



Serving the entertainment and media industries



THOMSON

Serving the world's media and entertainment leaders

Thomson reorganized its 3 divisions in 2004 to align with the Group's 3 types of clients:

DIGITAL CONTENT SOLUTIONS

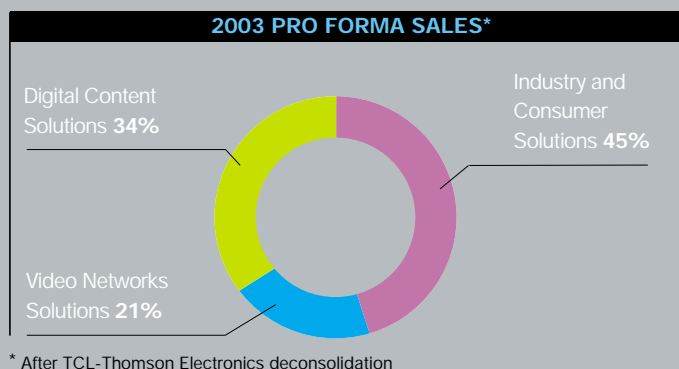
Technology services for content creators such as The Walt Disney Company, Universal Pictures, DreamWorks, Paramount Pictures, Microsoft and others.

VIDEO NETWORKS SOLUTIONS

Equipment and professional services for network operators such as ABC, NBC, CNN, Fox, TF1, Canal+, DIRECTV, BSkyB and others.

INDUSTRY AND CONSUMER SOLUTIONS

Products and services for manufacturers, retailers and consumers such as TCL-Thomson Electronics, Carrefour, Wal-Mart, Best Buy, Circuit City and others.



Leading positions and global scope

DIGITAL CONTENT SOLUTIONS

- N°1 worldwide in DVD replication
- N°2 worldwide in cinema post-production services

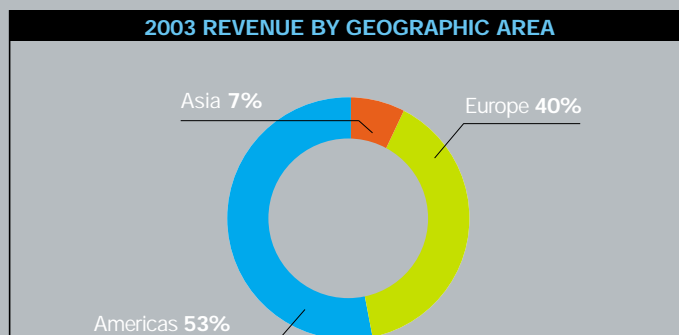
VIDEO NETWORKS SOLUTIONS

- N°1 worldwide in cinema advertising
- N°2 worldwide in professional broadcasting equipment
- N°1 worldwide in DSL modems and N°2 worldwide in satellite set-top boxes

INDUSTRY AND CONSUMER SOLUTIONS

- N° 1 worldwide in key audio/visual accessory categories
- N° 1 worldwide in home telephones

Thomson couples its global expertise with local skills to provide customers with the best possible service.



Constant innovation

PATENTS

614 new patents in 2003

RESEARCH AND DEVELOPMENT

More than **3,000** researchers

The Thomson mission is to **provide technology to help creative minds** accurately transform their ideas into audio/visual reality, perfectly reproduced and delivered to the consumer.

The Group partners with the world's largest **motion picture studios, broadcasters and network operators** as they constantly produce new content and deliver it in many ways to growing audiences worldwide.

Today, Thomson is **the only company worldwide with a truly integrated response** to the needs of the media and entertainment industries for quality, security and efficiency.

Building upon recognized technological know-how, Thomson offers complete solutions and services to **content creators, network operators and manufacturers and retailers**. The Group positions itself as the world's leading supplier of solutions for the content **creation, distribution and access industries** under the Technicolor™, Grass Valley™, RCA™ and THOMSON™ brand names.

Active on growing markets in North America, Europe and Asia, the Group operates in 30 countries.

Listed on the Paris and New York stock exchanges, Thomson shares are included in the CAC 40 share price index of leading French corporations.

Statements by the Chairman and the CEO	02
Thomson 2003-2004	05
Economic and financial performance	22
Governance and sustainable development	26

Statement by Frank Dangeard

Chairman of the Board of Directors

In 2003 Thomson made progress on a number of fronts and successfully completed its 2001-2003 strategic plan, despite a difficult year overall. The Board believes that the Group is poised to move forward again, with the ambition of becoming the leading provider of end-to-end solutions for the entertainment and media industries.

During the year, Thomson had to battle against a deflationary environment in some of its businesses and rapidly changing, and often weak, consumer demand. This led to the accelerated, but necessary, restructuring of a number of its activities, which weighed on the Group's financial results. The Group was also faced with the challenge to deliver on its plans to address its TV activities, and its shareholder structure, notably the French State's residual holding. By the end of the year, Thomson had delivered on both counts. Finally, the Group faced increasing competition across its customer base, affected itself in certain instances by restructuring and consolidation. Despite that, Thomson succeeded in expanding its client

portfolio, and broadening the range of end-to-end solutions it offers to its entertainment and media industry customers.

Ending the year with a clear direction for its consumer-based businesses, including the planned deconsolidation of its TV activities through the TCL-Thomson Electronics joint-venture, and a near-100% "free float" after the disposal of the last remaining stake of the French State, Thomson completed its 2001-2003 strategic plan. During that period, the Group built businesses along the *video value-chain*, leveraging its core technology, operational and marketing skills, and reduced the relative weight of its traditional consumer electronics activities in its portfolio of businesses. This transformation phase is now substantially over. Having streamlined many of its businesses and clarified its positioning, Thomson's expansion can now be both client-driven, as it expands its business lines in Asia in particular, and technology-driven, as it tests new business models together with its key clients.

The Board continuously assessed and reviewed the Group's competitive marketplace environment and performance. It met 8 times during the year, and all 3 of its committees (Strategic, Compensation & Benefits, and Audit) were heavily involved in preparing Board decisions. These covered, in particular, the approval of key transactions to be carried out, or financial commitments to be entered into, by Management, and the definition of the Group's 2004-2006 strategic plan and the supporting financial plan. In addition, significant attention was paid to strengthening corporate governance practices, and the Board monitored closely the implementation of the principles set out in the French "Loi de Sécurité Financière" and the US Sarbanes-Oxley Act.

Reflecting the evolutions discussed above, Thomson's Board evolved substantially during the year. The 3 representatives from the French State left the Board. We are grateful for their continued support and,

"The Board believes that the Group is poised to move forward again"



Statement by Charles Dehelly CEO

02
03

through them, that of the French State during these years of transformation. Three new independent members joined the Board: Mr. Eric Bourdais de Charbonnière, Chairman of the Supervisory Board of Michelin, Mr. Paul Murray, Partner of Tangent Industries Ltd., and Mr. Henry P. Vigil, Senior Vice President of Microsoft. Also, the Board welcomed 2 new Directors representing employee shareholders, Mr. Loïc Desmouceaux and Mr. Gérard Meymarian.

The Board would like to thank particularly all the employees of the Group, who have made the transformation of Thomson possible, and all its shareholders, who have continued to support the Group, despite our relatively disappointing share price performance this past year.

For 2004, the Board expects an improved financial performance, continuous improvement in operational consistency and to offer a clearer profile to the financial markets. The Board considers that, by always focusing on, and anticipating, the image/video needs of its clients in media and entertainment industries, Thomson will be able to offer the returns its shareholders are entitled to expect. With this in mind, the Board has set the 2003 dividend at 0.26 euro per share, a 16% increase on last year's dividend.



Frank Dangeard

The year 2003 was marked by continued growth in revenue and profit in our audio/visual content creation and distribution businesses and our licensing business delivered a remarkable performance. On the other hand, the difficult environment in the United States prompted us to accelerate restructuring of our TV and picture tube activities. While the cost of restructuring had a negative effect on our 2003 results, the measures taken should bring the tube activity back to breakeven in 2004.

Overall, we achieved in 2003 a 6 percent operating margin on sales, despite the strong negative impact of the euro/US dollar exchange rate that contributed to a decline in our revenue to 8.459 billion euros. We also saw 1.426 billion euros in cash generated from operations, compared to 1.461 billion euros the previous year. This yielded free cash flow totaling 707 million euros in 2003, a strong increase on 505 million euros in 2002. We finished the year with 255 million euros of net cash

**"All of Thomson's teams
are mobilized to achieve
our growth and profit
objectives"**



in hand, in contrast to a net debt of 231 million euros at the end of 2002.

The year 2003 was also marked by a powerful acceleration in our strategic realignment as a supplier of integrated solutions to the media and entertainment industries:

- We signed in late 2003 a memorandum of understanding to establish **TCL-Thomson Electronics**, a joint venture with TCL (the Chinese leader in consumer TV products) to create the world's leading TV set manufacturer.
- We closed numerous long-term **technology and sales agreements**, in particular with News Corporation, Kudelski and LG Electronics.
- We strengthened our market positions through such **targeted acquisitions** as Fortune in China, Cinecolor in Thailand and Recoton in the United States.
- We continued key investment programs. In technology, we filed for 614 new patents. We added new activities and assets, such as a post-production laboratory in New York, a play-out center in Japan and distribution facilities in Europe and the United States.
We continued to invest in innovation, in such areas as Video over ADSL, high definition TV and the Viper™ digital cinema camera.

