

THOMSON
Form 6-K
October 12, 2006

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 6-K

Report of foreign Private Issuer

Pursuant to Rule 13a - 16 or 15d - 16 of
the Securities Exchange Act of 1934

For the month of October, 2006

Commission File Number: 0-3003

THOMSON

46 quai A. Le Gallo

92648 Boulogne Cedex

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101 (b) (1):

Note: Regulation S-T Rule 101 (b) (1) only permits the submission in paper of a Form 6-K if submitted solely to provide an attached annual report to security holders.

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101 (b) (7):

Note: Regulation S-T Rule 101 (b) (7) only permits the submission in paper of a Form 6-K if submitted to furnish a report or other document that the registrant foreign private issuer must furnish and make public under the laws of the jurisdiction in which the registrant is incorporated, domiciled or legally organized (the registrant's home country), or under the rule of the home country exchange on which the registrant's securities are traded, as long as the report or other document is not a press release, is not required to be and has not been distributed to the registrant's security holders, and, if discussing a material event, has already been subject of a Form 6-K submission or other Commission filing on EDGAR.

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes No

If "yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b) : 82- _____

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Thomson Group

**Unaudited THOMSON INTERIM CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS**

“This document replaces the unaudited interim condensed consolidated financial statements filed on Form 6-K on 28 July 2006”

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(in millions)	Note	Six months ended		Year ended December 31, 2005 (*)
		June 30, 2006	June 30, 2005 (*)	
Continuing operations:				
Revenues		2,629	2,580	5,591
Cost of sales		(2,034)	(1,979)	(4,240)
Gross margin		595	601	1,351
Selling, general, administrative expenses and others	(6)	(349)	(346)	(734)
Research and development expense	(7)	(138)	(112)	(227)
Profit from continuing operations before tax and financial result		108	143	390
Interest expense		(38)	(31)	(78)
Other financial income (expense)		(7)		25
Financial result	(8)	(45)	(31)	(53)
Share of profit (loss) from associates	(13)	(42)	(7)	(82)
Income tax	(9)	(18)	(47)	(68)
Profit (loss) from continuing operations		3	58	187
Discontinued operations:				
Profit (loss) from discontinued operations	(10)	(74)	(496)	(760)
Net income (loss)		(71)	(438)	(573)
Attributable to				
Equity Holders		(71)	(429)	(574)
Minority interests			(9)	1

(*) Refer to Note 3 for bridge between previously published statement of operations and actual one.

<i>(in euro, except number of shares)</i>	Six months ended		Year ended December 31, 2005
	June 30, 2006	June 30, 2005	
	260,147,961	270,017,384	266,539,917

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Weighted average number of shares outstanding (basic net of treasury stock)

Earnings per share from continuing operations

attributable to the equity holders of the Group	(25)			
- basic (*)	(0.02	)	0.21		0.68
- diluted	(0.06	)	0.09		0.37

Earnings per share from discontinued operations

attributable to the equity holders of the Group					
- basic	(0.29	)	(1.80	)	(2.85
- diluted	(0.26	)	(1.63	)	(2.59

Total earnings per share attributable to the equity holders of the Group

- basic	(0.31	)	(1.59	)	(2.17
- diluted	(0.32	)	(1.54	)	(2.22

(*) After deduction of the dividends due on the subordinated perpetual notes.

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[Back to Contents](#)**Thomson Group****Unaudited CONSOLIDATED BALANCE SHEETS**

<i>(in millions)</i>	<i>Note</i>	June 30, 2006	December 31, 2005
ASSETS			
Non-current assets:			
Property, plant and equipment	(11)	) 878	886
Goodwill	(12)	) 1,748	1,756
Intangible assets	(12)	) 1,081	1,150
Investments in associates	(13)	) 150	204
Investments and financial assets available-for-sale	(14)	) 215	341
Derivative financial instruments	(19)	) 1	1
Contract advances		137	173
Deferred tax assets	(9)	) 357	379
Other non-current assets		241	182
Total non-current assets		4,808	5,072
Current assets:			
Inventories	(15)	) 419	333
Trade accounts and notes receivable	(16)	) 969	1,315
Current accounts with associates and joint-ventures		99	115
Derivative financial instruments	(19)	) 9	9
Other current assets		631	644
Marketable securities			7
Cash and cash equivalents	(17)	) 1,147	996
Total current assets		3,274	3,419
Assets classified as held for sale	(10)	) 310	369
Total assets		8,392	8,860

