

PANORAMA 2005

THOMSON
images & beyond



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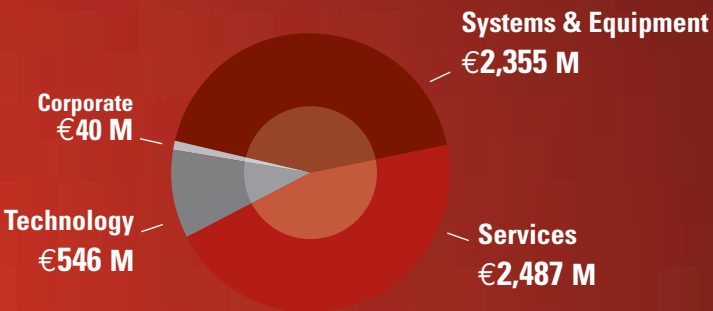
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Thomson at a glance

€5,428 M

full year 2005
Core Business revenues

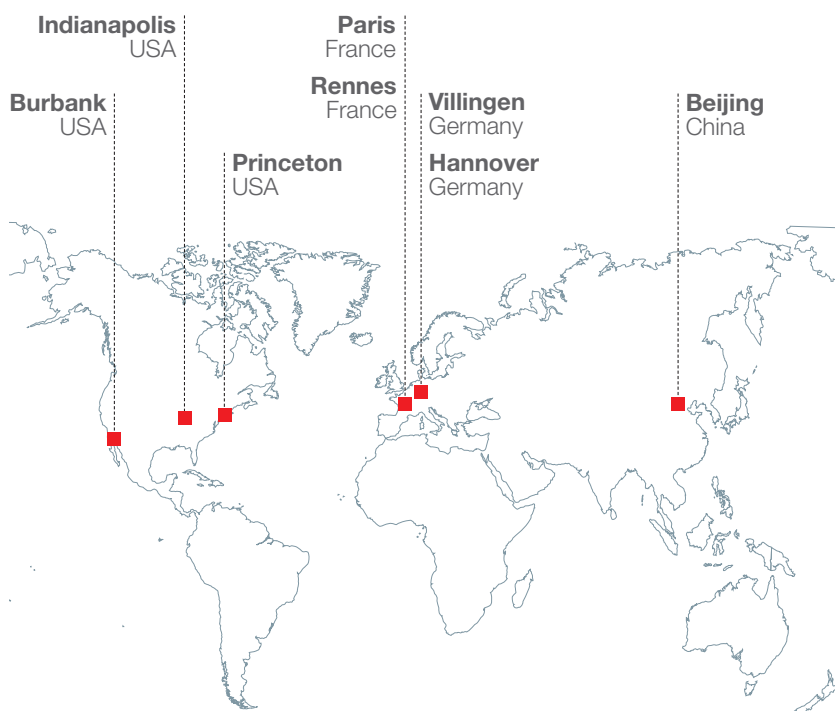
26,250
employees



Full year Core Business revenues* by division _

* Excluding €263 million from non-core continuing operations.

WORLDWIDE NETWORK OF R&D CENTERS_



KEY FIGURES_

in € million	Full year 2005	Full year 2004
Revenues	5,691	6,036
Core Business revenues⁽¹⁾	5,428	4,968
Revenues from non-core continuing operations	263	1,068
Core Business EBITDA⁽²⁾	932	946
Core Business EBIT⁽³⁾	505	575
EBIT from non-core continuing operations	(123)	(109)
Number of employees	26,250	30,921

(1) Excluding €263 million from non-core continuing operations which are not covered in this document.

(2) EBIT: earnings before interest & tax

(3) EBITDA: earnings before interest, tax, depreciation and amortization

SERVICES_

A world leader in film and DVD services, post-production, visual effects and digital media management and distribution

Our Services division – including the renowned Technicolor brand – is a world-leading provider of film and DVD services, content management, post-production, visual effects and video network management and distribution for the Media & Entertainment industries. Customers of the Services division include DreamWorks, NBC/Universal, 20th Century Fox, Warner Bros., Microsoft, Electronic Arts and many other global providers of entertainment and information.

SYSTEMS & EQUIPMENT_

A world leader in equipment for the broadcast, cable, satellite, terrestrial and telecoms markets

Our Systems & Equipment division, through the Grass Valley and Thomson brands, plays a strategic role at both ends of the image value chain: on the one hand, helping broadcasters and network operators distribute content, and on the other, providing operators with the devices that media consumers need to access and enjoy content, wherever and whenever they want.

TECHNOLOGY_

A world leader in innovation

Our Technology division develops the core technologies that enable our Media & Entertainment customers to stay a step ahead in a demanding and rapidly evolving industry. With 8 research laboratories, over 500 researchers worldwide, and more than 50,000 patents, our ground-breaking activities cover a variety of fields including compression, silicon and content security solutions, and imaging. Thomson is an innovation hub for the entire industry.

Images & Beyond

Thomson is a world leader in digital video technologies. Serving the global Media & Entertainment industries, the Group is organized in three divisions – Services, Systems & Equipment and Technology.

From state-of-the-art film, production and post-production services, to digital cinema and out-of-home advertising, our expertise serves the world's content creators and distributors – including movie studios, broadcasters, network operators and any company or organization using images to entertain or communicate. Our solutions enable the capture and delivery of moving images to all kinds of screens and multimedia devices.

Technology is at the heart of what we do: our research teams across the globe constantly innovate to develop technologies that meet our customers' evolving needs, from advanced video compression to content protection.

“Building the World Leader in Digital Video Technologies”



Frank E. DANGEARD
Chairman & CEO

On my appointment as Chairman & CEO in September 2004, the acceleration of Thomson's transformation into a Group focused on digital video technology was viewed by the Board of Directors as an absolute necessity. That analysis, and the Two-Year Plan designed to effect the required acceleration, were fully corroborated by market developments in 2005.

Thomson at the beginning of 2006 _

Mid-way through the Two-Year Plan, the foundation has been laid for Thomson's future as a high-growth digital media and technology business. We achieved the exit from our significantly loss-making consumer and electronics businesses during the year and made key acquisitions necessary to establish the businesses which will boost our revenue growth in the future.

In the wake of the sale of the TV business to Chinese group TCL in 2004 and 2005, and of the Tubes business to Videocon in 2005, we decided to divest the stand-alone Audio/Video & Accessories businesses which represent the last vestiges of Thomson's consumer electronics past. These assets are held for sale, with completion expected at the end of the first half of 2006.

At the beginning of 2006, number one in most of our markets, and among the top two players everywhere, Thomson

comprises a coherent set of businesses focused on images and video. Our business units share a common technology base and serve the world's content creators and distributors: from movie studios, game developers, advertisers and broadcasters to network operators, and any other company or organization using images to entertain or communicate.

Thomson's markets are sizeable and growing. Alongside our more mature businesses – Film Services, DVD Services and Set-Top Boxes – the Group's high-potential growth businesses benefit from digitalization of the image production and distribution chain. The businesses which will boost future growth are: Content Services, which includes post-production and visual effects; Network Services, which provides infrastructure and media asset management services for broadcasters and corporate video networks; Broadcast & Networks, a business serving the professional broadcast and network operator markets, and the burgeoning professional audio-video market (ProAV); and Access Platforms & Gateways-Telecom, which is expanding notably in the provision of Internet-based access platforms and gateways to telecom operators. These businesses grew organically by 18% in 2005.

Thomson's future success clearly depends upon the ongoing reinforcement of our technology resources. Several important milestones were achieved toward that end

in 2005, including a significant increase in R&D investment and the launch of several cooperative programs designed to maximize our R&D spending and intellectual property portfolio.

Building perception of Thomson as a world leader in digital video technologies is also essential for the future. In keeping with the Group's new profile, we introduced a more modern and dynamic visual identity and accompanying tag-line – “*Images & Beyond*” – in April 2006. We retain the Thomson name so strongly associated with technology trend-setting, since innovation remains at the heart of what we do today, while “*Images & Beyond*” encapsulates our unambiguous focus on digital video technologies, systems and services.

Challenges lie ahead, nonetheless. Our customers' business models are impacted by the trends to digitalization, high-definition, and next generation networks, since these dramatically change the way content is created and how it can be distributed. Many of our customers are experimenting, and Thomson is involved in defining technical standards and stabilizing these new business models, such as for the digital cinema initiatives just launched in North America. Consolidation is taking place both within our customer base and among competitors, as the technology disruptions mentioned above break down traditional sector barriers, and new entrants emerge. Markets are global, and off-shoring is

becoming essential in all of our businesses, including in state-of-the-art technology domains. Thomson's strategy must be flexible enough to take advantage of this new, and rapidly evolving landscape.

2005 operating performance _

From an operational point of view, 2005 was undoubtedly a complicated year, as we moved swiftly to complete Thomson's exit from non-core activities and, in parallel, to invest in our core business, principally through acquisitions and increased R&D spend.

“**The foundation has been laid for Thomson's future as a high-growth digital media and technology business**”

We registered a full year net loss of €573 million because of exceptional losses in non-core assets, which have now been disposed of. However, our core “Media & Entertainment” business performed well: revenues increased by 8.5% to €5,428 million, representing an operating margin of 9.3%, while cash-flow generation was robust.

Going forward, we will manage our more mature businesses – particularly Film Services and DVD Services – for their

“The Group intends to **maintain and grow its position** as a world leader in digital video technologies”

cash, and continue to re-invest in our growth businesses. We must also drive improvements in execution, cost base and cash generation. Our more mature businesses are expected to benefit from new customers, particularly in film and set-top boxes. However, uncertainty over the extent and timing of growth leads us to adopt a cautious posture regarding projections for additional revenues from these activities.

The outlook is encouraging for achieving the objectives set for our high-growth businesses – Content Services, Network Services, Broadcast & Networks and Access Platforms & Gateways-Telecom. We are confident that these businesses will make a more visible contribution to revenue growth in 2006, reaching revenues of at least €1 billion more than our reported revenues for 2004, as envisaged in our Two-Year Plan.

As a consequence, our key operational targets for our core business in 2006 are revenue growth above this year's 8.5% and an EBIT margin also above 8.5%. We expect to continue to generate robust cash-flow, and to return a net profit in 2006.

Thomson's share price performed well in the first half of 2005, reaching a year-high in April 2005 following publication of our

first quarter revenues, which showed year-on-year organic growth of 22%. However, its evolution in the second half was disappointing and somewhat erratic, despite the Group's successful exit from the heavily loss-making TV and tubes businesses.

Looking forward _

The Board of Directors has signaled its confidence in Thomson's future prospects by proposing a net dividend per share this year of €0.30, a 5% increase on last year's dividend.

After 18 months of intense activity, during which Thomson's strategic framework was re-cast, non-core activities were disposed of, and key businesses were added to our portfolio, the Group is geared to seizing growth opportunities across all its markets. Expertise in digital video and imaging technologies, strong brand-names and long-standing customer relationships make Thomson the preferred partner of video/image content creators and distributors worldwide. The Group intends to maintain and grow its position as a world leader in digital video technologies through adequate resources and key talent: ensuring these are in place will be among management's main priorities in the year ahead.