Our strategy for growth is founded upon 2 critical changes. The first is a new technology paradigm stemming from the transition of film and video images to digital formats. The second, commercial in nature, involves the growing access to entertainment programming enjoyed by hundreds of millions of consumers in China, Russia and other emerging markets. Previously, the movie industry relied solely on chemical processing and 35 mm film to develop, store and reproduce images, while TV was still in an analog world. Today, these 2 industries are converging as digital technology is utilized in cameras, post-production and storage, as well as content management, cable and

wireless distribution and even digital cinema projection. By offering complete, end-to-end services, from the film studio all the way to the consumer in the movie theater or at home, we aspire to leadership in a growing, changing marketplace.

In response to these changes, we reorganized our activities at the start of 2004 into 3 divisions, focused on our clients – content creators with the Digital Content Solutions Division, network operators and broadcasters with the Video Networks Solutions Division and manufacturers and retailers with the Industry and Consumer Solutions Division.

We have defined 10 key initiatives within our TARGET program for growth, including developing our businesses in China, increasing our range of activities with media groups and investment innovation, as well as 6 initiatives to improve our financial performance, notably the Thomson Quality System (TQS), our total quality improvement program.

We have established key growth and return objectives for Thomson in the coming years. These include revenue totaling 10 billion euros in 2007 and cumulative free cash flow ranging from 1.2 to 1.5 billion euros over the next 3 years.

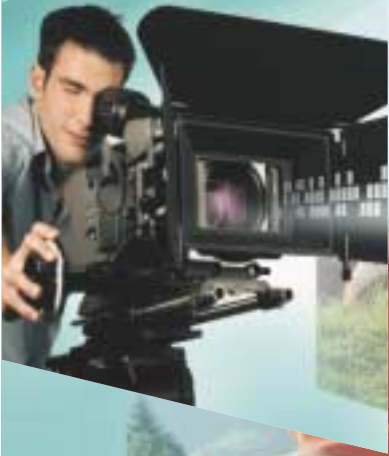
By continually seeking to better serve customers and continually meeting new challenges, all of Thomson's teams are mobilized to achieving these objectives.



Charles Dehelly



Distribution



Creation



Access





Serving the world's media and entertainment leaders

Thomson partners with the world's largest motion picture studios, broadcasters and network operators, bringing them integrated technology solutions and services. In 2003, Thomson successfully completed a major phase in the transformation begun in 2001, with the launch of its strategic partnership with China's TCL Group. The creation of a joint-venture company, TCL-Thomson Electronics, into which Thomson's TV manufacturing business and assets will be merged, represents a critical step as the Group refocuses on growing content creation and distribution markets. Today, the Thomson business model has nothing in common with that of a consumer electronics company.

DRAMATIC CHANGE IN THE CINEMA AND BROADCASTING INDUSTRIES

Today Thomson is at a turning point in its history due to the combined effect of an unprecedented technological revolution affecting the movie and TV broadcasting industries, and the worldwide explosion of consumer demand for electronic media and entertainment.

Yesterday, the movie industry relied exclusively on chemical processing and film to develop, store and reproduce images, while TV was still in an analog world. Today, the digital revolution is driving **convergence of these 2 industries**. Both are using digital cameras and new post-production and television broadcasting techniques. Both the motion picture industry and the television industry make content available in many different forms and through a variety of networks, ranging from digital motion pictures and DVDs to digital terrestrial, cable, satellite, and telco distribution networks.

Until recently, the market consisted mostly of consumers located in Western Europe, the United States and Japan. Today the scope of the market has changed with the growth of demand in countries such as China, where 1,000 TV channels already exist.

THE UNIQUE THOMSON POSITION

Our major customers – media and entertainment corporations such as News Corporation, The Walt

Disney Company or Time Warner – have also anticipated this transformation by adding movie studios, television broadcast networks and cable or satellite networks to their activities. As a consequence, they now need a range of integrated best-in-class services. While as many as 100 different service providers might have been involved in the production of a film in the past, soon there will only be half a dozen.

Thomson – thanks to its portfolio of activities, its mastery of digital image technology and its services – **is the only company in the world** that can offer a truly integrated range of services satisfying major entertainment and media company needs for quality, security and efficiency.

A NEW CUSTOMER-ORIENTED ORGANIZATION

To respond even more effectively to the needs of its customers, for solutions to create, distribute and access content, Thomson has reorganized its activities into 3 divisions, in line with its 3 types of customers:

- **The Digital Content Solutions division** offers, within the framework of long-term contracts, a complete range of technologies and services to such content creators as movie studios, television broadcasters and electronic game developers.
- **The Video Networks Solutions division** offers such equipment and services as system integration, facilities management and customer services for operators of terrestrial broadcast, cable, satellite

and telecom networks, built around long-term contracts and partnerships.

- **The Industry and Consumer Solutions division** offers a range of products and services for manufacturers and retailers. Leveraging Thomson's understanding of consumer preferences and its brand portfolio, the division offers solutions positioned at the crossroads of the video, telephone and IT worlds. Thomson also designs and develops key components for new solutions that support development of new standards.

Research and Innovation investments as well as corresponding Licensing revenues are now consolidated by division.



THE LANDMARK TCL-THOMSON AGREEMENT

TCL-Thomson Electronics will acquire the TV assets and related products and manufacturing services of Thomson and TCL. The company, owned 67% by TCL and 33% by Thomson, will be a world leader with strong brands active on all 3 of the world's principal markets: TCL™ in Asia, THOMSON™ in Europe, RCA™ in the United States. It will offer a comprehensive range of TV products and services. The Thomson contribution to the new company includes its TV manufacturing facilities in Mexico, Poland and Thailand. Thomson will serve as the new company's exclusive sales agent for Europe and North America.



Signature of the agreement on November 3, 2003, between TCL International and Thomson to create the TCL-Thomson Electronics joint venture.

FOCUS

3 worldwide programs

Initiated and monitored by the Executive Committee, 3 worldwide programs mobilize Thomson managers and their teams:

TARGET, led by Senior Executive Vice President Lanny Raimondo, encompasses the internal and external growth initiatives designed to achieve the Group's 2007 revenue goal of 10 billion euros.

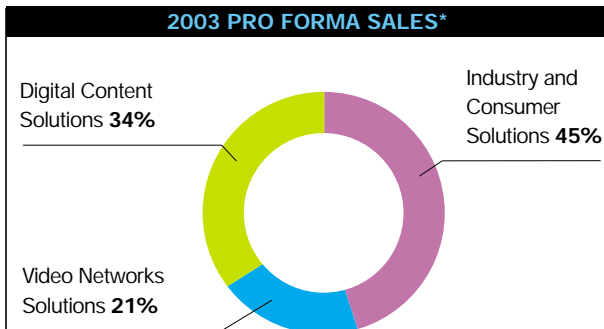
Thomson Quality System (TQS), is a worldwide quality program, led by Senior Vice President Guy Léonard, that aims to improve the quality of processes, reduce costs and control risks. All Group activities are involved, from purchasing, production, and R & D to sales and marketing, human resources and finance.

TCL-Thomson Electronics.

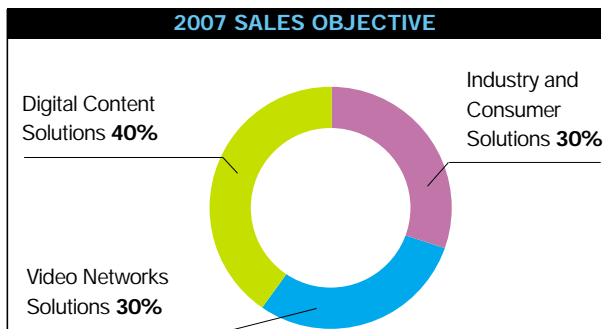
This program is led by Senior Executive Vice President Al Arras with Executive Vice President Eric Meurice, who is responsible for TV activities. It was launched at the start of 2004 to integrate TV activities into the new TCL-Thomson Electronics joint-venture company.

STRIVING FOR GROWTH

Thomson's goal is to continue growth and achieve revenue of 10 billion euros by 2007, with 70 percent of the total generated by technology solutions for content creators and broadcasters. Moreover, by creating with TCL the world leader in consumer electronics, Thomson ensures a solid, profitable future for its TV activities. At the same time, the Group maintains direct links with retailers and consumers via its brands and services in order to understand and anticipate market trends.



* After TCL-Thomson Electronics deconsolidation



Spirit Data Ciné™.

Technological excellence

Thomson offers unique experience in video content technologies, which are much more complex to manage than data and voice technologies. Top Research & Development priorities are:



Integrated circuit for compression.

