexible to adapt to market trends. On the other hand, it has worked to integrate personnel from new companies that have become part of the Group.

This capacity to integrate new personnel is a key factor for the success of the Group's repositioning strategy. At stake is the need to conserve the human, technological and industrial skills of the newly acquired companies, by quickly incorporating their personnel into the shared dynamic, and by enabling them to share the Group's values. This constitutes one of the most important and stimulating aspects of Thomson's industrial policy.

Zoom

Countries with the largest workforces

Total workforces on December 31, 2002: 74,166 (this figure includes people employed on all the Group's sites: management and non-management staff, workers and temporary staff).



Human resources

Industrial base and Quality

Environment

Ethics charter

mobilized teams

Networking facilitates this integration.

The Entrepreneurs network is an essential managerial tool to ensure Thomson's strategic vision and values are shared throughout the world. It has therefore been joined by new members to reflect all the Group's fields of activity. Similarly, the Knowledge Community immediately incorporated the skills recognized within the newly acquired companies, in order to share best practices.

Thomson's pragmatic approach is also demonstrated by its training policy.

It is highly decentralized and aims to support the constant adaptation of employee skills to changes in the Group's areas of expertise, particularly in the research field, to facilitate employees' integration and also to make them aware of rules concerning health, safety and the environment. It is implemented in the field and consists in encouraging each individual's constant development. In this sense, the employees' participation in the Knowledge Community and quality processes enables them to improve their skill level, while also contributing to their unit's performance.

In every case, Thomson's remuneration policy aims to be attractive and fair, while adapting to local standards. Management staff throughout the world benefit from uniform recognition of their qualifications.

Their remuneration comprises a variable half-yearly incentive bonus, linked to achievement of the objectives of the Group's and relevant division, and also to achievement of individual objectives which are contained in a Contract of Progress that is drawn up and reviewed every six months with their manager.

Industrial relations are conducted by the managers in each country.

In addition, a European Committee created in 1997 comprises employees representatives from France, Italy, Germany, England, the Netherlands, Luxembourg and Poland. It receives comprehensive information about all Thomson's activities in Europe and is consulted concerning the implementation of major structural and organizational changes.

Quality is a key management value for Thomson.

Its human resources management system meets the requirements of the ISO 9001 V2000 standard. In Europe this certification was obtained in 2001 and confirmed in 2002 for the design and delivery of services in the fields of recruitment and training. Thomson plans to extend it to other geographical areas (United States, Mexico) from 2003.

Zoom



Chutipon Chuensanguan, employee at the Pathumthani television plant (Thailand).

Each person contributes to performance

Thomson has launched a highly decentralized worker involvement process in its plants. In 40 plants out of 60, the People Involvement program enables them to propose improvements in performance to their direct manager. By the 4th quarter 2002, more than 8,000 suggestions had been made.



Accessories Marketing meeting at Indianapolis.

Thomson makes

long-term commitments

Industrial base and Quality

The dimension of



Packaging line for DVD discs and VHS cassettes at Technicolor Home Entertainment Services.

Thomson relies on solid foundations to pursue its development: industrial base, cost structure, quality program, customer services, etc. In 2002 the Group became even stronger in these fields, offering its customers the best products and services at the best price.

Thomson has continued to adjust its production to demand, to control its costs and to rationalize its supply chain. In response to trends in demand, particularly the growth in digital technologies and the explosion of the DVD market, it has made significant

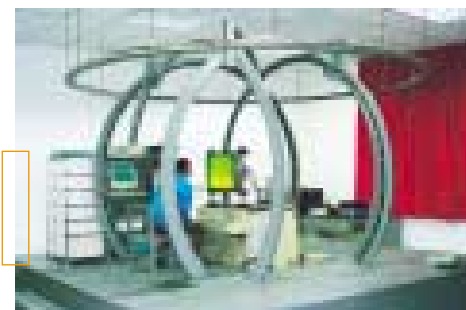
carefully targeted investments. It has more than tripled its DVD disc replication capacity, to reach more than 850 million units per year. To do this, the Group has invested in more than 80 new production lines (including 24 in Europe and 58 in North America) and built a new plant in Poland.

To adapt to the strong pressure on consumer product prices, Thomson has put the emphasis on flexibility and full use of its industrial base, in order to keep control of supplied volumes so as to optimize production costs and inventory management. All of the sites were able to adapt their cost structures and reduce general expenses.