[Back to Contents](#)**Thomson Group****Unaudited CONSOLIDATED BALANCE SHEETS**

<i>(in millions)</i>	<i>Note</i>	June 30, 2006	December 31, 2005
LIABILITIES, SHAREHOLDERS' EQUITY AND MINORITY INTERESTS			
Shareholders' equity:	(18)		
Common stock (273,308,032 shares at December 31, 2005 and additional 563,264 shares at June 30, 2006, nominal value \$3.75 per share)		1,027	1,025
Treasury shares		(225)	(239)
Additional paid in capital		1,785	1,771
Subordinated perpetual notes		500	500
Other reserves		9	43
Retained earnings		(1,091)	(980)
Cumulative translation adjustment		(22)	89
Shareholders' equity		1,983	2,209
Minority interests		8	7
Total equity		1,991	2,216
Non-current liabilities:			
Borrowings	(20)	1,160	858
Reserve for post-employment benefits	(21)	774	877
Restructuring provisions	(22)	8	9
Derivative financial instruments	(19)	57	57
Other provisions	(22)	76	185
Deferred tax liabilities	(9)	161	162
Other non-current liabilities		85	103
Total non-current liabilities		2,321	2,251
Current liabilities:			
Borrowings	(20)	1,496	1,464
Derivative financial instruments	(19)	5	10
Reserve for post-employment benefits	(21)	64	62
Restructuring provisions	(22)	65	45
Other provisions	(22)	69	77
Trade accounts and notes payable		1,060	1,164
Accrued employee expenses		153	166
Income tax payable	(9)	42	47
Other current liabilities		789	750
Payables on acquisition of companies	(24)		138
Total current liabilities		3,743	3,923
Liabilities directly associated with assets classified as held for sale	(10)	337	470

			<hr/>	<hr/>
			<hr/>	<hr/>
Total liabilities, shareholders' equity and minority interests			8,392	8,860
			<hr/>	<hr/>
- <i>Off-balance sheet commitments</i>	(27)		
- <i>Contingencies</i>	(28)		

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[Back to Contents](#)**Thomson Group****Unaudited CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS**

(in millions)	Note	Six months ended June 30,		Year ended
		2006	2005	December 31, 2005
Net Income		(71)	(438)	(573)
Profit (Loss) from discontinued operations		(74)	(496)	(760)
Profit (Loss) from continuing operations		3	58	187
Summary Adjustments to reconcile profit from continuing operations to cash generated from operations				
Depreciation and Amortization		202	218	443
Write-off of assets			10	29
Net changes in provisions, risks and charges		(23)	(35)	(15)
Profit / (loss) on asset sales		1	(2)	
Interest Income and Expense	(8)	38	31	78
Other including tax		48	21	70
Changes in working capital and other assets and liabilities		(8)	74	(33)
Cash generated from continuing operations		261	375	759
Interest paid		(54)	(51)	(64)
Accrued interest premium paid on convertible bond (1)		(59)		
Interest received		9	9	14
Income tax paid		(44)	(47)	(67)
Net operating cash generated from continuing activities		113	286	642
Net operating cash used in discontinued operations (2)		(44)	(200)	(342)
Net cash provided by operating activities (I)		69	86	300
Acquisition of subsidiaries, associates and investments, net of cash acquired	(26)	(232)	(244)	(470)
Acquisition of Videocon Industries shares (2)				(240)
Net proceeds from sale of investments	(14)	94	1	4
Proceeds from sale (purchases) of marketable securities		8	29	52
Purchases of property, plant and equipment (PPE)		(93)	(102)	(192)
Proceeds from sale of PPE		4	3	10
Purchases of intangible assets including capitalization of R&D costs		(56)	(48)	(102)
Loans (granted to) / reimbursed by third parties		14	43	47
Net investing cash used in continuing activities		(261)	(318)	(891)
Net investing cash used in discontinued operations (2)		(133)	(163)	(5)
Net cash used in investing activities (II)		(394)	(481)	(896)
Proceeds from issuance of deeply subordinated notes				492
Purchase of treasury shares and others (3)		9	(80)	(283)
Repayments of convertible bonds		(611)	(588)	(588)
Proceeds from borrowings		1,147	258	592
Repayments of borrowings		(43)	(298)	(423)
Dividends paid to Group's shareholders			(77)	(77)
Dividends paid to minority interests		(1)	(1)	(2)