- **Mastering compression technologies.** Thomson leads the industry in coding, decoding, compression and decompression technologies. A key contributor to the next-generation MPEG4 Part10 video compression technique (also known as JVT or AVC™) that became an international standard in 2003, Thomson leads the way in developing advanced professional coding/decoding implementations. All Group divisions use these technologies in a large number of applications, from digital cinema to personal video players.
- **High-speed fixed and mobile network technologies.** The R & D work involved covers all necessary network technologies, including radio frequency, modulation and coding techniques for transmission and transport protocols for the Internet, home networks and interconnectivity.

R & D initiatives also include fixed and mobile terminals, particularly 3G, as well as systems approaches critical to providing integrated solutions to network operators. ADSL modems and decoders will be integrated in the next generation of ADSL television solutions. Mastering both *front end* ADSL access technologies and *back end* audio and video decoding technologies will be essential to providing competitive products and solutions.

- **Ensuring content security.**

Protecting digital content is vital to the design and implementation of new physical or electronic distribution systems for movies or video. The basic technologies used, such as encryption, secure management of public and private keys, holograms, digital fingerprints and others, are similar. However, they must be adapted to each application context, tracking with the various steps in the content life cycle, from production to home viewing. The SmartRight™ content protection system, under consideration by the United States Federal Communications Commission and the Motion Picture Association of America, provides the first truly renewable global solution for content protection in digital home networks.

- **The growing need for content management tools.**

The increasing use of digital technology for daily film production rushes, the needs of television broadcasters and the desires of consumers to easily navigate, in audio/visual content make it necessary to develop tools to display and manage such digital content as the generation of *metadata* (content description) and automatic indexing tools.

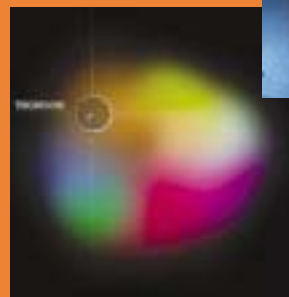
- **High value added integrated circuits (ICs).**

To develop solutions that add the most value, Thomson designs and develops key integrated circuits. As digital technologies are increasingly applied and functions are

increasingly integrated, there is a clear shift in value from finished products to ICs as systems become integrated onto single chips, through the so-called *System On a Chip* (SOC) approach.

Major integrated circuit design programs cover professional video compression, ADSL modems, reception of next generation digital terrestrial and satellite television signals and MPEG-2 and MPEG-4 HD circuits for decoders.

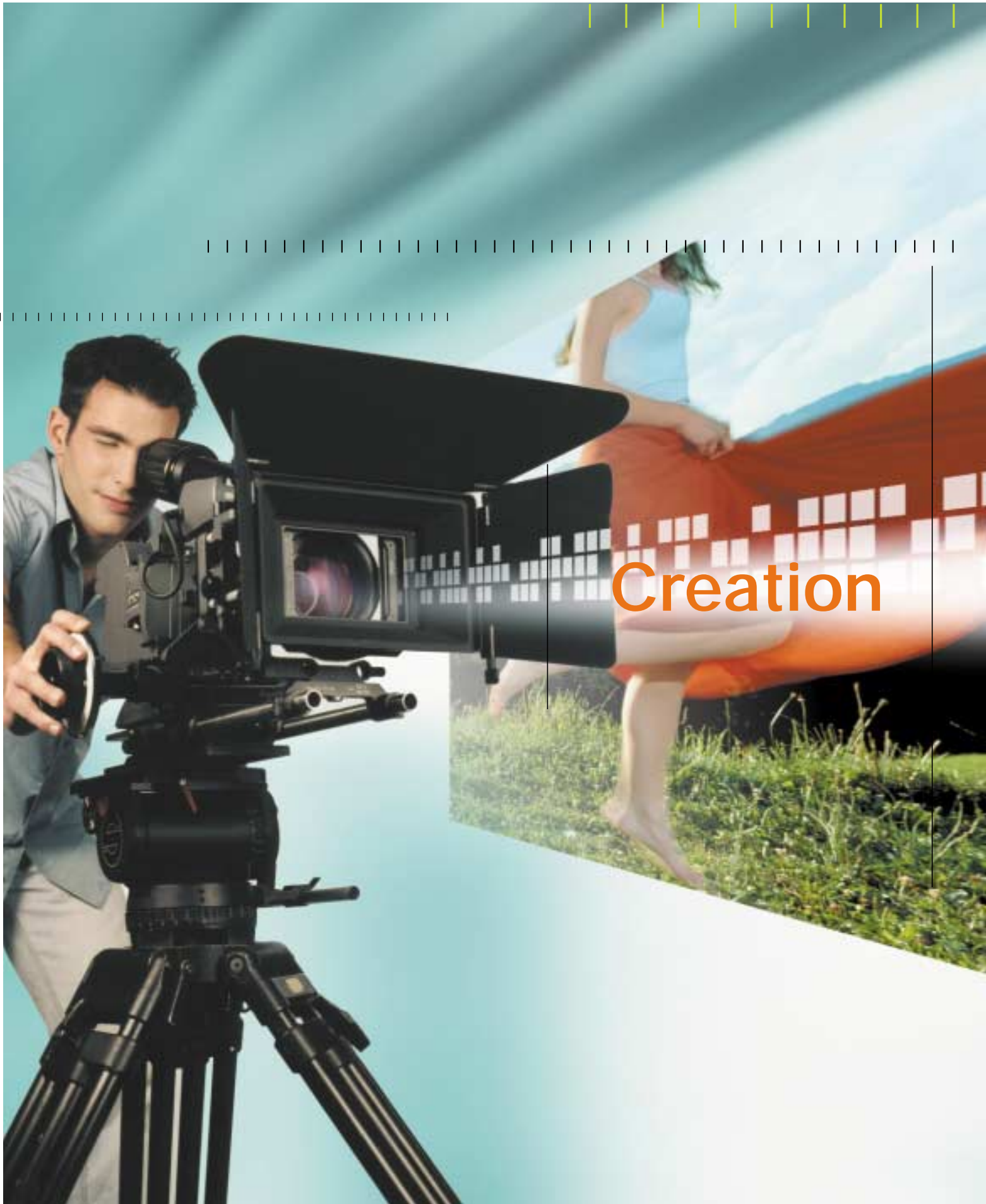
- **The Group derives great benefits** from the promotion of its intellectual assets - the fruit of its R & D and partnerships. In 2003, Thomson added 614 new patents to its portfolio, compared to 563 in 2002.



Digital content display tool.



1 of the 614 patents filed in 2003.



Creation

Solutions for Digital Content

Thomson puts technology and know-how to work for creative enterprises. These include such film studios as The Walt Disney Company, Universal Pictures, DreamWorks, Paramount Pictures, 20th Century Fox and Warner Bros., broadcasters and software providers such as Microsoft. As digital technologies advance and customer challenges and opportunities evolve, Thomson responds with a constantly changing portfolio of products and services. The goal is to continue to provide entertainment and media professionals with leadership offerings, while also enabling them to benefit from end-to-end solutions.

Thomson substantially increased services revenues from film and TV studios in 2003, led by 20 percent growth in post-production services. The June 2003 opening of Technicolor Creative Services post-production facility in New York, for example, enabled the Group to enter the city's large, sophisticated film, broadcast and commercial advertising industries.

The Group also began expanding activities in Asia, which is the world's fastest growing and highest potential region for post-production services. In addition to the acquisition of Cinecolor, a leading film laboratory in Thailand, Thomson also designed, built and now operates an innovative broadcast facility in Tokyo for The Disney Channel Japan (see page 15).

Building on its long-standing partnerships with major film studios and media companies, Thomson continued to advance in both traditional and digital cinema. For example, a new film contract signed in 2003 with Universal Pictures makes Technicolor the exclusive provider of Universal's North American and European theatrical release print business. Further, Technicolor signed a long-term extension of its theatrical release printing contract with Warner Bros. and secured a European theatrical release print agreement with 20th Century Fox on a non-exclusive basis.



Thomson supplied numerous services for the Disney film *Pirates of the Caribbean: The Curse of the Black Pearl*, including release prints, post-production, digital cinema, DVD mastering and both DVD replication and VHS duplication.

FOCUS

Post-production market in Asia: Cinecolor

The October 2003 acquisition of Cinecolor Lab Company constitutes a major step forward in Thomson's goal to serve the film industry worldwide. The Thai company is one of the premiere motion picture film laboratories and post-production facilities in Asia-Pacific.

Technicolor is one of the largest film processing companies in the world, supporting the film industry for both daily production footage and for release prints of film projected in movie theaters. All told, the company processed more than 4 billion feet of motion picture film in 2003.

At the same time, the Group continues to expand its leading role in support of digital cinema. After reinforcing its commitment to Technicolor Digital Cinema (TDC) in August 2003 by acquiring the minority stake previously owned by Qualcomm, the Company installed a first-of-its-kind 2K high-resolution digital cinema projector and Technicolor Digital Cinema System at the historic Grauman's Chinese Theatre in Hollywood.

MASSIVE MEDIA MANUFACTURING & SERVICES

Thomson continued to grow its world-leading media replication, distribution and services activities in 2003, gaining further economies of scale and increasing manufacturing capacity to 1.2 billion DVDs, 300 million CDs and 700 million videocassettes annually. The year's highlights include expansion of DVD replication facilities in Poland and Mexico.