Frank E. DANGEARD
Chairman & CEO

Executive Committee

Weekly meetings of Thomson's Executive Committee ensure **rapidity in decision-making.**



1. Frank E. DANGEARD

Chairman & Chief Executive Officer
(Paris and Los Angeles)

2. Jean-Charles HOURCADE

Senior Executive Vice President,
Chief Technology Officer, Technology
(Los Angeles)

3. Ghislain LESCUYER

Senior Executive Vice President,
Systems & Equipment (Los Angeles)

4. Lanny RAIMONDO

Senior Executive Vice President,
Services (Los Angeles)

5. Didier TRUTT

Senior Executive Vice President, Chief
Operating Officer, Business Operations (Paris)

6. Julian WALDRON

Senior Executive Vice President,
Chief Financial Officer (Paris)

7. Eric BACHELLEREAU

Executive Vice President,
Human Resources (Paris)

8. Marie-Ange DEBON

Executive Vice President, Corporate
Secretary and General Counsel
(Paris)

9. Quentin LILLY

Executive Vice President, DVD Services
(Los Angeles)

10. Jean-Georges MICOL

Executive Vice President,
Communications & Public Affairs (Paris)

11. Béatrix de RUSSÉ

Executive Vice President,
Intellectual Property & Licensing,
Technology (Paris and Princeton)

12. Willy SHIH

Executive Vice President, co-head
of Technology (Princeton and Los Angeles)

13. Marc VALENTIN

Executive Vice President,
Broadcast & Networks (Grass Valley),
Systems & Equipment
(Paris and Los Angeles)

Under the leadership of Frank E. Dangeard, the Executive Committee currently comprises 13 members – nine of whom are French, three American and one British. These executive managers, responsible for the operating divisions, as well as managers in charge of key central functions, meet every week to review the financial performance of the divisions in relation to the budget and strategic developments.

The work of the Executive Committee is carried out through two operating

committees, which contribute to an effective decision-making process.

The Investment Committee, chaired by Senior Executive Vice President and Chief Financial Officer, Julian Waldron, is responsible for studying and approving the investments by the different divisions and meets on an *ad hoc* basis.

The Risk Committee chaired by John Neville, special advisor to the Chairman & CEO, generally meets every six weeks

to assist the Executive Committee in identifying, anticipating, preventing and mitigating financial, operational and strategic risk to the business. It also serves as the vehicle through which the results and findings of the internal audit team are communicated to senior management.

In addition, Al Arras and John Neville, special advisors to the Chairman & CEO, and Mike O'Hara, Chairman of the Audio/Video & Accessories activity (Americas), are invited to attend Executive Committee meetings.

Board of Directors

The Board of Directors, which defines Thomson's strategic objectives, comprises individuals with **extensive knowledge of the Group's markets.**

The Board of Directors comprises ten independent directors and five non-independent directors, including the Chairman & CEO, all of whom have considerable knowledge of Thomson's businesses and markets. Four directors are Thomson employees; two were elected to represent employees, and two to represent employee shareholders.

Internal Board regulations detail the organization of the Board of Directors' work, and were updated in January and July 2005. These describe, in particular, the conditions by which the Board defines the Group's strategic objectives and its powers of oversight and verification.

During the year, the Board met nine times to review financial and strategic issues. The Board is regularly updated on the general status of Thomson's business and shareholding structure.

Three Board Committees _

The Board of Directors is supported by three committees: the Audit Committee, Strategy Committee, and Nomination, Remuneration and Governance Committee.

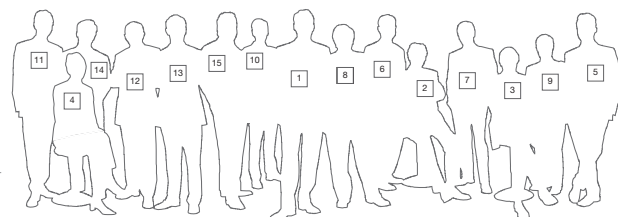
The Audit Committee assists the Board of Directors in fulfilling its oversight responsibilities with regards to the financial reporting process, the internal control and



audit processes, and monitors compliance with laws and regulations. The Committee is chaired by Eric Bourdais de Charbonnière and its other members are Paul Murray and Marcel Roulet.

The Strategy Committee reviews projects, such as major investments, competitive moves and strategic alliances or acquisitions, and also assesses progress in meeting the Two-Year Plan objectives. Frank E. Dangeard chairs the Committee, which also comprises Christian Blanc, Eddy W. Hartenstein, Pierre Lescure, Didier Lombard, Henry P. Vigil, David Roux and Rémy Sautter.

The Nomination, Remuneration and Governance Committee reviews the functioning of the Board of Directors, corporate governance, and remuneration of senior management, including the Chairman & CEO, as well as employee profit-sharing. The Committee is chaired by Marcel Roulet and its other members are Christian Blanc, Eddy W. Hartenstein and Henry P. Vigil.



1. Frank E. DANGEARD

Chairman & CEO of Thomson

2. Christian BLANC*

Member of the French Parliament

3. Eric BOURDAIS de CHARBONNIÈRE*

Chairman of the Supervisory Board of Michelin

4. Catherine CAVALLARI

Controlling Technology Operations, Thomson, employee representative

5. Loïc DESMOUCEAUX

Prospective Marketing Manager and Strategic Development, Thomson, employee shareholder representative

6. Eddy W. HARTENSTEIN*

Former Vice Chairman and former Board member of the DIRECTV Group

7. Pierre LESCURE*

Producer, former Chairman & CEO of Canal+

8. Didier LOMBARD*

Chairman & CEO of France Telecom

9. Gérard MEYMARIAN

Vice President Audio/Video & Accessories (Europe), Thomson, employee shareholder representative

10. Paul MURRAY*

Partner of Tangent LLP (UK)

11. Jean de ROTALIER

Marketing Manager Italy, Thomson, employee representative

12. Marcel ROULET*

Former Chairman & CEO of TSA, France Telecom and Thales

13. David ROUX*

Managing Director of Silver Lake Partners

14. Rémy SAUTTER*

Chairman of the Supervisory Board of Ediradio/RTL

15. Henry P. VIGIL*

Senior Vice President "Strategy and Partnerships" of Microsoft Corporation

* Independent directors

Strategy and Market Perspectives

Thomson has a unique set of businesses and core technologies **focused on digital video.**

The Media & Entertainment industries

Thomson benefits from a unique set of core technologies, centered on digital video. It is the only Group that can provide all the critical links along the Media & Entertainment industry value chain: from the creation of media and entertainment content, through the various stages of content preparation, management and distribution, to delivery of programming to end-customers.

Thomson's strategy – encapsulated in the Two-Year Plan – is designed to enable the Group to benefit from growth in key areas of the Media & Entertainment market, as content digitization, the trend towards high-definition and the considerable opportunities opened up by next generation networks impact the industry.

Digital technology is driving **profound change** and video images are becoming pervasive

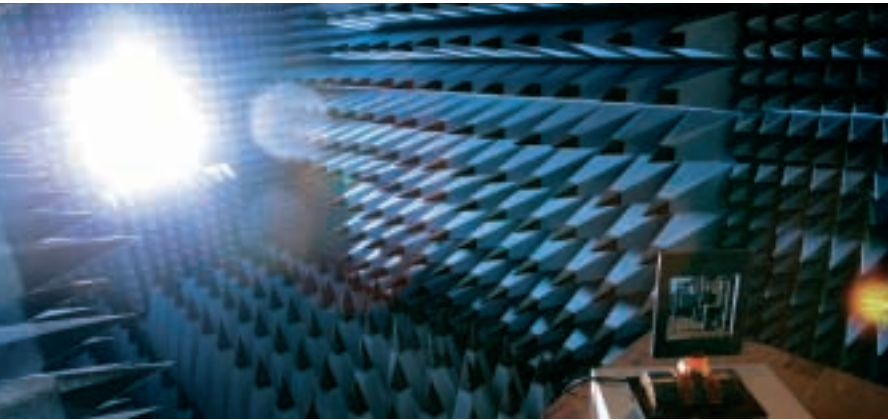
Digital technology drives change

The adoption of digital technology throughout the Media & Entertainment industries is driving profound changes in the market environment. As more content is digitized, ways to create, manage, distribute, deliver and use that content are shifting rapidly.

For example, networks that had been dedicated to a limited, specific set of services, such as voice communications, cable television or Internet access, can no longer sustain their businesses around a single activity. Likewise, the ability to produce perfect copies of digital content has created serious challenges for those who rely on revenue from volume sales.

Advances in digital video technologies are fueling an inexorable move to high-definition. The transition has broad implications across much of the Media & Entertainment industry landscape. For one, all of the equipment involved, from cameras and video storage servers to network infrastructure, edge-of-network devices, and even mobile phones, will need the adequate processing and storage capacity required for high-definition video.

At the same time, it has become increasingly clear that all of tomorrow's networks will use Internet technology to handle ever-larger amounts and varieties of digital content. One key consequence is that the specific proprietary technologies used in



■ Testing reception and transmission in a controlled environment



the past to develop networks dedicated to, for example, telecommunications or cable television will be supplanted by standardized, all-purpose broadband Internet Protocol (IP) networks. This poses a particular challenge for traditional video operators, who will need access to the information technology skills and resources used to build IP networks.

Video images grow more pervasive

The dramatically changed landscape represents an opportunity for new entrants into the Media & Entertainment industries and a threat to established players. The shake-up is already clearly visible among network operators: those who had been specialized in either telecom, mobile phone, broadcast or Internet services are rapidly expanding to offer so-called triple-play or quadruple-play services to their customers. Triple-play networks offer telephone, video and Internet services. Quadruple-play networks add wireless services to their portfolio.

As operators of all types of networks – terrestrial, wireless, cable or satellite – offer increasingly similar services, they find themselves competing for the same customers. To differentiate their offerings, they must offer a constantly expanding range of innovative, value-added services at the same time as they build their brands and customer loyalty through advanced access products.

Digitalization is also driving a certain democratization of video. As it becomes easier and cheaper to create video content and to distribute it electronically over networks, video is growing more pervasive. Private and public institutions are increasingly using video to communicate, and are turning to a video expert such as Thomson to manage their networks for them.

At the same time, the digital technology used to create images is finding applications in more and more areas. For example, the advertising and interactive gaming industries are increasingly adopting digital animation and special effects techniques originally developed for use in movies and TV programming.

Next generation networks

The distinction between fixed and mobile networks is becoming increasingly blurred. As wireless networks adopt advanced, high-capacity technologies, they are adding video services to voice and Internet offerings. This is changing the competitive environment not only for wireless network operators, but also for content providers seeking to benefit from a new outlet for their programming.

Media & Entertainment companies need new business models to adapt to the profound changes taking place. In some areas, these new models have begun to emerge: in North America, film studios, distributors and theaters have launched



|| Post-produced by Thomson's high-end visual effects company, MPC, this ad for Tetley's Bitter uses ALICE proprietary software, originally developed for films *Troy* and *Kingdom of Heaven*

what will be a decade-long transition from traditional film reels to digital distribution and projection techniques. In others, such as video-on-demand services, industry players continue to experiment with a range of possibilities, both in terms of technology and business model.

Thomson: positioned to benefit from the digital transition _

No Group is better positioned than Thomson to benefit from the opportunities opened by the spread of digitalization throughout the Media & Entertainment industries described above. Thomson's strategy and business model have been refined and updated to respond best to the needs of customers in the new technological and competitive environment. Thomson ranks among the leaders worldwide for each of the essential capabilities required.

Thomson has structured its activities to be able to take advantage of these new opportunities in the long term. At the basis are the cash-generative businesses such as Film & DVD Services and Set-Top Boxes, as well as Thomson's technology-rich intellectual property portfolio. The high-potential growth businesses, which play a key role in the Group's strategy are Content Services, Network Services, Broadcast & Networks, and Access Platforms & Gateways-Telecom.

Content Services

Today, content design and production are converging. Visual effects, sound track and digital images themselves can be created at different times and places and brought together, like the pieces of a jigsaw puzzle, as part of a continuous post-production process.