In addition, the Group continued to adapt the industrial base's load in the different economic zones, with an increase in production by modern flexible manufacturing units in particular, such as Foshan in China and Mexicali in Mexico.

In parallel, in Western Europe and North America particularly, Thomson is developing locally-based industrial activities meeting the needs of its customers in terms of services. For instance it has begun manufacturing high added value products such as projection TV sets on demand, in order to optimize the supply chain, for certain customers.

Testing a television set tube for sensitivity to the earth's magnetic field at Foshan (China).



Human
resourcesIndustrial base
and Quality

Environment

Ethics charter

a responsible player

The Group has also extended its post-production activities, a high added value service, by investing in a new site in New York, and increasing the capacity of the Mirabel site (Canada) opened in 2001.

The Quality effort grew in 2002 with the intensification of the TQS program (Thomson Quality System). The Quality approach aims to improve the performance of the enterprise's players - employees, customers and suppliers - and to constantly improve its internal processes such as product development, manufacturing, sales and the Group's procedures. The program relies on internal and external benchmarking, identification of progress targets and creation of project teams whose achievements can be measured in the short term (6 months).

Some of the successes in 2002 include a reduction in customer payment delays, an idea feedback process in all the Group's plants with more than 8,000 suggestions made by the fourth quarter of 2002, an acceleration in resolving quality problems with suppliers, and an improvement in cooperation programs with the distributors.

The integration of the newly acquired companies, in particular Grass Valley and PDSC, was conducted quickly and led to significant synergies.

The Finance, Purchasing, IT and Human Resources functions were integrated and brought into line with the Group's standards in a few weeks. Thomson once again demonstrated its capacity to conserve the personnel and skills from these companies.

In 2002, this active policy enabled the Group to strengthen its competitiveness, optimize its cash flows and enhance the level of service to customers. The working capital requirement was reduced from 17 to 13 % of net sales. Thomson continued to deploy its supply chain systems, equipping its manufacturing units with the latest inventory management tools. Collaborative management with the suppliers made it possible to include them in productivity and adaptation efforts. The scaling effect brought about by centralizing purchasing was reinforced by the integration of the successively acquired companies.

With its customers, the Group optimized its service performance by reducing delivery times, in order to adapt its deliveries to their sales trends and to optimize their inventory levels. This led to the Group receiving several awards from its customers: Wal-Mart, Best Buy, Office Max and Aaron's.



Pat Deighan, General Manager, Marketing and Sales, Consumer Products.

Interview

The TQS program in action
 "Over the past eighteen months, Best Buy and Thomson have worked together to develop a mutually beneficial sales forecasting and planning initiative (CPFR) that led to dramatic improvements in inventory reduction, as well as and quicker reaction to changing market dynamics. This initiative was made possible thanks to a close collaboration between Best Buy and Thomson for a common goal: continuously strengthening customer satisfaction."

"Thanks to the commitment of all our 1,200 employees, the millionth tube was delivered 15 months after the start of production. Since business began in 1999, quality has always been a central priority for us. By setting up an autonomous organizational structure, and training and giving responsibilities to our employees to solve technical problems, we have been able to achieve a level of quality that is now a reference. Every month, the members of our autonomous teams suggest more than 200 ideas aiming to improve the quality of our products even further. More than 50% of our operators participate in activities to reduce costs caused by non-quality (TQS program)."

Tadeusz Han, Director of the cathode-ray tube plant at Foshan (China).

Thomson makes

long-term commitments

Environment

Taking charge



Waste water treatment station at the cathode-ray tube production site at Anagni.

To control the environmental impact of its activities, Thomson has set objectives for itself and created a specific organizational structure. In 2002, the Group achieved numerous promising results.

In 2001, Thomson committed itself to achieving several objectives by 2004:

- to achieve a 10 % reduction in consumption of water and energy, as well as ultimate waste by recycling or reclaiming more than three quarters of its effluents and waste;
- to set up a system for consolidating air emissions from its manufacturing sites;
- to obtain ISO 14001 certification for all its significant manufacturing sites.

To achieve these objectives, the Group adopted a highly operational organizational structure.

Environment, Health and Safety (EHS) are managed together in the same system, which is the responsibility of each member of the Executive Committee and each business unit manager or site manager.