Post-production: Stephan Nakamura, working on images from the film *Seabiscuit*, produced by Universal Pictures, awarded by the American Society of Cinematographers.

TECHNICOLOR HELPS BUILD THEATER & HOME ENTERTAINMENT BLOCKBUSTERS

Technicolor services for selected best-selling movies in 2003

Film	Film prints	Post-production	Digital Cinema	DVD authoring	DVD replication	DVD distribution	VHS duplication
Finding Nemo	■		■	■	■	■	■
Pirates of the Caribbean	■	■	■	■	■	■	■
Lion King - Special Edition				■	■	■	■
Seabiscuit	■	■			■	■	
Mystic River	■	■					■
Bruce Almighty	■				■	■	
Love Actually	■				■	■	
Terminator 3	■		■				■
The Last Samurai	■		■				■
Under the Tuscan Sun	■				■	■	■
The Matrix Reloaded	■						■
Indiana Jones Trilogy					■		

The Technicolor DVD replication facility in Guadalajara, Mexico, fully completed in January 2004, is the world's largest prerecorded optical disc manufacturing plant, with daily capacity of over 1.6 million DVDs. Combined with the Group's enlarged facility in Piaseczno, Poland, the new Mexican capacity will enable Thomson to continue to compete effectively in DVD replication markets.

Thomson also grew its relationships with software providers, in particular Microsoft.

In May 2003, Technicolor expanded its existing relationship with Microsoft and became the exclusive distribution partner for all of Microsoft's retail-direct and channel accounts for packaged software and Microsoft-branded hardware in North America. The agreement adds approximately 20 million distributed units – including such peripheral products as keyboards, mice and joysticks – to the annual volume handled for Microsoft by Technicolor. Furthermore, the Group's optical disc manufacturing plant in Luxembourg was named a Microsoft-authorized Xbox Replicator for Xbox™ products in Europe, a designation that is expected to increase total European Xbox™ production capacity by approximately 70 percent.

Thomson's cinema advertising joint-ventures, Screenvision™ in the United States and Screenvision-Europe™, maintained their combined world-leading market positions in 2003. The companies, which serve advertising clients through cinema spots, station representative services and sale of space, expect continued growth in 2004.

FOCUS

Helping Media Manage Content Globally

With media and entertainment companies increasingly operating on a global scale, Thomson created its Technicolor Media Asset Management™ (MAM) service offering to help them optimize use of their resources. Launched in July 2003, the service provides an integrated platform for the digital storage, management, access, processing, and distribution of all forms of entertainment content. It means that programmers and Hollywood studios can have all creative organizations contribute to the completion of a movie or TV show from anywhere in the world, with all parties benefiting from the same secure, reliable digital storage facilities.

12
13



Thomson handled replication for the *Indiana Jones* trilogy DVD collection, distributed by Paramount.

A man in a red soccer jersey is shown in mid-air, jumping to head a soccer ball. He is positioned in front of a large, curved screen that displays a virtual studio environment. The background is a bright blue sky with a grid of white squares. In the foreground, a man with glasses is seen from the side, sitting at a control desk with multiple monitors and a complex array of buttons and sliders. The word "Distribution" is written in orange text across the middle of the image.

Distribution

Solutions for Video Networks

Broadcasters such as ABC, NBC, CNN, Fox, TF1 and Canal+ and network operators including DIRECTV, EchoStar, BSkyB, Telefonica and France Telecom rely on Thomson for a full range of solutions to format, package and deliver programming to audiences via satellite, cable, terrestrial broadcast and telecom networks. At home, easy-to-use set-top boxes enable customers to receive an ever-expanding variety of information and entertainment programming.

The world's leading supplier of IT-based broadcast products – such as broadcast servers, switchers, routers and post-production film imaging equipment – Thomson firmly asserted its market position in 2003, ending the year with approximately 30% of the worldwide market for traditional broadcast equipment. Named “Digital Media Company of the Year” by worldwide marketing consultant Frost & Sullivan, Thomson introduced a record 25 new broadcast products under the Grass Valley™ and THOMSOM™ brands in 2003. The Group likewise reaffirmed its strong position in consumer products, maintaining leading positions for digital satellite set-top boxes and ADSL modems while strengthening its position in emerging, high growth markets.

SETTING THE STANDARD FOR HIGH DEFINITION PRODUCTION AND STUDIO EQUIPMENT

Thomson's share of the worldwide market for production and studio equipment grew substantially in 2003 as high definition (HD) production began to spread in Asia and Europe and continued to grow in North America. Thomson solutions enable customers to decide freely how and when they make the transition from standard definition to high definition broadcasting – a key customer benefit as broadcasters make multimillion dollar infrastructure investment decisions.

The advantages of the Thomson approach were underlined by leading broadcasters worldwide. In the United States, for example, NBC marked the successful completion of a 3-year, US \$30 million agreement for Grass Valley™ brand digital production and new products.

FOCUS

The Disney Channel Japan: unique end-to-end integration capability

No other company worldwide can match Thomson's broad portfolio of technologies, skills, services and experience. This unique combination led *The Disney Channel Japan* to select Thomson for an innovative, integrated facilities management solution for its network play-out facility. Leveraging the industry-leading expertise of its Technicolor Creative Services and Thomson Broadcast and Media Solutions units, *The Disney Channel Japan* entrusted Thomson with the design, construction and operations of its Tokyo production and post-production facility.

Successfully launched in November 2003, Thomson provided a turnkey, state-of-the-art television program origination center along with ongoing, round-the-clock, end-to-end broadcast services. This first-of-its-kind solution gives Thomson access to a worldwide market estimated at US \$2 billion a year.



For the second year in a row, the National Television Academy presented Thomson with 2 Technology and Engineering Emmy® awards in 2003. Bringing the Group's total Emmy awards to 19, the latest recognition highlights Thomson achievements in the field of image acquisition and in helping broadcast news editors work more quickly and efficiently.

Numerous additional awards came in recognition of Thomson's creation of a new class of professional digital video products with the April 2003 introduction of the Grass Valley™ brand M-Series™ iVDR line of intelligent video digital recorders. They provide a powerful digital replacement for the tens of thousands of mechanical video tape recorders used in broadcast and video production facilities worldwide.

The digital affordability initiative, launched in 2003, is an ongoing effort to adapt Thomson digital technologies to professional and institutional video markets.

Grass Valley™ brand products for small to mid-sized broadcasters and production companies, corporate audio/visual departments, government agencies and educational and religious institutions could increase broadcast equipment revenues by as much as 20 percent in 2004.

FOCUS

The Leader in High Definition Television

Thomson solutions are rapidly becoming the worldwide *de facto* standard for high definition TV production trucks. In Germany, for example, Media Mobil GmbH (MMG) placed a multi-million euro order in 2003 for a new digital outside broadcast truck with Grass Valley™ brand broadcast equipment, designed and built by Thomson's Systems Group. Likewise in the United States, New Century Productions (NCP) chose Thomson for broadcast trucks for high definition broadcast of 100 professional baseball games in 2003.

Inside a Thomson high definition TV production truck.



STRONG DIGITAL NETWORKING PERFORMANCE

In the digital networking market, the combination of an attractive new product offering with strong sales force performance, especially in the United States, produced a 50 percent increase in revenues and market share in 2003. Such major North American broadcasters as DIRECTV and Fox selected Thomson encoders, decoders and multiplexers. Part of a growing series of long-term contracts with News Corporation and its affiliate companies, the comprehensive technology agreement with DIRECTV will enable more than 11 million subscribers to watch local terrestrial broadcast station channels via satellite thanks to the new Thomson's product line.

LEADERSHIP IN BROADBAND ACCESS

Network operators rely on Thomson for high performance, easy-to-use consumer set-top devices. The Thomson range of digital set-top boxes provides a particularly attractive solution as operators in the United States, Europe and Asia expand offerings by moving to digital networking at the same time as they lower their total cost of ownership. In 2003, for example, French cable operator Noos and British satellite operator BSkyB selected Thomson for digital set-top boxes to equip subscribers.

The members of Thomson's DSL modem team, reorganized in 2003 to focus even more closely on the needs of telecom network operators, reinforced their world leadership with significant contracts worldwide. Shipments of DSL modems to customers in China totalled more than 1 million units in 2003. The number of broadband DSL households in China is forecast to grow more than 170 percent in 2004, to total over 23 million by 2005. Thomson intends to build on its success in China in 2004, while accelerating efforts in India and other high potential markets.



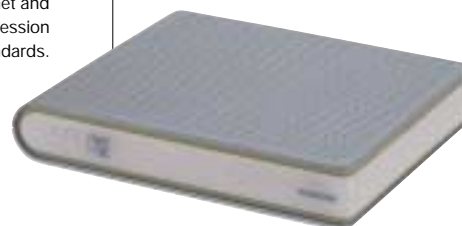
The Thomson DTI 1001™ digital receiver enables digital TV reception with a traditional TV antenna.