To take advantage of faster, more efficient workflows, content creators need a comprehensive set of post-production content services. Thomson offers industry-leading creative services through its Services division under the Technicolor brand. These cover such areas as high-end visual effects and 3-D animation, post-production digital workflows, multiple electronic distribution and formatting, and media asset management.

Network Services

As broadcasters concentrate more and more on their core skills of content creation and commercialization, they are seeking partners to manage their technical "play-out" facilities, and certain parts of the production process. To serve this growing need, Thomson began its play-out activity some years ago – and today manages over 70 TV channels and thousands of out-of-home network locations from facilities in Paris, London, Atlanta, San Francisco and Tokyo on behalf of its customers. Likewise, new entrants – any company or organization using images



|| New entrants can turn to Thomson to manage and maintain video networks



|| Mobile video expertise

to communicate – can turn to Thomson to maintain and manage their video network and playlists. The Group carries out such services on behalf of US retailer Wal-Mart, for example (“out-of-home advertising”).

Broadcast & Networks

Thomson’s Broadcast & Networks business, operating under the Grass Valley brand, is making a contribution to the Group as it benefits from the move to high-definition, and opportunities arising from the growing professional audio-visual market (“ProAV”).

The business is also leveraging standard IT- and IP-based technologies for advanced broadcast solutions which enable customers to pursue multi-publishing strategies (broadcast, on-line, archiving, mobility) for their high-value content. Broadcast & Networks also addresses network operators’ needs at the network head-end, from network encoders and switchers to video storage and video-on-demand servers.

Access Platforms & Gateways-Telecom

As network operators provide a growing range of increasingly sophisticated services such as triple-play and quadruple-play, the set-top box is becoming a critical edge-of-network element. Operators need access products that function as network platforms to help them build customer loyalty, increase revenue and lower network operating costs.

In response, at the end-user’s edge of the network Thomson is leveraging its leadership position to offer next-generation access platforms built on Internet Protocol (IP) technology. These incorporate innovative functions to enable network operators to provide a flexible and evolving mix of services, such as integrated fixed and mobile access, remote management, home networking, home security and interoperability among different services.

**Thomson’s
mobility solutions**

With technological innovation allowing mobile TV and video to become a pervasive part of our lives, the ability to provide solutions that help realize this era is crucial to operators and broadcasters. Spanning activities such as content preparation, encoding, service delivery platforms through to decoding, Thomson’s mobile video expertise is unique in the industry. Conscious of its customers’ need for scalable, flexible and standards-based solutions, Thomson’s mobile TV offering supports multiple standards and is agnostic in terms of the mobile devices to which multimedia content can be delivered. The Group’s feature-rich technologies are currently being deployed in 15 different mobile TV trials worldwide, including large-scale projects in Europe, the USA and Asia.

Businesses_

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Sharing a common technology base, Thomson's three divisions – Services, Systems & Equipment and Technology – **serve the world's content creators and distributors.**





SERVICES_

A world leader in state-of-the-art film-making, post-production and visual effects, the Services division also manages video infrastructure for broadcasters, advertisers and any organization using images to entertain or communicate.

Services for a Growing Customer Base

With a **broad range of offerings**, from content creation through distribution and video infrastructure management, the Services division is supporting the industry's transition to digital technology.

Strategy _

Thomson's Services division is expanding its customer base by bringing its imaging and video expertise to both new markets and new geographies. From content providers and operators of retail and corporate networks as well as the interactive gaming and advertising industries, the division's broad customer base is being developed worldwide.

Achievements _

The noteworthy successes of 2005 included wide industry recognition of Thomson's pioneering role in realizing the potential of digital cinema, and the addition of new customers in areas such as video infrastructure management, in the high-growth Network Services business. The Content Services business also performed well. In particular, demand continued to grow for digital intermediates, a sophisticated color-correction process that provides additional creative control for film-makers.

Physical media: maturing DVD and film markets _

Thomson's Services division, operating under the Technicolor brand, increased DVD throughput and production efficiencies in 2005 in the context of a rapidly-maturing DVD market. By streamlining work methods and processes at the Guadalajara DVD facility in Mexico, for example, the time required to change over a production line from one product to another was cut by 55%, resulting in a 20% increase in daily production volume with no capital expenditure. Thomson optimized its annual capacity to 1.7 billion discs, and installed initial production lines for the emerging generation of high-definition DVDs in both leading standards.

The division's Film Services activity expanded in 2005, while making headway on cost and efficiency improvements. Services added emerging independent studios to its customer base, such as The Weinstein Company in the USA and France's Quinta Communications. The division's film printing volume is set to increase from 5.3 billion feet in 2004 to 6 billion feet in 2006.

Increased DVD throughput and **production efficiencies**, cost improvement in Film



■ Thomson provided an array of services for Oscar-winning *Wallace & Gromit: the Curse of the Were Rabbit*

Integrated services for selected movie titles in 2005 _

Title	Film services	Digital intermedates	Visual effects	Sound services	DVD compression & authoring	DVD replication & distribution
Harry Potter and the Goblet of Fire	*		*	*		
King Kong	*			*		*
Wallace & Gromit: the Curse of the Were-Rabbit	*	*	*	*	*	*
The Chronicles of Narnia: the Lion, the Witch and the Wardrobe	*	*		*		*
Star Wars III: the Revenge of the Sith						*
Chicken Little	*	*		*		*
Charlie & the Chocolate Factory	*		*	*		
War of the Worlds	*			*		*
Good Night and Good Luck	*	*				
Batman Begins	*		*	*		
Kingdom of Heaven	*	*	*	*		
Herbie Fully Loaded	*	*		*	*	*
The Hitchhiker's Guide to the Galaxy	*	*				*
Corpse Bride	*	*	*			



|| *Charlie & The Chocolate Factory* featured The Moving Picture Company's high-end visual effects



|| Technicolor celebrated its 90th anniversary in 2005

Enhanced Content Services _

With worldwide capabilities and a full portfolio of services, Thomson is poised to benefit as markets for pre-production, production, post-production and distribution services expand. The increasing use of digital techniques, in content capture and post-production, has opened up new opportunities in digital cinematography and visual effects as well as the sophisticated color correction process known as digital intermediates.

Thomson is responding to customers' needs for content produced and managed in increasingly numerous formats; these include not only digital cinema but also content adapted for viewing through video-on-demand services, high-definition DVDs and mobile devices. Furthermore,

the same content services traditionally supplied to film studios and television producers are finding growing markets among interactive game makers. By combining its expertise in digital techniques with an innovative service model, Thomson aims to become the leading supplier of creative services to the video game industry and thus tap into a US\$1.3 billion market opportunity. Among the initial successes in 2005, the Services division provided multi-channel backgrounds, creature vocalizations, cinematographic sound design, and mixing and localization for Sony Computer America's *God of War* game.

The acquisition of The Moving Picture Company (MPC), at the end of 2004, reinforced Thomson's position in the fast-growing visual effects market for film and advertising production. Due to advances in digital technologies, such visual effects generally comprise 15 to 20% of the total production budget for a feature film but can reach as much as 40% in effects-intensive genres. As the world's second-largest visual effects provider, MPC's achievements in 2005 included work on such titles as *Batman Begins*, *Charlie & the Chocolate Factory*, *Kingdom of Heaven* and *Harry Potter and the Goblet of Fire*.

Up to **40%**
of a film's production budget
can be for visual effects



■ Thomson is well-positioned in the fast-growing visual effects market for film and advertising production

A new era in Electronic Content Distribution _

The division's digital content portfolio ranges from content production and post-production to distribution and exhibition. As film studios and thousands of theaters gradually make the transition, Thomson will be able to provide the required systems and equipment, installation and maintenance services as well as the watermarking and security solutions necessary to protect content copyright.

In 2005, Thomson signed long-term agreements or received public support from seven studios, representing three-quarters of total North American box office revenues, to accelerate the deployment of digital cinema systems in the USA and Canada. The agreements, with DreamWorks, New Line Cinema, Sony Pictures, The Weinstein Company, Twentieth Century Fox, Universal Pictures and Warner Bros – call for an initial roll-out of complete digital projection systems in up to 5,000 screens over the next 3-4 years. Early in 2006, Thomson signed a strategic agreement with Century Theatres, Inc., one of America's largest theater circuits, to install digital projection systems in 90 to 120 Century-owned and operated screens. Thomson intends to expand the roll-out to Century's entire 1,000-screen network following the successful

completion of a beta test. To this end, Thomson unveiled the world's largest digital cinema research and equipment testing facility at the Technicolor campus in Burbank, California, in March 2006.

Thomson is working closely with broadcasters, cable and satellite network operators and fixed and mobile telecommunications suppliers as they explore high-potential digital content delivery opportunities. These range from pay-per-view and subscription options to home and point of sale DVD burning services. Thanks to expertise in such areas as content management and distribution, authentication/authorization solutions, content security systems and set-top boxes, Thomson is well-positioned to support virtually all of the business models currently being explored for video-on-demand and Internet distribution.

Thomson: serving the world's second largest broadcaster

Based in Paris, TV5 Monde is the world's second largest broadcaster in terms of measured viewers, providing seven TV channels on five continents. Thomson was selected at the end of 2005 to install and manage TV5 Monde's new television centre for a period of seven years, supporting the distribution and operation of its entire broadcast network. The agreement confirms Thomson's position as a preferred partner for the provision of technical services to TV channels, and is in line with the strategy defined in the Group's Two-Year Plan, which identified its Network Services business as a primary booster of growth.



Thomson manages play-out facilities for TV Channels and out-of-home networks from facilities in Paris, London, Atlanta, San Francisco and Tokyo

Growing Network Services _

Thomson's growing Network Services business is built upon a comprehensive portfolio of services and solutions designed for broadcasters, cable TV operators, movie theatres, retailers and corporations – in short, any company or organization using images to entertain or communicate. Originally focused on traditional broadcast operations, Network Services has expanded to include content creation, preparation and distribution, as well as management of digital networks for its new corporate and institutional clients.

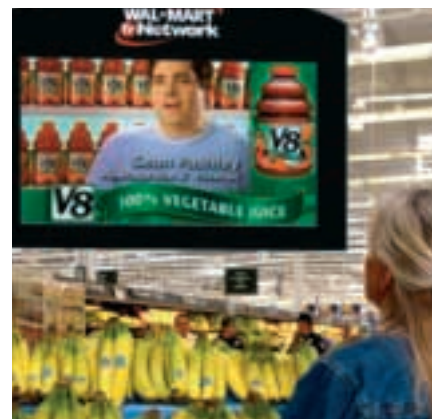
In broadcast play-out, a controlling interest in VCF Thématiques strengthens Thomson's ability to benefit from the growing trend among broadcasters to outsource these services. VCF, a Paris-based provider of play-out services to 50 TV channels in France, forms an addition to Thomson's existing network play-out activities in Japan and the UK. During the year, the Group was selected by international broadcaster TV5 Monde to design, build and operate its new television center on a long-term basis.

The acquisition of US-based Premier Retail Networks (PRN) Corporation in 2005 opened up significant new growth opportunities. A leader in providing in-store media services to retailers in the USA, PRN benefits from long-term relationships with major retailers such as Wal-Mart, Best Buy, Costco and Albertsons, and is present in more than 6,000 locations. Beyond in-store video network infrastructure, PRN offers services that include advertising sales creative services and media asset management.