It is overseen by the corporate EHS general manager who liaises with three regional managers (Europe, America, Asia). At each manufacturing site, the EHS coordinator runs a specific Committee to implement the Group's EHS policy and achieve their objectives.

The Environmental, Health and Safety Charter

has been signed by Thomson's Chief Executive Officer, translated into five languages and is displayed on each manufacturing site. The intranet makes a great deal of information available to all: code of conduct to follow, recommendations, audit procedures, etc. The Regional managers receive monthly reports from their correspondents, and each year an EHS network meeting encourages sharing of experience and synergies.

Zoom

ISO 14001 certification

In 2002, three production sites obtained ISO 14001 certification for their environmental management systems, bringing to nine the number of certifications in the Group. The procedures underway in five other sites make it possible to envision fourteen certifications by the end of 2003.

Human resources

Industrial base and Quality

Environment

Ethics charter

of environmental responsibility

Thomson also invests in training and evaluation. 170,000 hours of EHS training were provided in 2002. Each EHS coordinator performs at least 10 monthly inspections per year, and each site is audited at least once every three years under the authority of the regional EHS Manager in accordance with a Group protocol. In 2002, 25 site audits were carried out.

Thomson has developed an alert procedure which sends regional managers and the Group the relevant information quickly, and guarantees a rapid and appropriate response to incidents, in conformity with legislation. Within five days after the incident, a detailed report containing an analysis of the causes and the envisaged corrective actions is sent to the EHS manager and the regional operational Director.

Thomson performs an annual evaluation of its suppliers' EHS performance.

The Group has also drawn up a procedure for evaluating the environmental condition of sites prior to acquisition and closure.

The eco-design of new products, implementing the "Product Life Cycle Management" approach (PLCM) first put in place in 1995, takes account of all a product's life cycles in order to minimize its impacts on the environment. This leads for example to considerable energy savings. For instance, the average standby mode consumption of television sets and VCRs released on the European market has decreased dramatically over the last few years.

Zoom



Eco-design software

Together with ADEME¹, Schneider, Alcatel, Legrand, IBM and Éco-bilan, Thomson has developed the eco-design software EIME (Environmental Information and Management Explorer). EIME was used for example in 2002 to design a new more environment-friendly overhead projector.

¹ ADEME : French Agency for the Environment and Energy Management.

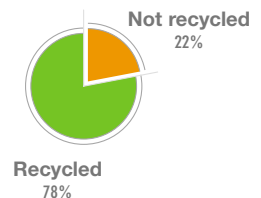
In 2002 Thomson made considerable progress in several areas. The Group recycled 117,465 tons of waste, raising its recycling rate from 69% to 78%, already above the 2004 target. Particular efforts were made for example with glass waste from color TV picture tube plants, which was processed and recycled back into the glass furnaces.

Water recycling on industrial sites saved 27.7 million cubic meters of water. The Piaseczno cathode-ray tube manufacturing site even recycled 91% of its water needs. Water consumption per ton of molten glass was reduced by 44% between 1995 and 2002 at the Bagneaux-sur-Loing glass works.

Numerous energy saving actions were conducted in all fields, especially in activities consuming the most energy, such as the use of gas-oxy combustion in glass plants within the Displays and Components Division. The solution adopted was to use oxygen instead of air as the combusive agent for glass melting furnaces. By using this technology, the Piaseczno site reduced nitrogen oxide emissions from its glass-making furnaces by 50% between 1995 and 2002.

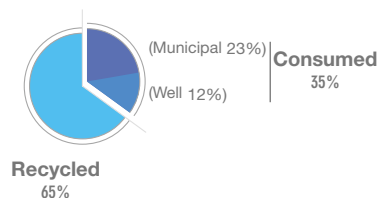
Waste management

78% of waste recycled



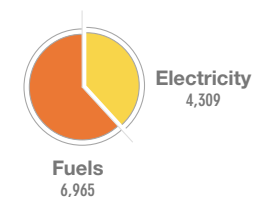
Water consumption

65% of needs met by recycled water



Energy consumption

11,274 terajoules in 2002



Thomson makes

long-term commitments

Ethics charter

The strength of shared ethics

Ethics charter

- 1 *Tolerate no discrimination and encourage diversity.*
- 2 *Promote best working conditions; use no child or forced labor.*
- 3 *Support employees' development.*
- 4 *Value the company's interests first.*
- 5 *Avoid potential conflicts of interest.*
- 6 *Protect people's health, safety and the environment.*
- 7 *Respect consumer and personal privacy.*
- 8 *Respect fair market competition.*
- 9 *Strive to be a good corporate citizen wherever we operate.*
- 10 *Respect and protect shareholder value.*

Thomson applies the same code of conduct in its relations with all the stakeholders in its activities worldwide: customers, shareholders, financial and industrial partners, employees, local authorities, suppliers, associations and unions.