FOCUS

Opening Video Opportunities for Telecom Operators

Leveraging its expertise in advanced video compression technology and its leadership position in decoders and ADSL modems, Thomson is helping telecom operators develop new business models, increase average revenue per user and boost customer loyalty by using DSL techniques to distribute TV programming over phone lines. For example, Matanuska Telephone Association (MTA), a telecom operator in Alaska, equipped its subscribers with THOMSON/RCA™ brand decoders in 2003 to offer them 195 digital television channels, video-on-demand (VOD) and pay-per-view services.

IP 1000™ set-top box using Internet and advanced compression standards.



A woman with dark hair, wearing a light pink long-sleeved top, is smiling and looking towards the camera. She is holding a silver handheld device in her right hand, which displays a goldfish on its screen. In the background, there is a large, vibrant image of two goldfish swimming in blue water. The overall scene is brightly lit with a soft, ethereal glow.

Access

Industry and Consumer Solutions

Thomson capitalizes on its understanding of evolving consumer expectations and its proximity to such major European retailers as Carrefour and leading US retailers as Wal-Mart, Best Buy and Circuit City to offer high added value products and services to consumers and business.

Thomson products and services are in tune with **the growing convergence of the worlds of home video, telephones and computers**, as well as the exponential need for consumer solutions for **managing digital video, audio, photos and other content. Mobility products**, like the Lyra™ portable audio/video player, enable consumers to **access digital video content from anywhere** thanks to the growth of broadband networks such as terrestrial digital TV, 3G phone networks and others.

Thomson brings its deep understanding of consumer electronics products and accessories retailing to internal and external customers by serving as their **representative in Europe and the United States. Starting in the second half of 2004, TCL-Thomson Electronics** in particular **will benefit from this range of services**, including marketing, merchandising, brand licensing, sales, after-sales and logistics.

Thomson also designs and develops key components, opening new possibilities and promoting the development of standards that will reinforce its divisions' capacity to offer **licenses for use of its patents**.

ACCESSORIES, HOME TELEPHONY AND AUDIO

Remaining close to the end customer is one of the main drivers behind the Thomson innovation process.

Thomson will continue to offer new solutions for consumers, with a complete line of accessory and connectivity products to enhance the home entertainment experience.

The 2003 acquisition of the accessory assets of the former Recoton Corporation propelled Thomson into a leadership position in the marketing of audio/video accessories in the United States while opening new opportunities in Europe.

FOCUS

Lyra™ wins consumer favor

The Lyra™ Audio/Video Jukebox was one of the first digital audio hard-disc players that also gives consumers the ability to store and view up to 80 hours of their favorite video content. The Lyra™ Audio/Video Jukebox was named one of the top tech innovations of 2003 by *Popular Science* magazine. Marketed under the RCA™ brand in the United States and the THOMSON™ brand in Europe, the Lyra™ line of hard-disc Jukeboxes expands in 2004 to include even smaller hard-disc audio players that hold thousands of songs and can sort music content.

Lyra™ Audio/Video Jukebox.



The acquisition included many prestigious accessory brands – including Advent™, Acoustic Research™, Recoton™, Ambico™ and SpikeMaster™. It provided the impetus for a strategic repositioning – enabling Thomson to begin leveraging its leadership position in home electronics to offer comprehensive turnkey services to some retailers. These include customized logistics and in-store detailing for displays that hold hundreds of products. As Thomson's portfolio of accessory products and services grows, the Company is moving into new product areas, such as computer accessories and recordable blank media.

Home Telephones: Thomson is the world's leading marketer of residential telephone products, offering an extensive line-up of cordless and corded GE™-brand telephones in the United States and THOMSON™-brand telephones in Europe. In 2004, Thomson is expanding its product portfolio with the introduction of phones for home office use in the United States.

Audio: As the co-creator of the mp3 audio compression format, Thomson has long been a leader in portable mp3 players, with models that include flash-based memory and hard-disc storage. In addition to the Lyra™ Audio/Video Jukebox, Thomson's mp3 product lineup includes many small mp3 players that are aimed at all consumer price points for digital audio technology. Thomson also offers *home theatre in a box* audio systems that enable consumers to store and manage content and easily create a surround sound theatre at home.

THOMSON, SALES AND MARKETING AGENT FOR CONSUMER PRODUCTS⁽¹⁾

Capitalizing on its great knowledge of retailers' networks for consumer products and their accessories in Europe and the United States, Thomson plays the role of sales and marketing agent for its internal and external clients. The Group offers a complete range of services, including marketing, merchandising, brand licensing, sales, after-sales and logistics.

FOCUS

Thomson will handle sales for TCL-Thomson Electronics' new product lines in Europe and in the United States

The RCA™ Scenium Profiles rear-projection HDTV line unveiled at the January 2004 Consumer Electronics Show in Las Vegas won virtually unanimous recognition from retail customers and the media. Described as "visually stunning" by the *Dallas Morning News*, "handsome" by *NY Newsday* and "super-stylish" by the *Philadelphia Daily News*, the new models feature slim cabinets less than 7 inches (18 cm) deep and so light in weight they can be easily mounted on a wall.



Scenium™ ultra flat rear-projection TV.

(1) Activity merged into the TCL-Thomson Electronics joint venture.

Within this framework, starting in the second half of 2004, Thomson will be the sales agent in Europe and in the United States for TCL-Thomson Electronics TV products. These include TVs with the latest displays that offer brilliant colors and incredibly sharp images through new generations of High Definition rear-projection TV using microdisplay technologies, as well as flat-panel LCD and Plasma displays.

COMPONENTS

Thomson designs and develops key components, opening new possibilities and promoting the development of standards that will reinforce its divisions' capacity to offer licenses for use of some patents.

Thomson plans to reinforce its activity in optical components during the second half of 2004 thanks to a partnership with Foxconn.

TUBES

New avenues of growth have been opened for Thomson's tube activities following the launch of a restructuring program during the second half of 2003, the January 2004 acquisition of the color picture tube (CPT) business of Fortune in Dongguan, China, and North American factory closings announced in March 2004. These actions reinforce the Company's positions in Asia while addressing the division's profitability. Thomson is well positioned to compete in the worldwide CPT market from manufacturing centers located principally in China, Poland and Mexico. They are well situated to serve growing markets in Asia, Eastern and Central Europe and South America. The measures taken in 2003 and 2004 should enable the tubes business to generate sufficient cash to finance the activity in 2005-2007.

FOCUS

Building Good Fortune in China

The January 2004 acquisition of Fortune's color picture tube (CPT) business more than doubled Thomson's production capabilities in the growing Chinese market. The 3 CPT production lines and related assets, located in Dongguan, complement the 2 production lines at Thomson's recently expanded factory in nearby Foshan.

The combined Thomson and Fortune entities will generate economies of scale, providing Thomson with a competitive tube manufacturing base to supply its Chinese customers, as well as customers in other regions, with a full range of high quality tubes. Thomson plans to produce some 7.5 million mid-size (21-inch), large (25-29-inch) and very large screen (31-inch and above) color picture tubes in China in 2004, enabling the Group to double its market share to more than 20 percent in the large and very large screens segments.

Quality controls at Thomson factory in Dongguan, China.





Economic and financial performance

Financial Results

22
23

The year 2003 was a year of strategic repositioning, which saw a return to growth in the 4th quarter. It was also marked by free cash flow that exceeded targets. Solid performance from content creation and distribution activities reinforced the decisions to position Thomson as the champion of solutions and services for content creators and distributors, and to transfer manufacturing of TVs and related products to a joint-venture company with TCL.

Consolidated revenue

Consolidated revenue totaled 8.459 billion euros. The Group returned to growth in the 4th quarter of 2003, in particular in its Content & Networks and Licensing activities, where growth reached almost 10%. For the whole year consolidated revenue declined 6.5% at a constant exchange rate, reflecting the difficult conditions in the North American TV set market.

Operating results and operating profit

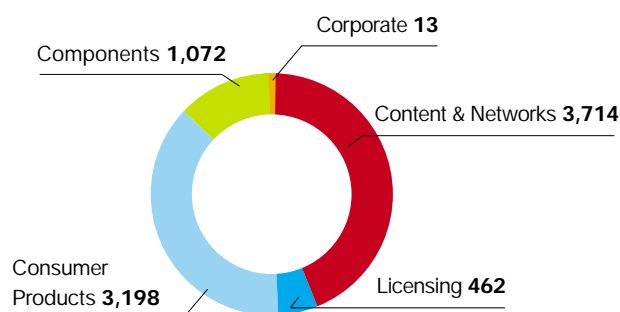
Annual gross profit margin amounted to 23.7% of revenues (1.923 billion euros), compared to 22.7% (2.426 billion euros) in 2002. This improvement resulted from Thomson's reactivity to difficult consumer electronics market conditions and the enhanced performance of service activities for content distributors and creators.

Despite losses in Consumer Products (124 million euros) and Components (101 million euros), the consolidated operating result reflects the solid performance of Content & Networks (+436 million euros) and Licensing (+411 million euros), up respectively 20% and 7%. The total operating profit margin was 6%.