Play-out services for over
70 TV channels and thousands of
out-of-home network locations



|| Commercial content produced for Land Rover



|| PRN: in-store media services

The PRN model is expected to be introduced in Europe using existing network infrastructure from Thomson's London-based Network Services business. The business also meshes well with Screenvision, the Thomson/ITV joint venture that is the world leader for advertising distribution to cinemas. With a 50% market share in the USA in 2005 and a 45% share across nine countries in continental Europe, Screenvision

has begun taking advantage of the transition to digital distribution by expanding its service offering to advertisers and theater owners, in the USA through SkyArc™, a new digital distribution network for cinema advertising. The SkyArc™ system delivers Screenvision's high-definition digital pre-show by satellite to theaters across the country and can also be used to securely deliver alternative content.

Network Services has expanded to include **content creation, preparation and distribution, as well as management of digital networks** for new corporate and institutional clients

Thomson Foundation in 2006

Testament to its unique role in the Media & Entertainment industry, at the beginning of 2006 Thomson created a Foundation dedicated to the preservation and restoration of audiovisual content. The Foundation will determine an annual program of actions in liaison with the national archives of a particular country, a museum or other organisation responsible for managing culturally valuable cinematographic or television content. In particular, the Foundation's role is to provide human or technical resources to support the creation or re-creation of archive material, or to improve its conservation, management and distribution.



SYSTEMS & EQUIPMENT_

A world leader in equipment for the broadcast, cable, satellite, terrestrial and telecoms markets, the Systems & Equipment division helps distribute content, and provides operators with the devices that media consumers need to access and enjoy content any time, any place.

Systems & Equipment: Market and Technology Leadership

From **capturing images digitally**, to **producing and distributing** them across networks, **or integrating** them into service offerings for end-customers, the Systems & Equipment division is at the core of the digital transition.

Part of Thomson's Systems & Equipment division, the Broadcast & Networks business – Grass Valley – is recognized as a pioneer in video systems and networking equipment for broadcasters, film-makers and network operators. The division's Access Platforms & Gateways business leads the industry in devices and solutions for digital cable, satellite, terrestrial and telecommunication networks, including residential gateways, set-top boxes and softswitch technologies.

Strategy _

The Systems & Equipment division aims to seize opportunities arising from the transition towards Internet Protocol (IP) technologies, new generation networks and high-definition.

For its Broadcast & Networks customers, Thomson will continue to focus on developing the most advanced portfolio of systems and solutions based on

standard IP and IT technologies. All of the businesses' offerings, including those designed for the professional audio-video (ProAV) market, are designed to fit easily and flexibly into customer workflows.

Within the technology-intensive Access Platforms & Gateways business, Thomson engineers are focusing increasingly on systems architecture as they build edge-of-network solutions and service delivery platforms for all types of networks that are integrated with broadband operator offerings.

Achievements _

The launch of a revolutionary IT-based range of products for broadcasters, along with four critical acquisitions – two in Broadcast & Networks, two in Access Platforms & Gateways – were among the high points of 2005. The Systems & Equipment division's two high-growth businesses: Broadcast & Networks and Access Platforms & Gateways-Telecom met expectations for revenue growth. The year was also marked by the introduction of several world firsts, including a fixed/mobile convergence Voice-over-IP gateway, a mobile receiver for digital TV and multiple-play solutions. In addition, Thomson significantly expanded its geographical footprint by growing these activities in Latin America and the Asia-Pacific.

Thomson's IT **know-how**
and advanced **video expertise** give
broadcasters unprecedented flexibility



|| Broadcast & Networks offers a full range of image acquisition and creation solutions. Above, Director of Photography Tom Burstyn, with the Grass Valley Viper Filmstream™ Digital Cinematography Camera

Broadest Broadcast & Networks portfolio _

Thomson's Broadcast & Networks business, operating under the Grass Valley brand, provides support for a full range of image acquisition and creation, content preparation production, storage and management, and downstream content delivery solutions. Market growth was driven in 2005 by media leaders' requirements for high-definition (HD) acquisition, production and distribution systems, as well as for advanced broadcast solutions integrating IT- and IP-based technologies. Rapidly increasing demand for high-quality video systems from customers in professional audiovisual (ProAV) markets also made a strong contribution.

Video solutions that leverage standard IT technologies and IP connectivity help Thomson's customers make the most of

their potential markets. These next generation systems offer greater flexibility, more interoperability and lower cost for customers pursuing multi-publishing strategies for their high-value content, whether it's play to air, online, into archive, or mobility.

The integration of Thales Broadcast & Multimedia in 2005 broadened Thomson's offering in IP-based video content distribution, video-on-demand and mobile TV, as well as digital TV equipment. Its addition allows Thomson to integrate IPTV service at a systems level, providing network operators with asset management, delivery optimization, and software solutions for head-end infrastructures. The acquisition of Canopus Co., Ltd, a Japan-based leader in high-definition desktop video editing software, brings complementary video-over-IP and digital media conversion technologies.

Infinite possibilities

The Broadcast & Networks business demonstrated how IT-based approaches open new horizons for broadcasters with the introduction of the IT-immersed Infinity™ Series of next-generation acquisition, recording, and storage devices in September 2005. The fruit of a two-year R&D effort, the Grass Valley Infinity Series avoids proprietary approaches taken by other equipment manufacturers, and instead shows how the combination of IT know-how with advanced video expertise gives broadcasters and videographers unprecedented flexibility within digital workflows – without sacrificing quality.

The result is more efficient, flexible solutions for news-gathering and field production, documentary, independent videography, and many other applications.



|| The Infinity™ Series





■ An NEP outdoor broadcast van featuring a Grass Valley Kalypso Video Production Center Switcher

Broadcast & Networks expanded its offerings to broadcast, production, and professional video customers in 2005 with the unveiling of its revolutionary Infinity™ Series product line. The addition of the new Venom Flashpak Product, a portable, solid-state recorder for digital cinematography and high-quality HD content origination extends the capabilities of the Viper FilmStream™ Digital Cinematography Camera System and LDK 6,000 mk II WorldCam multi-format HD camera. The Venom FlashPak can extend the shooting capacity of the Viper camera, and help directors to speed their on-set workflows.

Expanding markets

The rapid proliferation of digital video technology is fueling demand for video products and systems within corporate, institutional, and governmental media

centers and networks, otherwise known as the Professional Audio/Visual, or ProAV, market. By moving aggressively into ProAV markets, the Group expects to expand its total addressable markets two-fold in 2006, compared to 2005. One way the Broadcast & Networks business demonstrated its ability to adapt broadcast-quality products and systems for ProAV applications came with the 2005 launch of the Turbo™ intelligent digital disk recorder (iDDR), which is based on the Emmy® Award-winning Grass Valley Profile® line of video servers. The device makes the recording, play-out, and management of ProAV content easy and affordable, with features such as its ability to perform the work of up to three video tape recorders and deliver complex content in multiple formats, such as HD.

The **rapid proliferation of digital video technology** is fueling demand within corporate, institutional and governmental media centers and networks



|| For operators, Thomson's mobile receiver creates new revenue opportunities



Access Platforms & Gateways _

In 2005, despite the slower timing of operators' service roll-outs, Thomson reinforced its position as the world's largest and most innovative supplier of set-top boxes and gateways.

Major new programs were launched for existing cable, satellite and telecom operators and Internet Service Providers, such as AOL France, British Telecom, BSkyB and France Telecom. In addition, new customers were added, including Tele2, Liberty Media's UnitedGlobalCom, KabelDeutschland, and several Asia-Pacific customers such as China's Dalian Tiantu Cable TV, Singapore's Starhub and Australia's AUSTAR. Europe's largest cable operator, UnitedGlobalCom, chose Thomson as strategic supplier for the accelerated roll-out of digital television to subsidiary UPC Broadband's analog cable subscribers in the Netherlands.

By developing the world's first gateway supporting quadruple-play services (video, voice, data, mobility), Thomson's Access Platforms & Gateways business helped BT and Vodafone offer customers seamless integration between mobile and

fixed networks. The BT Fusion service, launched in 2005, provides an automatic handover between GSM mobile phone calls and Voice-over-IP Internet calls as subscribers move into and out of areas where each type of service is available.

Thomson also launched the world's first integrated triple-play set-top box, enabling cable operators to deliver TV, internet and telephone services through a single device. Until now, they could do so only by equipping households with separate, dedicated set-top boxes and cable modems.

Going mobile

Thomson's innovative IZIGO™ receiver brings to life the convergence of mobile and fixed technologies. Designed to receive digital terrestrial broadcast channels, this dual-purpose device functions both as a standard receiver and a portable system for home and on the move. IZIGO™ features the diversity antenna system for optimum image and sound reception. For operators, the mobile receiver creates new revenue opportunities by appealing to existing and potential viewers alike.



|| 1 millionth Live Box delivered to telecom operator France Telecom in 2005



|| The AOL box features wireless VoIP telephony

Access Platforms & Gateways - New products _

Satellite	Terrestrial	Cable	Telecom
<p> D11 – DIRECTV (DTV) standard definition receiver</p>	<p> IZIGO™ Mobile Digital Terrestrial receiver with Integrated Diversity Antenna</p>	<p> DCI5700 Set-top box – A triple play residential gateway for the seamless delivery of TV, voice and Internet</p>	<p> EV5203-C – Voice-over-IP (VoIP) DECT telephone which does not require interface with a computer for VoIP telephony, once installed</p>
<p> TPS confort – Master-Slave set-top box solution for multi-room viewing</p>	<p> DTI1003 – Digital terrestrial receiver</p>	<p> TWG850 Digital Cable Modem – A wireless cable modem offering integrated Voice-over-IP and wireless Internet access</p>	<p> ST2030 – Innovative IP telephone for business applications</p>
<p> MediaSat+ – Hybrid satellite and terrestrial combination set-top box for Canal+</p>		<p> DCI52IP Set-top box – A hybrid cable-IP box offering access to both IPTV and broadcast TV services</p>	<p> IP1150 – High-definition capable platform with PVR capability and extensive advanced compression codec support including H.264/AVC</p>
<p> DSI50SOG – Sogecable standard definition receiver</p>	<p> Syster+ – Hybrid analog and terrestrial set-top box for Canal+</p>	<p> DCI1500 – Broadband Interactive Cable Decoder with Ethernet port</p>	<p> ST716 – Multi-user ADSL gateway</p>
<p> TS4P – Cyfra+ standard definition receiver</p>	<p> Canal+ MPEG-4 – High-definition set-top box for pay-TV</p>	<p> DCI62 – Hybrid cable-IP set-top box incorporating DVR functionality</p>	<p> Wideband Audio – The world's first suite of wireless Voice-over IP (VoIP) devices, multiple play residential gateways and IP DECT phones, that integrate wideband audio functionality</p>
<p> H20 – MPEG-4 high-definition set-top box for DIRECTV (DTV)</p>	<p> TPS MPEG-4 – High-definition set-top box for pay-TV</p>		<p> ST985 – Integrated triple-play gateway for seamless delivery of voice, video and data</p>
	<p> L10 – Standard definition receiver for DTV Latin America</p>		



|| The set-top box for Canal+ enables digital terrestrial television reception in high-definition (MPEG-4)

The acquisition of Inventel, a leading provider of innovative voice and data solutions to telecom operators and Internet Service Providers (ISP), enabled Thomson to expand its customer base, market reach and ranges of multiple-play gateways in 2005. Thanks in part to Inventel's strong engineering and design capabilities, Thomson delivered its one-millionth Livebox access platform to France Telecom during the year, as part of the world's largest scale triple-play service program. To accelerate the advent of cutting-edge broadband service delivery platforms and home networking solutions, a Thomson-Inventel Advanced Product Development Group was also created.

Thomson continues to develop solutions for the enterprise, or small business, market through its Cirpack Voice-over-IP softswitch and IP Centrex technologies. IP Centrex removes the need for dedicated equipment on customer premises and thus enables operators to promote advanced IP telephony, delivering better services to their customers at a lower cost.