This code of conduct was formalized in 2000 in an Ethics Charter, signed by the 456 members of Thomson's three management networks worldwide. Subsequent to recent acquisitions, the management staff of the new companies has joined the first signatories. All the Group's divisions, and the managers of the strategic business units and manufacturing sites are therefore committed individually and collectively to supporting the Group's values and ensuring they are applied by their organizations.

The charter is displayed on all the Group's sites and reminds each employee of Thomson's responsibilities in all its activities and relations, within the company and with third parties.

Operational implementation of the Ethics Charter:

Thomson sets out to apply its Ethics Charter to the entire supply chain and requires its suppliers to comply with its own codes of conduct. With this end in mind it has compiled a "Supplier Ethics Handbook".

This manual is implemented, under the authority of the worldwide purchasing manager, according to a social and ethical audit procedure codified and conducted by the Thomson internal audit service.

Thomson's internal audit system uses the international standard SA 80001 as the reference tool. It evaluates each criterion according to the Thomson code of conduct compiled for its suppliers and also with regard to the local legislation or the legislation applicable in the supplier's country of origin. Special attention is also paid to the products comprising a large proportion of manual labor in their manufacturing process.

In addition to the internal audits on working conditions in its units and on its suppliers' sites, in 2002 Thomson mandated a member of its Board of Directors to verify application of its Ethics Charter in Mexico and China.

By rigorously applying its Ethics Charter

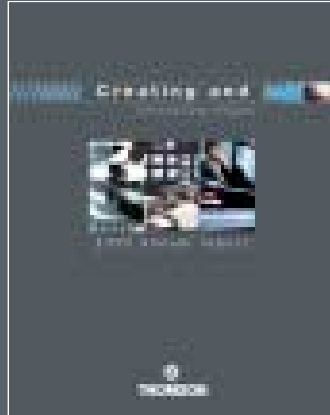
throughout the world, Thomson intends to foster trusted relationships with each community.

¹ The SA 8000 standard for socially responsible employer practices was created in 1998 based on the ISO 9000 standard for services.

Ethics charter



In a globalized economy, Thomson continues to contribute to balanced economic and social development, professional and personal development of each individual, and respect for human rights.



Design, creation and publication
TERRE DE SIENNE
PARIS
+ 33 1 55 19 19 19

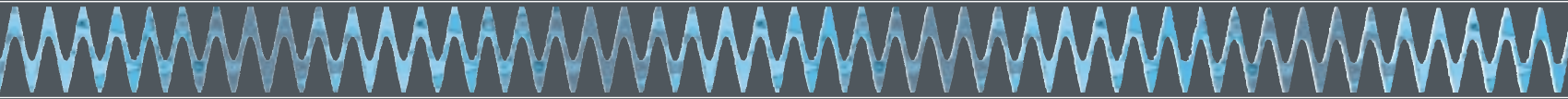
Writing:
Doussot Conseil

All brand names followed by the sign TM are trademarks registered by Thomson or third parties.

© 2003, Thomson all rights reserved

Printing:
Altavia Prodigy

Photo credits: Éric Beroend, Steven Bloch, Yves Bottalico, Bruce Conner, Harris Corporation, Patrick Faure (CDPI agency),
Christophe de Giuli, Thierry Laroche, Hamilton de Oliveira, Getty Images, PhotoDisc, Non-contractual pictures.



THOMSON

Headquarters

Thomson

46, quai Alphonse Le Gallo
92100 Boulogne-Billancourt – France

Email: webmaster@thomson.net

Tél.: 33 (0) 1 41 86 50 00

Fax: 33 (0) 1 41 86 58 59

www.thomson.net

Thomson

S.A. with capital of € 1 052 300 655
333 773 174 R.C.S. Nanterre