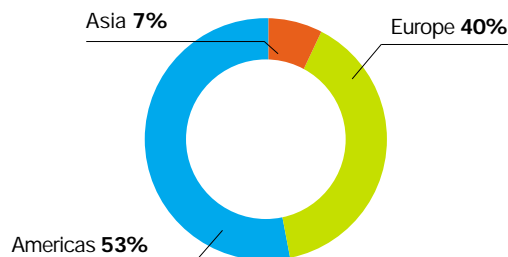
The agreement with TCL, signed on November 3, 2003, should have a positive impact on the Group's results in the second half of 2004, with deconsolidation of TV manufacturing and associated products. The Consumer Product activities remaining within Thomson – mainly accessories and portable audio/video devices – are profitable. Restructuring in 2003 should lead to a return to break-even in the Components activity in 2004.

2003 REVENUE

BY DIVISION IN MILLIONS OF EUROS*



BY GEOGRAPHICAL AREA



* 2003 divisional structure

Cash flow and investments

The Group continued to significantly increase operating cash flow by optimizing management of inventories and accounts receivable. Relative working capital, which has declined for 3 consecutive years, stood at 8.1%, compared to 13.3% in 2002 and 17.1% in 2001. Thomson generated 1.43 billion euros of operational cash flow in 2003, following 1.46 billion euros generated the previous year. Annual free cash flow before acquisitions and financing reached a record 707 million euros.

Taking advantage of record cash flow, Thomson decided to speed up restructuring measures in its Components activities and to seize opportunities for strategic acquisitions to reinforce positions in film printing, broadcast technologies and post-production markets. This resulted in the acquisitions of Cinecolor in Thailand and Pacific Media Affiliates in the United States. In the accessories field, Thomson purchased the accessories assets of Recoton in the United States. In the rapidly growing Chinese market, Thomson acquired tube manufacturer Fortune.

Net income

Net income of 26 million euros for 2003 reflects the increased speed of restructuring measures made possible by the Group's exceptional cash flow position.



Indebtedness and debt/shareholders' equity ratio – a solid balance sheet

At the end of 2003, Thomson showed a positive net cash position of 255 million euros, compared to a net debt of 231 million euros in 2002.

The position gives the Group significant scope to continue its strategic redeployment along with its development of services offerings for content creators and distributors in 2004. The Group will finance growth by using its cash, liquid assets and, if necessary, available lines of credit or through financial markets.

Dividend

Confident in the Group's prospects and its ability to generate significant cash flow and increased profitability, the Board of Directors has proposed a dividend of 0.26⁽¹⁾ euro per share to the Annual Shareholders' Meeting of May 2004, an increase of 16% compared to 2002.

DIVIDEND + 16 % IN 2003 COMPARED TO 2002

0.26 euro per share

BALANCE SHEET

255 M euros Net cash position
as of 12/31/03

3,583 M euros Shareholders Equity
as of 12/31/03

(1) Including tax credit, dividend will amount to 0.39 euro per share.

Quality drives performance

24
25

Thomson considers its quality processes vital to performance. The Thomson Quality System (TQS) is built upon a pragmatic approach – field managers deploy quality, integrated within the management process, in an entrepreneurial way. The main objectives are to improve performance and better satisfy customers while reducing risk.

PRAGMATIC METHODOLOGY

The TQS program is built around a field-based approach. Given a clearly identified problem, the aim is first to draw up and test a solution within a reduced perimeter. If the solution works, it is formalized. Factors for success are identified and deployed whenever the same problem occurs. Solutions are catalogued on the Thomson intranet, enabling individual managers to use them according to their specific requirements.

7 areas have been identified, each sponsored by a member of Thomson's Executive Committee. 3 focus on people – employees, suppliers and customers – and are designed to reinforce personal involvement.

4 areas concern the Group's work methods – R & D, sales, production and global corporate procedures – and aim to optimize them.

Sub-topics have been identified for each of the 7 areas. Each is the responsibility of a manager who is personally accountable, with 6-month objectives.

The manager enlists colleagues from various divisions, forming a team to deal with the subject from start to finish, including identification of issues, methods, solutions and indicators. Every 6 months, the projects are submitted to the *sponsor* of the relevant area. Project initiators present the projects as they near completion during the biannual meetings of the Group Entrepreneurs (the Group's main management network).

The TQS procedure will be extended soon to such other areas as benchmarking and structural cost improvement.

TANGIBLE BENEFITS

The TQS procedure plays a significant role in increasing working capital. It helped reduce overdue accounts receivable by half between 2002 and 2003, improve the working capital requirement and transfer to suppliers inventory management of finished products not manufactured by Thomson. For non-manufacturing purchases, an e-procurement tool installed at 110 Group sites provided control of 80,000 purchase requests and produced significant economies thanks to a reduction in the supplier base.

From a quality point of view, several programs are bearing fruit. The People Involvement Program (PIP) yielded 200,000 suggestions from employees in 2003. In addition, all R & D labs are committed to a software development quality program and all divisions are bringing customer satisfaction surveys into systematic use, with a core of identical questions.

The procedure has also resulted in audits of many Asian suppliers to ensure compliance with ethical rules and elimination of those who fail to comply.

Finally, more than 30 major sites are in the certification process to achieve compliance with the ISO 14001 environmental standard by the end of 2004.



Karla Hermosillo and Ramona Aguirre (Servi-Centro Electronico de Mexico) were awarded for their suggestions as part of the People Involvement Program during the second half of 2003.



Governance and sustainable development



Corporate governance

transparency and determination

CLEARLY DEFINED ROLES

Thomson was one of the first companies included in the French stock market CAC 40 share price index to apply the law separating the responsibilities of the Chairman of the Board of Directors from those of the Chief Executive Officer (CEO). This distinction, part of Thomson's innovative approach to corporate governance, contributes to transparency.

Since October 8, 2002, Frank Dangeard has been Chairman of the Board of Thomson, and Charles Dehelly has been CEO.

As Chairman, Frank Dangeard directs the Board as it takes strategic decisions and monitors activities and results.

Together with the members of the Strategic Committee, he supports the CEO in defining major strategic orientations and in representing the Group to financial markets, shareholders and partners. To perform this mission, he attends meetings of the Management Board and, together with the CEO and the Chief Financial Officer, carries out a monthly review of Group results. Mr. Dangeard receives remuneration for his mission, which no longer includes the tasks of control and implementation that are now among the responsibilities of the CEO.

The Group's major strategic orientations are **prepared by the CEO and Management Board**, presented to the Strategic Committee and then set by the Board of Directors. The CEO is responsible for implementing major orientations. The Board of Directors oversees their implementation.

The CEO, assisted by the Executive Committee, manages the Group and reports results to the Board of Directors monthly.

FOCUS

New provisions for corporate governance

Thomson is committed to apply the essential provisions of the new French guidelines and recommendations for corporate governance. The majority of Board members are independent Directors. The Group has established internal rules that spell out how the Board sets strategic orientations and define the Board's control and verification powers. These rules also define Directors' duties and obligations.

The Company will modify its Statutes to align with the provisions of the French Financial Security Act of August 1, 2003 at the Annual Shareholders' Meeting on May 7, 2004.

AN ENGAGED BOARD OF DIRECTORS

The Board of Directors actively contributed to the development of the Group in 2003, meeting 8 times.

Its composition underwent a significant change at the Annual Shareholders' Meeting in May 2003 with the appointment of 2 Directors representing Thomson employee shareholders, Loïc Desmouceaux and Gérard Meymarian. 3 new Directors were also named: Eric Bourdais de Charbonnière, who was also appointed Chairman of the Audit Committee, Paul Murray and Henry P. Vigil. The 3 Directors representing the French State, Emmanuel Caquot, Thierry Francq and Didier Lombard, resigned following the sale of the State's shareholding in November 2003.

Now configured according to new French corporate governance principles, the Board can effectively carry out the verifications and controls that it deems appropriate and play an active role in the Group's strategic development.

3 EXPERT COMMITTEES

Since 1999, 3 Committees have provided advice and recommendations to the Board of Directors.

The Strategic Committee reviews projects involving corporate development, such as major investments, competitiveness and strategic agreements, as well as changes in industrial partnerships. It is chaired by Thierry Breton and comprises Frank Dangeard, Chairman of the Board, Eddy W. Hartenstein, Pierre Lescure and Henry P. Vigil. It met 6 times in 2003.

The Audit Committee monitors the quality of the Group's accounting and financial documents and ensures that verification procedures are followed.

Its members are all outside Directors. Eric Bourdais de Charbonnière has chaired the Committee since December 2003. The other members are Christian Blanc, Igor Landau and Marcel Roulet. Frank Dangeard attends although he is not a member. The Audit Committee held 4 meetings in 2003.

The People and Organization Committee

concentrates on the functioning of the Board of Directors, Senior Management remuneration and employee profit sharing. Chaired by Marcel Roulet, it comprises Frank Dangeard, Pierre Cabanes⁽¹⁾, Eddy W. Hartenstein and Henry P. Vigil. It met 7 times in 2003.

MANAGEMENT BOARD AND EXECUTIVE COMMITTEE

In accordance with article L 225-51-1 of the French "Code du Commerce", the Board of Directors decided on October 8, 2002, to dissociate the functions of Chairman of the Board and Chief Executive Officer. Charles Dehelly has been CEO of Thomson since that date.