Commercialized under Thomson®, GE™ and Alcatel™ brand names through retail outlets, and under third-party brands for operator sales, Thomson provides the gamut of corded and cordless telephones, including DECT solutions. Thomson introduced a range of connectivity offerings at the start of 2006 including a Bluetooth® cell connect phone system that enables consumers to use their mobile phone with a home phone handset, and a long-range 16-handset small business system. New portable media players were launched to allow operators to attract media-avid consumers, including the X3000 designed for the DIRECTV2Go service.



|| The ST2030, an IP telephone with advanced features

Telecom growth

One of the four boosters of revenue growth within the framework of the Group's Two-Year Plan, Thomson's Telecom activities, part of the Access Platforms & Gateways business unit, performed well in 2005. This is because the devices that provide consumers with access to a myriad of applications and services – once viewed as simple, low-tech commodity products – are becoming critical edge-of-network platforms and gateways. As operators provide more and more advanced services to their customers, simple modems and set-top boxes are rapidly evolving into integrated service delivery platforms, which in turn are part of a larger network ecosystem.

IP telephony delivers
advanced services at lower cost





TECHNOLOGY_

From next generation digital video compression and content protection to the technology it takes to deliver fixed and mobile broadband news, sport and entertainment, the Technology division is an innovation hub for the global Media & Entertainment industries.

Technology for Today and Tomorrow

With **over 500 research and development engineers** working in eight laboratories worldwide, Thomson is a world leader in digital video technologies.

Strategy _

As part of Thomson's Two-Year Plan, research and development (R&D) resources and approach are being constantly reinforced and refocused to support the Group's longer-term vision of how the Media & Entertainment industries will evolve. The Technology division's activities are closely tied to the Group's mid- and longer-term business objectives. Its broad Systems Programs aim to deliver enabling technology for solutions in content production and management, broadband content distribution and mobility.

R&D resources
and approach are constantly
reinforced and refocused

Achievements _

Resources dedicated to research increased substantially in 2005, in line with Thomson's Two-Year Plan objectives. The division successfully advanced innovations in six dominant domains of research: Compression, Networking & Communications, Security, Imaging, Storage & Recording, and Signal Acquisition & Processing. Development on key silicon parts for next generation set-top boxes was also completed during the year.

Critical Corporate Research _

Thomson Corporate Research programs concentrate on both technologies and systems. Technology efforts, which cover a well-defined group of domains critical to the Group's future portfolio of products and services, focus on such areas as video, voice and data compression, wired and wireless networks and communications, imaging, and storage and recording techniques. In each domain, the objective is to provide the business units with the technology building blocks and know-how that enable them to introduce innovative offerings. For example, research achievements in the compression domain are destined to be implemented in, for example, encoding or greater capacity, higher resolution content delivery products.



Investment in research increased substantially in 2005

The three ongoing Systems Programs at Thomson research facilities are broader in scope and cut across the Group's business units. The Programs, which focus on content production and management, broadband content distribution, and mobility are designed to ensure that, as digital techniques evolve, Thomson continues to provide customers with systems architecture solutions integrating the most advanced technology.

Following the creation of a new laboratory in Beijing in 2004, 2005 saw the start-up of another new research facility in Paris. The lab will focus primarily on long-term initiatives and collaboration with academic partners, concentrating on content delivery, network technologies and next generation Internet Protocols.

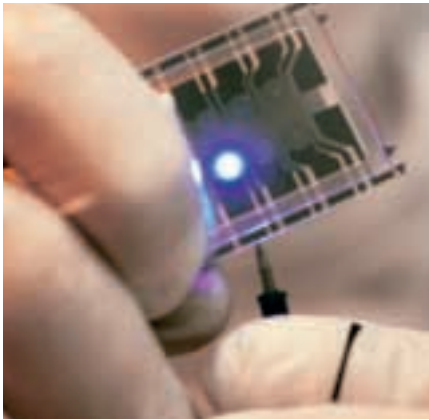
Cooperative research programs involving numerous partners play a key role as Thomson seeks to increasingly leverage its investments. For example, in 2005 Thomson assumed, along with France Telecom, the leading role in France for an emerging Franco-German program, known as Quaero, designed to develop multimedia content research tools.

Thomson likewise chairs the Networked and Electronic Media (NEM) research initiative, launched in 2005 under the aegis of the European Union. Founded by Thomson, Alcatel, the European Broadcasting Union, France Telecom, Intel, Nokia, Philips and Telefónica, NEM is designed to accelerate the pace of innovation and the convergence between the audiovisual, content and telecom sectors.

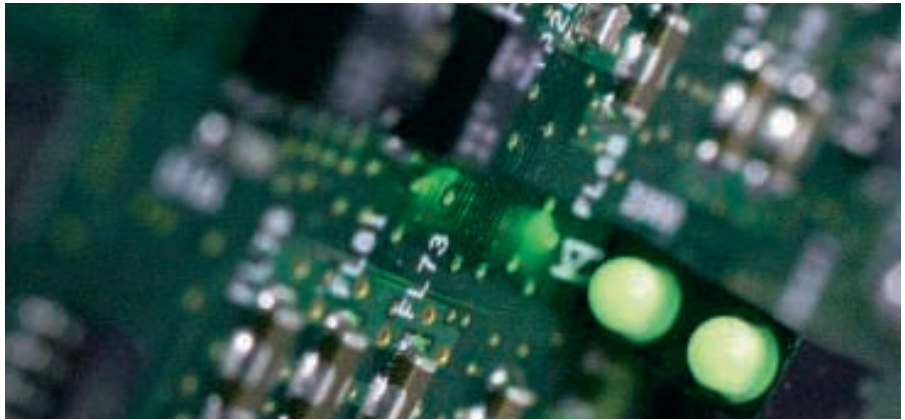
Turbo-charging Corporate Research

As Thomson's portfolio evolves to track the needs of customers in the Media & Entertainment industries, Corporate Research efforts must continuously be reviewed and refreshed to track evolving technology trends. With the advice and counsel of the Scientific Council, an advisory board of prominent scientists from academia and industry, research operations are focused on key future technologies in compression, networking and communications, and systems technologies. Thomson is also growing its presence in the important markets of China and India, as it seeks to tap into emerging capabilities in those areas.

Cooperative research programs involving numerous partners play a key role as Thomson seeks to increasingly leverage its investments



|| Integrated circuits for imaging applications



|| Thomson-developed integrated circuits for Grass Valley encoders

Software & Technology Solutions _

Developing integrated solutions requires expertise in a range of technologies with the ability to integrate them into a seamless, easy-to-use package. In the security field, for example, this means enabling operators and content owners to track digital content, combat piracy and manage digital rights by monitoring content usage. Thomson has developed patented video watermarking solutions to track TV content, trace master and theater display copies of films and watermark standardized digital cinema movies. The Group's portfolio in this field was extended in 2005 with the acquisitions of MediaSec, a pioneer in patented watermarking technologies, and Nextamp SA, a provider of digital video content watermarking products tailored to the needs of content owners and distributors.

Thomson continues to build partnerships with numerous technology innovators, in areas such as audio watermarking and web-based content monitoring. In this way, Thomson can provide customers with access to a full range of technologies and solutions, covering virtually all audio and video content.

Thomson's contributions to digital rights management for video are being leveraged through the Group's investment in ContentGuard, a Los Angeles-based company jointly owned along with Time-Warner and Microsoft. ContentGuard holds early and broadly defined patents that cover the general domain of DRM systems and components.

Value-added Silicon Solutions _

As more and more know-how and processing are integrated into silicon microchips, Thomson benefits increasingly from its long-standing chip design capabilities, based on more than 15 years' experience in microcircuit engineering. Thomson-engineered chips demonstrate the Group's expertise in such areas as compression and signal acquisition and processing. Manufactured in large volumes

More than **15 years'**
experience in microcircuit engineering



|| Researcher from one of Thomson's eight laboratories worldwide

by third-party silicon foundries, these integrated circuits constitute the core technology for such products as communications equipment, set-top boxes, professional broadcasting equipment and mobile devices.

Thomson-designed microchips are used both internally and by other equipment suppliers. By tapping into the merchant market, Thomson is able to spread design costs across large production volumes.

Diversified Intellectual Property & Licensing _

The 200-strong Thomson intellectual property team includes experts in all domains, from writing patents to infringement analysis to licensing.

The diversified Thomson patent portfolio consists of nearly 50,000 patents and applications in more than 20 major licensing programs, covering such areas as video and audio compression, DVD ROM players and digital satellite

broadcasting. In addition, new licensing programs are expected in a half dozen rapidly emerging domains, ranging from digital TV and cameras to user interfaces and new display technologies.

With over 600 new patents filed annually, the Group's large licensing revenue stream covers both digital and analog technologies, from more than 800 licensees worldwide. Today, digital products account for 70% of total licensing revenue.

Protecting precious content

Piracy is one of the single greatest concerns of the Media & Entertainment industries. The digital watermarking techniques developed in Thomson labs, and through partnerships, enable customers to protect their high-value digital content by embedding a hidden code into movies, music or anything else. The digital watermark, which is secure, imperceptible and indelible, identifies the content owner, origin and/or recipient. In digital cinema, the watermark enables a film studio or distributor to identify the precise date, time and location where a particular film has been exhibited. Today, these innovative watermarking techniques are being embedded into Thomson's digital cinema servers used to store movies and other video content. In April 2006, Thomson unveiled a new comprehensive digital rights and content management package, NexGuard™, which traces and monitors digital content from production to post-production through distribution.

Commitments

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Financial Performance p. 50



Thomson's commitment to sustainable development means **striving for best practice** in human resources and ethics, environmental health and safety, shareholder relations, and all aspects of the Group's internal controls procedures and operational performance.

Human Resources aligned to Strategic Change

The sweeping transformation of Thomson into an **organization of diverse talent** focused on the Media & Entertainment industries has generated demanding requirements of the Human Resources function.

Integration: Network Services example

History shows that the biggest challenge when an acquisition is made is to successfully integrate the acquired company into the host organization's culture and management. That's why, as soon as Thomson's 2004 integration of London-based Corinthian Television into its Network Services business became official, management at both companies focused on creating rich, ongoing communications channels. The results have been impressive: within a year, Corinthian's 100 employees were taking part in Thomson's global talent review and Contract of Progress performance evaluation and career development program, with no disruption to Corinthian's ongoing business or its critical customer relationships.

Acting in matrix-like fashion – woven functionally, regionally and by internal client groups throughout the organization to ensure that decentralized management teams have the right mix of human assets – the Human Resources function (HR) is fully aligned to Thomson's strategic change. Its vision is to create a management system that encompasses the identification, motivation, retention and development of employees who will create and capture opportunities for the Group in the years ahead.

Managing change _

The changes that HR manages and sometimes leads have been unprecedented. Three-quarters of Thomson employees have joined the Group since January 2001. Making some three dozen acquisitions over the past five years, Thomson has added 20,000 new employees to its payroll. The ongoing integration of these new employees, many of them from smaller, entrepreneurial companies, has been among HR's key successes. Conversely, over 30,000 employees have transferred elsewhere as Thomson has reconstructed its business model. This fact is not a conclusion, but a starting point. Amidst

this landscape, the overall goal of the HR worldwide team is to move from the management of business turnaround and transformation to the management of growth.