Thomson has created a **Management Board** composed of the CEO and 9 Senior Executives (3 Senior Executive Vice Presidents, 3 Senior Vice Presidents and 3 Executive Vice Presidents). The Management Board meets on average twice monthly to implement Group strategy as defined by the Board of Directors.

The **Executive Committee** is composed of 18 members and includes heads of key operating units and corporate functions. It meets twice monthly on average to manage the Group's affairs.

The following table shows the Executive Committee and Management Board members, with their current responsibilities within the Group.

(1) Pierre Cabanes is a Board member through the Annual Shareholders' Meeting on May 7, 2004.

MEMBERS OF THE BOARD OF DIRECTORS

Frank Dangeard

Chairman, Thomson Board of Directors;
Executive Director of Financial Balances and Value Creation, France Telecom

Christian Blanc

Deputy in the French National Assembly

Eric Bourdais de Charbonnière

Chairman, Michelin Supervisory Board

Thierry Breton

Honorary Chairman, Thomson;
Chief Executive Officer, France Telecom

Catherine Cavallari

Representative of Thomson employees, Patents and Licensing, Operations Controlling Manager

Loïc Desmouceaux

Representative of Thomson employee shareholders,
Prospective Marketing Manager

Eddy W. Hartenstein

Senior Vice President, Hughes Electronics Corporation;
Chairman, DIRECTV

Igor Landau

Chairman of the Board, Aventis

Pierre Lescure

Chief Executive Officer,
Le Monde Presse

Didier Lombard*

Senior Executive Vice President
Technologies, partnership and new services, France Telecom

Gérard Meymarian

Representative of Thomson employee shareholders, Vice President of Business Development and Profit Center, Asia

Paul Murray

Former Group Financial Director, Carlton Communications plc.;
Partner in Tangent Industries Ltd.

Jean de Rotalier

Representative of Thomson employees, Marketing Manager for Italy

Marcel Roulet

Former Chairman, TSA,
Thales and France Telecom

Henry P. Vigil

Senior Vice President, Microsoft Corporation

* Nomination to Board of Directors submitted to the Annual Shareholders' Meeting on May 7, 2004

EXECUTIVE COMMITTEE

Charles Dehelly*

Chief Executive Officer

Al Arras*

Senior Executive Vice President, Audio, Video & ATLINKS, supervises the integration of Thomson's TV business into the new Joint Venture with TCL

Tom Carson

Executive Vice President, Marketing & Sales Services

Jean-Philippe Collin

Senior Vice President, Integrated Circuits, Thomson Optical Systems

Peter Ho I Chin

Senior Vice President, Sourcing

Marie-Ange Debon*

Senior Vice President, Corporate Secretary and General Counsel

Jean-Charles Hourcade*

Senior Vice President, Technology (including Research & Innovation, Patents & Licensing, Integrated Circuits and Thomson Optical Systems)

Brad Kendall

Senior Vice President, Human Resources

Ghislain Lescuyer*

Executive Vice President, Broadband Access Products

Guy Léonard*

Senior Vice President, Business Performance (including Cash/Spring, Sourcing and Thomson Information Services), supervises the TQS quality program

Quentin Lilly

Senior Vice President, Technicolor Home Entertainment Services

Mike D. O'Hara*

Executive Vice President, Consumer Solutions (including Audio, Video & ATLINKS, Consumer Solutions (accessories) and Marketing & Sales Services)

Eric Meurice

Executive Vice President, Worldwide TV

Jean-Georges Micol

Senior Vice President, Corporate Communications

Lanny Raimondo*

Senior Executive Vice President, Digital Content Solutions, Broadcast & Media Solutions and Network Services, heads the TARGET program for growth

Béatrix de Russé

Senior Vice President, Patents and Licensing

Didier Trutt*

Executive Vice President, Displays & Components

Julian Waldron*

Senior Executive Vice President, Chief Financial Officer

* Management Board members

Talent

Our most precious asset

A high technology and services Group present worldwide, Thomson has built its success on the talent and motivation of its people. Thomson employees consistently demonstrate their ability to work together in international teams in an entrepreneurial spirit, observing the same ethical principles everywhere.



FIELD ORIENTED

The Group's organization enables people in the field to take responsibility. Each division has a human resources department, whose supervisor is appointed by the Group Human Resources Director in accord with the head of the particular division involved. The 4 main regions where Thomson is established - North America, Latin America, Asia and Europe - also benefit from Shared Services Centers to support personnel management. The importance of field proximity is demonstrated in the way the Group has organized its international teams in networks, favoring local recruiting and training managers.

INNOVATIVE NETWORKED ORGANIZATION

The Group acts dynamically and reacts quickly to change thanks to an organization consisting of 3 management networks. The networks evolve as a function of the Group's general and strategic policies.

In 2003, the **Entrepreneurs network** brought together 360 managers selected for their leadership qualities, entrepreneurial abilities, performance and contribution to worldwide programs such as TQS. Coming from a variety of backgrounds, they spread the Thomson culture, strategic vision and values throughout the Group. In 2003, the Entrepreneurs met with the Group's senior management in Paris in February and in Los Angeles in July, focusing on the planned joint venture with TCL. Membership in the Entrepreneurs network is not permanent; rather, it reflects a particular situation in the Group's and the individual's development.

DISTRIBUTION OF PERSONNEL BY GEOGRAPHIC AREA IN 2003

Europe <i>Including Poland</i>	17,277
North America	13,073
Asia - Oceania <i>Including the People's Republic of China</i>	17,015
Other countries <i>Including Mexico</i>	11,034
Total number of employees in equity accounting	664
Total	59,063 *

* Temporary personnel are not included

The Operational Committee network comprises 78 managers, all of whom are leaders capable of developing approaches in their sectors to support the Group strategy. By developing new ideas, they act as catalysts for change. In 2003, they managed communication on changes in the Group's shareholders and strategy. The Entrepreneurs supported these initiatives by disseminating information Group-wide, thereby strengthening the Group's management network effectiveness.

The Executive Committee is the central management network. Consisting of representatives of all the Group's operating divisions and support functions, it drives Thomson strategy. The committee carries out bi-annual talent reviews of the members of the other 2 networks.

MANAGEMENT DEVELOPMENT

Thomson's training policy helps ensure that each employee continually is able to adapt to changes both within and outside the Group. Oriented toward field requirements, implementation is highly decentralized.

Thomson is also committed to the development of knowledge networks, designed to diffuse critical expertise throughout the Group's activities.

Training policy is based on 3 elements: enriching the company's culture, strengthening management skills and building business expertise.

Thomson established a corporate training department at the end of 2003. It aims to optimize internal synergies as training policy is implemented to measure progress and ensure development of skills that are critical to the Group's future.

Thomson remuneration policy is adapted to local standards while aspiring to be attractive and fair. Since 1997, managers' salaries have been partially performance-based, linked to semiannual targets.

Labor relations are handled on a country-by-country basis. In addition, the European Works Council set up in 1997, consisting of employee representatives from

France, Germany, Great Britain, Italy, Luxembourg, the Netherlands, Poland and Spain, meets 6 times a year. In 2003, the European Works Council was involved in all major development questions, engaging in an open, responsible dialogue over such issues as the planned joint venture with TCL, the consolidation of finance functions in Europe, acquisition of 3 production lines at Foshan, China, and investments in Poland.

Thomson reinforced employee shareholding as the French State sold its shares in the Group. In December 2003, employees subscribed to 581,933 shares at a discounted unit price of 14.60 euros. As of March 1, 2004, some 24,000 current and former employees held about 4.15% of Thomson's equity capital.

STRINGENT ETHICS AND CERTIFICATION REQUIREMENTS

The Ethics Charter (see page 36) is applied rigorously in all countries where Thomson does business and underpins some team and individual goals. The Group takes special care to avoid conflicts of interest and does not hesitate to dismiss anyone who is involved in such situations.

In accordance with the Group's Ethics Charter as well as its **Environmental, Health and Safety Charter**, Thomson has launched a Hygiene and Security certification program. 3 sites obtained Occupational Health and Safety Assessment Series (OHSAS) 18001 certificates in 2003: Zyrardow and Piaseczno in Poland and West Drayton in the United Kingdom.

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Environment a worldwide commitment

Thomson implements a single environmental, health and safety policy worldwide, applying identical standards everywhere.

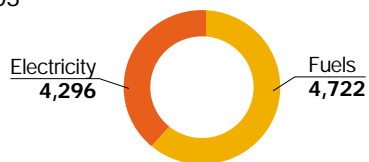


A WORLDWIDE ORGANIZATION

Environment, Health and Safety (EHS) are all handled in the same way, with responsibility shared by the Executive Committee, site managers and business sector managers. The Group's EHS manager is supported by regional managers for Europe, the Americas and Asia. Each production site has an EHS coordinator and committee, whose objectives are validated by the site Director and the regional EHS manager. Field organizations have been reinforced by the creation of a headquarters sustainable development position; this person coordinates management of environmental issues related to production sites and Thomson products.

ENERGY CONSUMPTION (TERAJOULES) - 20% BETWEEN 2002 AND 2003

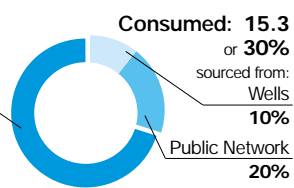
2003



WATER CONSUMPTION (MILLIONS OF M³) + 0.7% BETWEEN 2002 AND 2003

2003

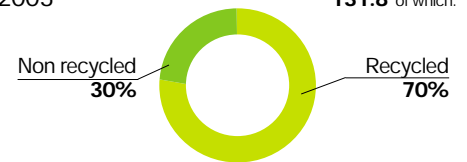
Recycled: 35,1
or 70%
(65% in 2002)



WASTE MANAGEMENT (THOUSANDS OF TONS) - 12.6% BETWEEN 2002 AND 2003

2003

131.8 of which:



CONSISTENT TOOLS AND METHODS

The **EHS Charter**, translated into 5 languages, is displayed at all sites and available on the intranet, which also provides EHS procedures, documentation and results.

Sites carry out annual assessments of their environmental results, incorporating internal audits, training and EHS committee achievements. In 2003, this process was enhanced to include measurement of quantifiable environmental goals, and to formalize environmental management systems.

Investment in training is high, **with 100,000 hours of training delivered**. **Information and awareness meetings were organized in Asia, the Americas and Europe.**

Internal and external auditors assess each significant site once every 3 years.

Their audits focus in particular on identifying opportunities for continuous improvement. In 2003, 22 EHS audits were carried out. **A Significant Business Incident alarm procedure** ensures Group reactivity to major events, including environmental incidents.

Newly-acquired sites are brought up to standards as required. In 2003, environmental clean-ups were carried out in Taiwan and North Hollywood, California.

A database has been created to make it easier to collect and consolidate environmental data.

A supplier evaluation program is in place and environmental requirements are being extended to subcontractors in 2004. Thomson includes its suppliers in its product life-cycle management and ethics policies.

OBJECTIVES FOR 2002 - 2004

- Reduce water and energy consumption, as well as final waste production, by 10% through recycling or reuse of more than 75% of all waste.
- Implement consolidation systems for atmospheric emissions at production sites.
- Obtain ISO 14001 certification for all major industrial sites.

RESULTS

ISO 14001. 3 new sites were certified in 2003: Foshan, China; Bagneaux-sur-Loing, France; and Manaus, Brazil. 13 of the Group's 35 major sites are certified, including 2 in Asia, 2 in the Americas and 9 in Europe.

THE NEW WATER TREATMENT STATION AT THE TECHNICOLOR FILM DEVELOPMENT LABORATORY IN ROME

is completely automated and uses 2 successive processes, 1 biological, the other chemical. Its reliability also derives from the installation of an upstream *buffer* neutralization pool used to collect effluents from a whole day's production.

Industrial effluents treatment station at Technicolor laboratory in Rome.



Relations with shareholders



TOTAL PRIVATIZATION

On November 4, 2003, the French State sold 52 million shares, representing 18.50 percent of the Group's capital. Following the divestiture, the French State's shareholding stands at about 2 percent.

The sale constitutes the final stage in the reorganization of Thomson's equity capital. It reinforces Thomson's strategic position as a world leader in integrated solutions, encompassing technologies, products and services for the media and entertainment industries.

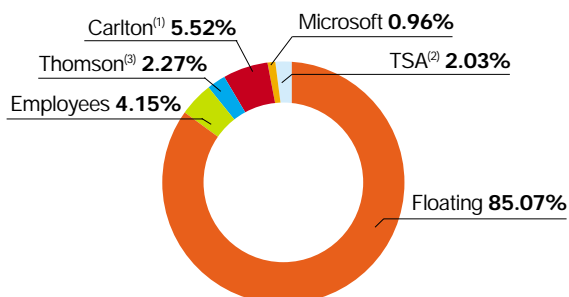
PRICE TRENDS AND PROSPECTS

Although Thomson has repositioned itself and most of its activities around providing solutions for the film and entertainment industries, difficulties in the consumer electronics industry continued to weigh on the share price in 2003.

The agreement with TCL, a major step forward in the strategic realignment begun in 2001, should help clarify and enhance the Group's position.

Thomson will focus mainly on content creation and distribution markets, which offer attractive growth and profit perspectives. The Group expects the realignment to enable it to grow revenue from 6.8 billion euros (pro forma) in 2003 to 10 billion euros in 2007, with 70 percent of revenue coming from the film and media industries.

STOCK OWNERSHIP STRUCTURE AS OF MARCH 1, 2004



(1) In November 2001 Carlton Communications plc issued bonds convertible into 15.5 million Thomson shares.

(2) As of March 1, 2004, the TSA (ex-Thomson S.A.) shareholding in Thomson comprised 493,051 ordinary shares assigned to allocation of shares to employees, according to the terms set out in the March 2002 offering to employees.

(3) As of March 1, 2004, Thomson was the sole holder of 6,373,070 shares, representing 2.27% of the capital, following the repurchase by the Company of 3,000,000 shares at the time of the French State's institutional investment in November 2003. As of February 28, 2003, Thomson was the sole holder of 3,373,930 shares representing 1.2% of the capital.

INFORMATION: CLARITY, SIMPLICITY

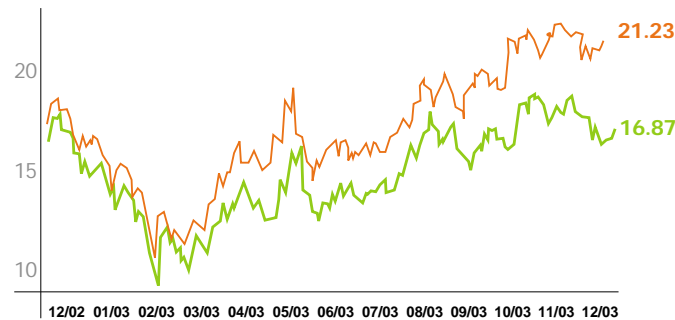
With shares listed on the Paris and New York stock exchanges, Thomson maintains simple, straightforward relationships with shareholders and financial markets. Information about Thomson is always available on the Group's website (www.thomson.net). The annual report and reference document filed with the French securities agency, AMF, can be downloaded from the site. Shareholders approved the Board's proposal to distribute a dividend of 0.225 euro per share at the Annual Meeting of May 6, 2003. In 2004, the Board, confident in Thomson's prospects, is proposing a dividend of 0.260 euro per share, an increase of 16 percent, to the Annual Meeting on May 7, 2004.

FINANCIAL INFORMATION SCHEDULE

- April 14, 2004: first quarter 2004 revenue.
- May 7, 2004: Annual Shareholders' Meeting on second notice called to give its ruling on the accounts for the financial year 2003.
- July 22, 2004: first half 2004 revenue.
- October 13, 2004: third quarter 2004 revenue.

* These dates are given as an indication only and may be modified

2003 SHARE PRICE



■ Paris (euros)
■ New York (dollars)

www.thomson.net

Stock exchanges
EURONEXT code 18453
NYSE ticker TMS.N

SHARE HIGHLIGHTS

	2002	2003
Year High (in euros)	36.70	19.20
Year Low (in euros)	12.39	9.25
Share price at year end	16.26	16.87
Average daily volume	1,817,060	2,034,515
Market capitalization at year end (in millions of euros)	4,563	4,734
Number of shares outstanding at year end (in thousands)	280,614	280,614
Net income per share (in euros) ⁽¹⁾	1.35	0.09
Net dividend per share (in euros)	0.225	0.260 ⁽²⁾

(1) Calculated on the average number of shares outstanding.
(2) Submitted to Annual Shareholders' Meeting of May 7, 2004.

(Sources Euronext, Reuters)

Commitment to ethics

Thomson intends to establish long-term cooperative relationships with all its stakeholders, based on behavior reinforced by values and a code of ethics.

11 KEY VALUES

The Group contributes to economic and social development and applies the same code of conduct everywhere it does business. Common values apply to all employees worldwide.

AN ETHICS CHARTER

Some of these values have inspired the creation of Thomson's Ethics Charter. Displayed at all Group sites, the Charter is a code of conduct, spelling out the principles that guide all internal and external relations.

Signed by the members of the 3 Thomson management networks worldwide, the Thomson Ethics Charter demonstrates the commitment of all managers and employees to uphold the Group's values individually and collectively, and to ensure they are implemented. The Charter also applies to Thomson suppliers.

Thomson's internal audit department uses SA 8000, a recognized international reference tool, to ensure that the Ethics Charter is applied both internally and by suppliers. SA 8000 defines the practices of a socially responsible employer, following the model of the ISO 9000 services standard. External audits are also carried out at the initiative of major clients who share similar ethical values with the Group.

THOMSON GROUP VALUES

Progress • Speed • Commitment • Partnership • Vision • Innovation • Determination • Ethics • Integration • Transparency • Anticipation •

10 RULES OF CONDUCT: THOMSON'S 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 above your personal interest.
- 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.

Ethics Charter
in Chinese.





Design, creation
and publication : avant-garde

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Printing : Design Média



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Thomson

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