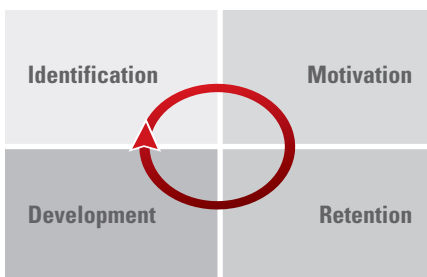
A worldwide talent review enables identification and subsequent career development plans for some 300 "business critical" members of the Group, known as the Thomson Leadership Network (TLN). The TLN reinforces sharing of core competencies in addition to recognizing managers for their achievements and providing ongoing encouragement for advancement. Training programs and seminars have received new impetus and will continue to be constructed according to business priorities and customers' expectations of Thomson's management team, further expanding and refining the Group's talent base. However, developing people's expertise is not limited to members of the TLN. A corporate-wide "Contract of Progress" program, structured around semi-annual individual performance evaluations, covers all Thomson salaried employees.



Recruitment of professionals is an important part of the HR Management System, particularly in light of the Group's sharp focus on technology and Research and Development. R&D personnel across Thomson worldwide, for example, will have increased by 50% over the two-year period ending December 2006.

Building upon the foundation of its management model, HR's goal is to make Thomson one of the world's top 100 "great companies" to work for.

Thomson's HR Management System



Thomson is committed to identifying, motivating, retaining and developing talents in order to implement its strategy.

Identifying and attracting new talents and expertise enables Thomson to successfully achieve its technology goals and satisfy the needs of targeted markets within the Media & Entertainment industries. Thomson

► Identification

OF NEW TALENTS AND EXPERTISE

► Motivation

BY ENCOURAGING EMPLOYEE INVOLVEMENT AND EMPOWERMENT

► Retention

BY OFFERING EXCITING CAREER OPPORTUNITIES

► Development

THROUGH OPERATIONAL EXPOSURE, COACHING, MOBILITY AND TRAINING



is implementing processes to identify talents both within the existing employee population and externally.

The best way to retain people is to motivate them. Thomson's Compensation and Benefits policy is only one of these motivating factors; encouraging employee involvement in decision-making processes may be still more important.

Development includes operational exposure, employee coaching and training to help individuals take active control of their development. Policies and practice are adapted to differing employee profiles. The goal is to create strong multicultural teams able to achieve synergies across business units and corporate functions.

Ethics Charter update _

Designed to closely track Thomson's evolving activities and business environment, the Ethics Charter, updated in 2005, lays out the ethical and legal principles that guide employees worldwide. The Charter is built around four key elements: respect for the people who work within the Group, for the environment, for integrity and for creativity.

People

Respect for people is the essential inspiration for the HR Management System described above. It underpins Thomson's commitment to be an equal opportunity employer that values diversity. Likewise,

respect for people provides the basis for the Group's support of employee growth and development.

Environment

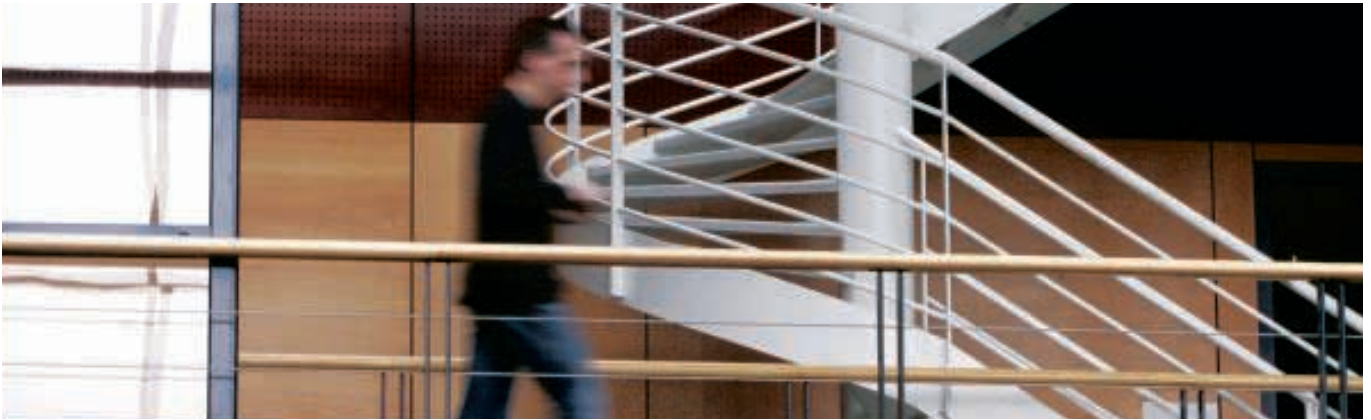
Respect for the environment is manifest through Thomson's commitment to applying a consistent set of environmental protection programs and policies, which are outlined in the updated Ethics Charter.

Integrity

The portion of the Ethics Charter dedicated to integrity aims to ensure that Thomson employees follow the highest standards in their relations with customers, suppliers, shareholders, markets and government bodies. It covers a wide range of specific areas, such as insider trading, antitrust laws and record keeping. Chapters are dedicated to numerous areas where ethical issues could arise, including conflicts of interest, how to deal with suppliers, political contributions, as well as gifts, meals and entertainment.

Creativity

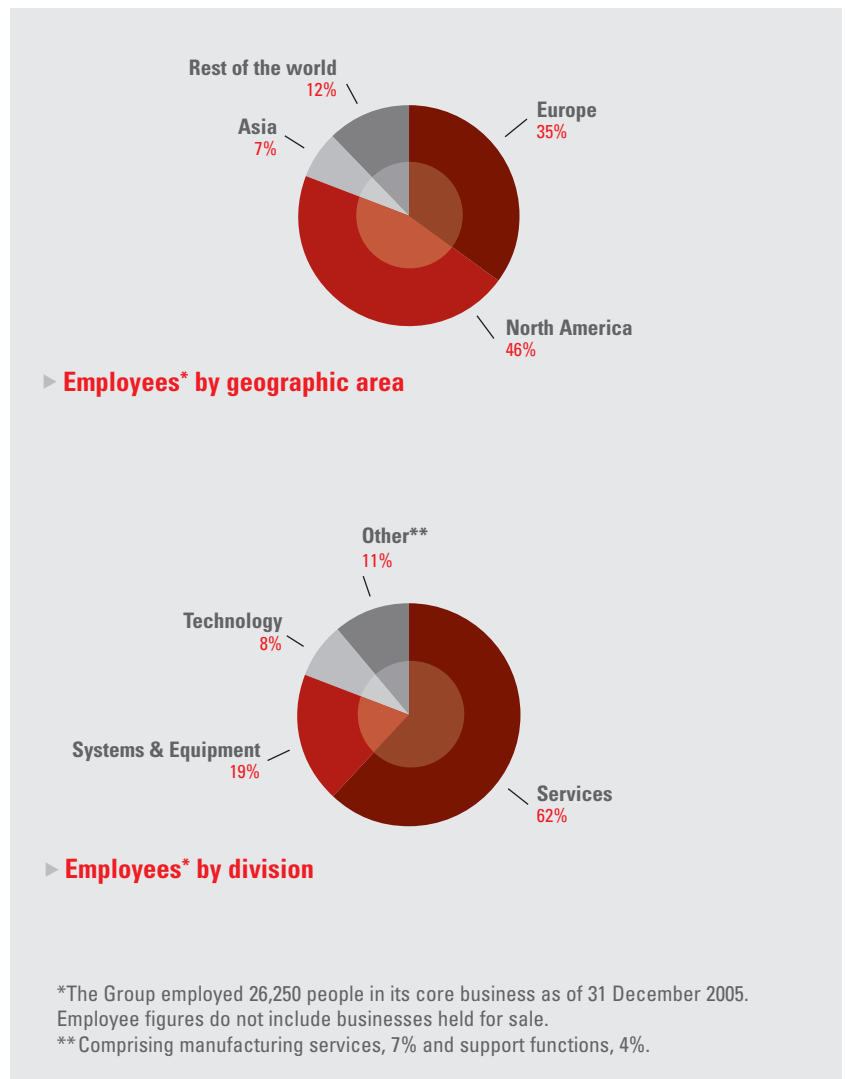
Thomson's mission – to provide technology-based solutions to the Media & Entertainment industries – requires a particular emphasis on intellectual property. As a digital video technology business, the Group must protect and optimize its own inventions and intellectual property. At the same time, Thomson is committed to respecting the intellectual properties of others, including, of course, confidential information belonging



to customers. Indeed, the trust established over time with major Media & Entertainment industry customers is among the Group's most valuable competitive advantages. The new Ethics Charter helps formalize the principles underlying these relationships.

In parallel with the updating of the Ethics Charter, Thomson also took a fresh look in 2005 at policies regarding related subjects, including initiatives covering "whistle blowing" and information protection. In particular, a new code of conduct for sourcing and an ethics charter specific to financial activities were introduced. An Ethics Compliance Committee ensures that rules and guidelines are universally applied, and protects employees who report possible violations.

Respect for people is the essential inspiration for the HR Management System



Environment, Health & Safety

Thomson's focus on the Media & Entertainment industries and corresponding exit from television and tube-manufacturing activities have greatly **reduced the Group's environmental exposure** and potential liabilities.

Global Compact

Through all of its environmental, health and safety programs, Thomson aims to achieve sustainable growth. The Group's core values – high ethical standards, improved safety and environmental responsibility and initiatives – meet or exceed the goals embodied in the values set out in the United Nations Global Compact initiative. Thomson joined the Global Compact, designed to encourage member companies to develop best practice in the areas of human rights, labor standards and environmental practices, in September 2003. As part of its membership obligations, Thomson reports progress to the U.N. annually.

While high volume manufacturing now counts less within Thomson's overall portfolio of activities, the Group still places the highest priority on enhancing implementation of ongoing environmental, health and safety (EHS) policies Group-wide.

The Group's commitment to the establishment of consistent standards and to their universal application is formalized through the Corporate EHS Charter, the cornerstone of Thomson's EHS program. Revised and updated in 2005, the EHS Charter defines key management principles designed to protect human health and the environment, and thus helps the Group meet its legal and corporate responsibilities. In both these areas the Group embraces standards for quality and management systems set by the International Standards Organization (ISO) – ISO 14001 in environmental matters, and the British Standards Institution's OHSAS 18001 in health and safety.

Achieving environmental certification _

Thomson's objective to have all relevant industrial sites develop and implement an environmental management system (EMS) certified according to the ISO 14001 standard was achieved at the end of 2004. In the wake of that achievement, newly acquired sites are now encouraged to achieve EMS certification within two years. For example, film

processing facilities in Montreal, Toronto and Vancouver acquired in 2004 all achieved ISO 14001 certification in 2005, while Barcelona, Madrid and Bangkok should achieve certification in 2006.

Progress in health & safety _

Thomson's occupational health and safety program, which aims to have all industrial sites certified as compliant with OHSAS 18001 by the end of 2007, is designed to prevent workplace injuries and illnesses. The goal is to identify potential risks and take appropriate prevention and severity reduction measures, even if such measures are not legally required. This results-oriented approach proved particularly satisfying in 2005: work-related injuries were reduced by 13% compared to the previous year, despite the addition to the Group of several acquisitions. Following the 2003 certification of Technicolor's London/West Drayton U.K. film lab, 2005 saw OHSAS certification for the film lab in North Hollywood, California.

Consistent implementation _

Regular, ongoing audits, conducted by internal or external experts, help ensure consistent and universal application of corporate EHS policy. The audits concern sites worldwide which have been identified because of their industrial or distribution activities. Each site is audited at least once every three years. In 2005,

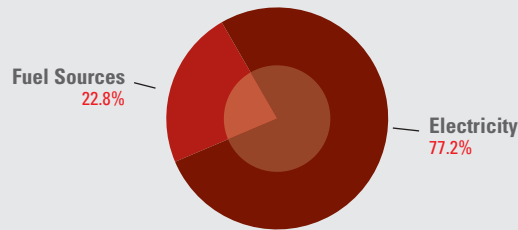
Objectives_

- ▶ **10% annual reduction in injury rate**
- ▶ **15% annual reduction in water consumption**
- ▶ **25% reduction in landfilled waste by the end of 2008**
- ▶ **95% minimum recycling of specialty materials such as polycarbonate**

11 locations were audited, with action plans developed wherever improvements were deemed necessary.

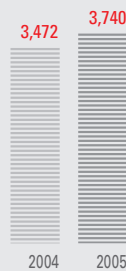
Folding practices at new units into Thomson's corporate policies and programs is also a priority. When new companies join, Thomson EHS specialists visit the relevant sites and evaluate them according to corporate EHS guidelines. Thanks to the improvements made during 2005, new acquisitions will begin reporting their level of compliance to corporate standards within six months.

Rigorous, ongoing training programs provide yet another way for Thomson to ensure that its employees understand and implement the Group's EHS policies and programs. In 2005, employees and contractors received tens of thousands of hours of documented training, on subjects ranging from environmental and safety compliance and injury prevention to emergency preparation and response.



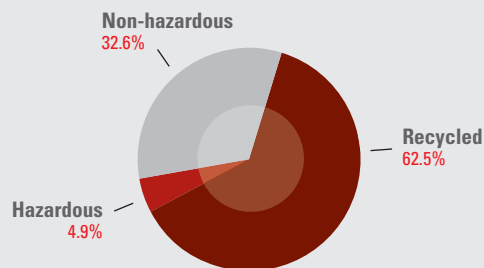
▶ **Energy consumption (tera joules)**

In 2005, worldwide energy* use was approximately 2,146 tera joules, a decrease of 9.4% versus 2004.



▶ **Water consumption (thousand cubic meters)**

In 2005, water consumption* within the Thomson reporting locations increased by 7.2% versus 2004, to 3.74 million cubic meters.



▶ **Waste (metric tons)**

Total waste* generated increased by 11.3%, to 52,743 metric tons, in large part due to better definition and more complete reporting of additional waste streams. The recycling rate was 62.5% compared to 59.5% in 2004.



▶ **Work-related injuries**

As a result of injury prevention efforts, in 2005 Thomson continued its downward trend and achieved a 13% decrease in the work related injury incident rate* from 2.69 in 2004 to 2.34.

* Data collated from 47 main industrial/distribution sites

Shareholder Relations

Improving communications towards both private and institutional investors was a key priority in 2005.

Stability _

The Two-Year Plan has brought about change and expansion in Thomson's international shareholder base, which is now well-balanced. The Group estimates that North American institutions represent over 40% of the institutional shareholder base, while investors in France and the UK account for the majority of the remainder, at around 30% and 10% respectively.

To optimize Thomson's capital structure during the year, the Group continued to implement a previously-approved share buy-back program.

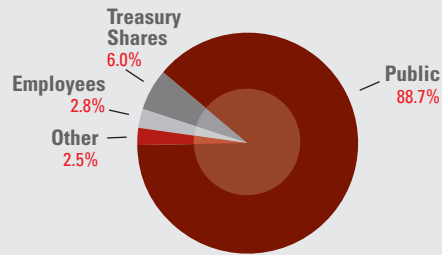
Silver Lake Partners, the United States-based private equity firm specialized in technology companies, holds a \$500 million strategic investment in Thomson made in 2004 in the form of privately-held, convertible, exchangeable bonds.

Excellence in investor relations _

To keep Thomson's broad investor base apprised of progress in implementing the Two-Year Plan, senior management devoted considerable time during the year to investor meetings in both Europe and the United States.

Based on more than 5,000 independent surveys of portfolio managers and financial analysts around the world, Thomson's Investor Relations team were awarded the "Most Improved Investor Relations" award (non-FTSE 250) from *IR Magazine* for the period between July 2004 and July 2005. The *IR Magazine* awards are recognised as an accurate and valid measure of investor relations excellence.

As part of its ongoing endeavors to provide investors – particularly individual shareholders – with comprehensive, up-to-date information, Thomson makes full use of the Internet. Share price information, press releases, as well as the Group's annual report and reference document (*document de référence*) filed with the French stock exchange regulator, AMF, are available on Thomson's website, www.thomson.net. In addition to broadcasting general shareholder meetings over the Internet, Thomson publishes an electronic newsletter to regularly inform individual shareholders of the latest developments within its businesses and market environment.



► **Capital Structure** as of 31 December 2005

Share price performance _

Thomson's share price performed well in the first half of 2005, reaching a year-high in April 2005 following publication of our first quarter revenues, which showed year-on-year organic growth of 22%. However, evolution of the share price in the second half was disappointing and erratic, ending the year at €17.70. The dividend of €0.30 per share proposed at the Annual Shareholders' Meeting on 12 May 2006, represents a 5% increase over last year's dividend in view of Thomson's future prospects and ability to generate significant cash-flow going forward.

	2005	2004
Year high	21.42	19.58
Year low	15.26	13.83
Share price at year end in €	17.70	19.45
Average daily volume	2,244,879	2,141,604
Market capitalization at year end in € million (December average)	4,931	5,227
Number of shares outstanding at year end (in thousands)	273,308	273,308
Net dividend per share in €	0.30	0.285

► **Share highlights**

Financial calendar* _

- **27 July 2006**
First Half Results
- **12 October 2006**
Third Quarter 2006 Revenues

* Dates subject to modification



► **Share price**

■ Paris (€) ■ New York (US\$)

Listed on the Paris and New York exchanges - EURONEXT code 18453 - NYSE ticker TMS.N

Business Operations

In support of Thomson's Two-Year Plan objectives, **Business Operations was created in 2005** to drive and monitor operational performance across the Group's divisions.

Business Operations focuses on addressing operational challenges and improving business processes notably in sourcing, IT management, manufacturing, R&D innovation and new product development.

Transversal Programs _

Implementation of the four Group-wide improvement programs launched in 2004 continues apace: *Clients*, to reassess Thomson's addressable markets and coordinate initiatives directed toward major clients, with the aim of expanding Thomson's offering, geographic presence and customer base; *Technology* to ensure that Thomson's technology investments match the Group's long-term objectives and fundamental research is aligned with recommendations by the Scientific Council to build systems-oriented R&D programs; *Value Creation* designed to implement a stream of value-creating financial tools and training mechanisms, and *Process Transformation* to dramatically improve the performance level of those processes deemed critical to Thomson.

Process Transformation Initiative _

Launched at the start of 2005 as part of the Two-Year Plan, the Process Transformation Initiative (PTI) achieved outstanding results during its initial year. Economies and efficiencies achieved through the PTI program help finance the significant increase in the Group's R&D investments. Perhaps even more importantly, by devising and implementing transformed business processes, PTI programs help Thomson become more competitive by enhancing performance and reducing cost in numerous areas. In 2005, PTI initiatives achieved concrete results in three ways: through actual cash gains, by eliminating the need for investments through optimization of existing resources, and by accelerating processes to boost productivity.

The PTI approach begins with a diagnosis of a particular operational process, followed by the establishment of goals for improvement. Once the objectives have been defined, a pilot project is undertaken on a limited scale. The process transformation is implemented on a broader scale only after it has been demonstrated that the pilot initiative produced the desired results. Seventy-two programs involving more than 650 Thomson employees were launched during PTI's first year.

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PROGRAMS
INVOLVING MORE THAN
650 EMPLOYEES

25%

REDUCTION IN PRODUCT
TIME-TO-MARKET

In manufacturing, for example, higher productivity, improved equipment efficiency and reduced capital expenditures were among the key achievements of 2005. Pilot programs initiated in two North American facilities were spread to three others over the course of the year. Over time, PTI manufacturing initiatives are designed to set new Group-wide standards for operating excellence and serve as the framework for a unique Thomson management system scheduled for roll-out in April 2006.

In product development innovation, pilot projects successfully implemented in 2005 reduced time-to-market for new products by 25%, and were subsequently expanded to more than 20 ongoing product development programs. PTI innovation programs aim to streamline product development processes throughout the Group while helping to generate more new product ideas. The goal is to double the Group's revenues from innovative products. In parallel, Thomson is rethinking its R&D localization to improve efficiency, and to increase its R&D development resources with the aim of sustaining business growth: in 2006, R&D development resources in India are set to double, and to increase by 20% in China.

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ONGOING PRODUCT
DEVELOPMENT PROGRAMS

Support functions: cost optimization _

General and administrative costs within Thomson's divisions, as well as its corporate functions, are a prime area of focus for Business Operations.

Since sourcing from third parties represents a significant proportion of the Group's revenue stream, cost optimization in this area is key. In 2005, actions were taken to better align the Group's internal organization to meet the needs of the divisions, and to ensure that all metrics and associated action plans are fully developed and monitored. An e-procurement tool was deployed worldwide, designed to drive higher sourcing cost reduction, while more than 20 programs were also launched to leverage synergies across multiple Thomson units to reduce logistics, distribution, freight and warehousing costs. With nearly 80 sites spread across North America and Europe, improvement projects are being mapped on a trans-Atlantic scale.

In IT, the aim is to reverse today's spending ratio from 85% maintenance and 15% investment, to 60% and 40% respectively. By driving consolidation, reducing costs and rebalancing spending, this target should be achieved by 2008.

Reporting & Control

Thomson continued to invest during 2005 **to keep pace with evolutions in best practice** in reporting and control.

Work continued during the year to improve our reporting and control procedures in order to meet the requirements of the Sarbanes-Oxley Act in the United States by 2006.

Improving internal control procedures _

Building towards the pending application of Section 404 of the Sarbanes-Oxley Act ("SOX 404") for fiscal year 2006, which requires the Group to assess the effectiveness of internal controls, Thomson has committed to implementing the internal control framework proposed by the Committee of Sponsoring Organizations of the Treadway Commission.

Within this framework, the Group seeks to achieve "reasonable assurance" regarding the effectiveness and efficiency of operations, the reliability of financial reporting and compliance with applicable laws and regulations.

Group-wide initiatives designed to achieve these objectives include the Process Transformation Initiative (PTI) to ensure operational excellence; COMPASS (Controls Over Methods, Processes, Applications, Systems, and Strategy); and the Risk Committee and its enterprise risk assessment and management program run by the Internal Audit department.

During the year, the Group implemented a worldwide SOX 404 compliance software system to assist with the documentation of significant financial processes, provide consistent guidance to management regarding controls and better enable management to assess its control structure by year end 2006.

Managing risk _

A Risk Committee was established in September 2004 with the objective of evaluating the Group's financial, operational and compliance risks, as well as identifying strategic risks that could adversely affect different activities within the Group.

A worldwide enterprise risk assessment was carried out in the second half of 2005, centered on Thomson's Two-Year Plan. The process assessed risks in 18 of the Group's distinct business units or profit centers, with the goal of identifying, assessing, validating and monitoring risks which could impact, or potentially impact, the Group's ability to achieve its short and long-term objectives. In 2006, the Risk Committee will regularly monitor action plans put in place to mitigate the risks identified.

Ethical values and principles of conduct for the Group's managers are defined in three main documents: the Ethics Charter, the Financial Ethics Charter and Thomson's "Principles of Excellence" handbook.

The “whistle-blowing” alert procedure is a specific mechanism which allows employees who believe that accounting violations have been committed to contact the Audit Committee and/or the Chief Audit Executive on a confidential basis.

Internal audit

The Group’s Internal Audit department consists of 20 auditors located in three key sites for the Group (Paris, France; Indianapolis and Camarillo, USA). In 2005, the Internal Audit department completed 39 audits and several projects for management that covered the following domains: key operational processes, financial audits of subsidiaries’ key financial processes, post-investment reviews and compliance audits.

Financial reporting _

The reliability of published accounting and financial information is based on a variety of financial procedures and controls including the budgetary process; management reporting and closing period work; and the preparation of financial statements.

Budgetary process

The budgetary process is mandatory for all of the Group’s divisions and profit centers. In the context of the budgetary procedure, performance measurement indicators are calculated by the divisions, and analyzed and reviewed monthly to serve as a reference for the Group’s reporting.

Management reporting and closing period work

Thomson uses a common chart of accounts, which is regularly updated. The principal accounting and financial figures of the operational and functional departments consolidated at Group level are analyzed by the Group’s management control team and reviewed by the Group’s Executive Committee.

The closing process for the half-year and annual consolidated financial statements occurs in two steps. The first step consists of a “hard close” completed in May and September leading to a first review by the statutory auditors. The second step occurs in July and in January and involves the finalization of half-year and annual consolidated financial statements under IFRS. The Group then proceeds once a year with a reconciliation of these results in accordance with U.S. GAAP.

Preparation of financial statements

The financial statements are prepared jointly by the Finance Department and the General Secretary. They are based on information reported through the annual reporting and accounting consolidation processes and on operational and market information, which is specifically centralized for the preparation of Thomson’s *document de référence* in France and the submission of Form 20-F in the United States. Half-year and annual financial information is reviewed by the Group’s Audit Committee.

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INTERNAL AUDITS
COMPLETED IN 2005

Financial Performance

Thomson's 2005 results were marked by the exit from significantly loss-making businesses and the **completion of key acquisitions** to lay the foundation for future growth.

Growth in Booster Businesses _

Our Core Business reported revenues for 2005 of €5,428 million (2004, €4,968 million), representing an 8.5% increase at constant currency compared with last year. Total reported revenues for the Group were €5,691 million. Technology and "Booster Businesses", in particular Content Services, Network Services, Broadcast & Networks and Access Platforms & Gateways-Telecom, performed well, while revenues from DVD Services and to a lesser extent, Set-Top Boxes, were disappointing in the fourth quarter. The "Boosters" added sales growth of €339 million (at constant currency) in 2005 – year-on-year comparison shows revenue growth of 18% for these activities.

Core Business depreciation and amortization was €427 million (2004, €371 million). Core Business earnings before interest, tax, depreciation & amortization (EBITDA) therefore amounted to €932 million for the full year 2005 (2004, €946 million).

Core Business EBIT for 2005 was €505 million, representing a Core Business EBIT margin of 9.3% (2004, €575 million).

Increased spend on R&D _

Research and development expenses net of external funding were €234 million in 2005, or 4.1% of net sales in 2005 (2004, 3.4%). Research and development expenditure charged in the Core Business increased by 34% from €171 million for 2004 to €228 million for 2005, in line with our Two-Year Plan objectives. Out of the total spending on research and development in 2005, €88 million was within the Technology division which includes the Group's fundamental research operations.

Net loss reflects loss from discontinued operations _

Non-Core continuing operations lost €123 million in 2005 (2004, loss €109 million). Accordingly the consolidated profit from continuing operations before tax and finance costs reached €382 million in 2005 (2004, €466 million).

The loss from discontinued activities (principally the Displays activities disposed of during the year to Videocon, the Optical Modules activity, and the Audio/Video & Accessories businesses which are held for sale) totaled €749 million for 2005 (2004, €885 million), of which €676 million related to the exited Displays activities. The net loss for the Group was therefore €573 million (2004, €561 million).

8.5%CORE BUSINESS
REVENUE GROWTH**9.3%**CORE BUSINESS
EBIT MARGIN**Robust cash-flow from Core Business** _

Continuing operations generated net operating cash-flow of €623 million in 2005. This was offset notably by total cash outflows from discontinued operations totaling €323 million. Acquisition spending totaled €470 million (principally on PRN, Inventel and Cirpack). Net debt at 31 December 2005 totaled €1.3 billion.

Increase in net dividend _

The Board of Directors proposed a dividend to shareholders of €0.30 per share (2004 dividend, €0.285), reflecting confidence in the prospects of the Group going forward.

Outlook: return to net profitability in 2006 _

Our key operational targets for 2006 are revenue growth in our Core Business in 2006 above this year's 8.5% and an EBIT margin in our Core Business also above 8.5%.

In line with the Two-Year Plan, the principal driver of revenues will be the "Booster" businesses, in particular Content Services, Network Services, Broadcast & Networks and Access Platforms & Gateways-Telecom. We expect to grow these "Boosters" to reach revenues for 2006

on a full-year basis of at least €1 billion more than our reported revenues for these businesses in 2004, as envisaged in our Two-Year Plan.

We will look to leverage our revenue growth whilst controlling our cost base in 2006, enabling us to continue to invest in customers and R&D.

We expect a much reduced impact on total 2006 Group profit from our Non-Core continuing operations. Accordingly we believe the Group is positioned to return to net profitability overall.

In 2006 our more mature businesses, together with our Licensing business in the Technology division, are expected to continue to generate significant cash-flow, which we intend to continue to invest in areas that have significant growth potential over the longer-term.

Summary results full year 2005

In € million unless otherwise stated	Year ended 31, December	
	2005 (1)	2004 (1)
Revenues	5,691	6,036
Core Business Revenues	5,428	4,968
Services	2,487	2,338
Systems & Equipment	2,355	2,109
Technology	546	498
Corporate	40	23
Non-Core Revenues continuing operations(2)	263	1,068
Core Business EBIT	505	575
o/w:		
Services	205	227
Systems & Equipment	102	121
Technology	277	302
Corporate	(79)	(75)
EBIT from Non-Core continuing operations(2)	(123)	(109)

Group reported revenues and results according to IFRS are broken down for analysis purposes between the three Media & Entertainment Divisions – Services, Systems & Equipment and Technology, which are collectively termed “Core Business” – and Other Continuing Activities, which are termed “Non-Core”. Reported IFRS sales and profit from continuing operations and before tax and finance costs (“EBIT”) exclude discontinued operations, principally the Displays, Optical Modules and Audio/Video & Accessories businesses. “Continuing operations” refer to all businesses which are not treated as discontinued. 2004 and 2005 figures are not comparable in every respect.

(1) After application of IFRS 5 on treatment of discontinued operations.

(2) Full year 2005 results shown for Non-Core continuing operations are not comparable with the full year 2004 figures which include inter alia sales of €843 million for the TV businesses, deconsolidated from August 2004 (which are not treated as Discontinued Operations under IFRS).

Consolidated statements of operations

In € million	Year ended 31 December	
	2005	2004
Continuing operations		
Revenues	5,691	6,036
Cost of sales	(4,322)	(4,634)
Gross margin	1,369	1,402
Selling, general, administrative expenses and others	(753)	(732)
Research and development expense	(234)	(204)
Profit from continuing operations and before tax and financial result	382	466
Interest expense	(78)	(2)
Other financial income (expense)	24	(27)
Financial result	(54)	(29)
Share of profit (loss) from associates	(82)	(20)
Income tax	(70)	(93)
Profit (loss) from continuing operations	176	324
Discontinued operations		
Profit (loss) from discontinued operations	(749)	(885)
Net income (loss)	(573)	(561)
Attributable to:		
Equity Holders	(574)	(559)
Minority interests	1	(2)
In €, except number of shares		
	Year ended 31 December	
	2005	2004
Weighted average number of shares outstanding – basic net of treasury stock (*)	266,539,917	273,646,869
Earnings per share from continuing operations to the equity holders of the Group		
Basic	0.64	1.18
Diluted	0.33	1.11
Earnings per share from discontinued operations attributable to the equity holders of the Group		
Basic	(2.81)	(3.23)
Diluted	(2.81)	(3.23)
Total earnings per share attributable to the equity holders of the Group		
Basic	(2.17)	(2.05)
Diluted	(2.48)	(2.12)

(*) The decrease as of December 2005 is due to the treasury shares acquired in 2005.

Consolidated balance sheets

In € million	31 December 2005	1 January 2005 (1)	31 December 2004
Assets			
Non-current assets			
Property, plant and equipment	886	1,051	1,051
Goodwill	1,756	1,186	1,178
Intangible assets	1,150	924	924
Investments in associates	204	260	260
Investments and financial assets available-for-sale	341	139	113
Derivative financial instruments	1	11	-
Contract advances	173	179	179
Deferred tax assets	379	307	301
Other non-current assets	182	133	136
Total non-current assets	5,072	4,190	4,142
Current assets			
Inventories	333	503	568
Trade accounts and notes receivable	1,315	1,232	1,180
Current accounts with affiliated companies	115	143	143
Derivative financial instruments	9	115	-
Other current assets	644	483	616
Investment funds	7	58	58
Cash and cash equivalents	996	1,845	1,848
Total current assets	3,419	4,379	4,413
Assets classified as held for sale	369	80	-
Total assets	8,860	8,649	8,555

(1) Including the impacts related to IAS 32 and 39 on financial instruments and IFRS 5 on non-current assets held for sale and discontinued operations.

Consolidated balance sheets

In € million	31 December 2005	1 January 2005 (1)	31 December 2004
Liabilities, shareholders' equity and minority interests			
Shareholders' equity			
Common stock (273,308,032 shares, nominal value €3.75 per share at 31 December 2005 and 31 December, 2004)	1,025	1,025	1,025
Treasury shares	(239)	(55)	(55)
Additional paid in capital	1,771	1,751	1,751
Subordinated perpetual notes	492	-	-
Other reserves	43	89	(23)
Retained earnings	(972)	(323)	(125)
Cumulative translation adjustment	89	(98)	(98)
Shareholders' equity	2,209	2,389	2,475
Minority interests	7	9	18
Total equity	2,216	2,398	2,493
Non-current liabilities			
Borrowings	858	1,540	1,597
Reserve for post-employment benefits	877	760	785
Reserve for restructuring Costs - Non-current	9	-	-
Derivative financial instruments	57	122	-
Other provisions	185	55	55
Deferred tax liabilities	162	43	37
Other non-current liabilities	103	129	129
Total non-current liabilities	2,251	2,649	2,603
Current liabilities			
Borrowings	1,464	1,011	904
Derivative financial instruments	10	34	-
Reserve for post-employment benefits	62	65	65
Restructuring provisions - Current	45	76	76
Other provisions	77	81	81
Trade accounts and notes payable	1,164	1,199	1,226
Accrued employee expenses	166	158	163
Income tax payable	47	60	60
Other current liabilities	750	746	800
Payables on acquisition of companies	138	84	84
Total current liabilities	3,923	3,514	3,459
Liabilities directly associated with assets classified as held for sale	470	88	-
Total liabilities, shareholders' equity and minority interests	8,860	8,649	8,555

(1) Including the impacts related to IAS 32 and 39 on financial instruments and IFRS 5 on non-current assets held for sale and discontinued operations.

Creation and lay-out:  Publicis Consultants |

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2006: a new visual identity



Thomson introduced a more modern and dynamic visual identity in April 2006, in keeping with its new profile as a world leader in digital video technologies.

The Thomson name is already strongly associated with technology trend-setting, while the tag-line "*Images & Beyond*" captures the Group's focus on digital video technologies, systems and services. The introduction of the new logo was accompanied by an internal campaign centered around a family of 4 posters, each one encapsulating Thomson's role in the image value chain. These visuals are themselves based on a 2-minute high-definition film shot using a Thomson Grass Valley Viper Filmstream™ Digital Cinematography Camera. Post-production was carried out by MPC, a Thomson company and leading visual effects provider to the film and advertising industries.

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