Net financing cash generated from continuing activities	501	(786)	(289)
Net financing cash used in discontinued operations (4)	(11)		16
Net cash (used) / provided by financing activities (III)	490	(786)	(273)
Net (decrease)/increase in cash and cash equivalents (I+II+III)	165	(1,181)	(869)
Cash and cash equivalents at beginning of period	996	1,848	1,848
Exchange gains/(losses) on cash and cash equivalents	(14)	21	17
Cash and cash equivalents at end of period	1,147	688	996

- (1) Interest premium due at maturity on January 1, 2006 on the convertible bond issued in October 2000 and repaid.
- (2) The yearly 2005 cash outflow related to discontinued operations amounts to (347) million (of which (342) million from operating activities) and is net of cash received for the sale of Thomson's Tubes activities and related technologies to Videocon for a consideration of 240 million which has been immediately reinvested into Videocon Industries shares for an amount of 240 million.
- (3) Corresponds to the conversion of BASA in 2006. In 2005 it includes a valued added tax reimbursement on capital increase fees for 9 million.
- (4) This amount is net of financing provided by the parent company for repayment of financial debts prior to disposal.

[Back to Contents](#)**Thomson Group****Unaudited CONSOLIDATED INTERIM STATEMENT OF RECOGNISED****INCOME AND EXPENSE**

(in millions)	Six months ended		Year ended December 31, 2005
	June 30, 2006	June 30, 2005	
<i>Profit/(loss) for the period</i>	(71)	(438)	(573)
Recognition of actuarial gains and losses in equity	63		(58)
Fair value gains (losses), gross of tax			
- on available-for-sale financial assets	(32)	(5)	(24)
- on cash flow hedges	5	(15)	(11)
Currency translation adjustments	(112)	160	190
Tax effect	(3)		
<i>Total income and expense recognised directly in equity</i>	(79)	140	97
Total recognised income and expense for the period	(150)	(298)	(476)
<i>Attributable to</i>			
- Equity holders of the parent	(149)	(291)	(480)
- Minority interests	(1)	(7)	4

[Back to Contents](#)**Thomson Group****Unaudited CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY**

(in millions)	Attributable to equity holders of the Group								Total equity
	Share capital	Treasury shares	Additional Paid in capital	Bonds issued	Other reserves	Retained earnings	Cumulative translation adjustments	Minority interests	
Balance at December 31, 2004	1,025	(55)	1,751		(23)	(125)	(98)	18	2,493
Adoption of IAS 32 and 39					112	(198)		(9)	(95)
Balance at January 1, 2005	1,025	(55)	1,751		89	(323)	(98)	9	2,398
Variations for the six months ended June 30, 2005									
Total income and expense recognised in equity (*)					(20)		158	2	140
Net income (loss) for the period						(429)		(9)	(438)
Total recognised income and expense for the period					(20)	(429)	158	(7)	(298)
Dividends						(77)		(2)	(79)
Treasury shares									
- purchased (4,626,733 shares)		(89)							(89)
- sold (2,351,648 shares)		49							49
Fair Value treasury shares to deliver (1)		59							59
Fair value written put cancellation					37				37
Share based payment to employees (Note 23)			5						5
Other			11			2		(1)	12
Balance at June 30, 2005	1,025	(36)	1,767		106	(827)	60	(1)	2,094
Variations for the six months ended December 31, 2005									
Total recognised income and expense for the period (*)					(73)	(145)	29	11	(178)
Issuance of deeply subordinated bonds net of transaction costs (Note 18 (e))									
(2)				500		(8)			492
Treasury shares									
- purchased (10,999,585 shares)		(203)							(203)

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Carry back on treasury shares				10				10	
Change in perimeter (3)							10	10	
Put on shares to minority interests (3)							(13)	(13)	
Share based payment to employees (Note 23)			6					6	
Other			(2)					(2)	
Balance at December 31, 2005	1,025	(239)	1,771	500	43	(980)	89	7	2,216
Variations for the six months ended June 30, 2006									
<i>Total income and expense recognised in equity (*)</i>					33		(111)	(1)	(79)
<i>Net income (loss) for the period</i>						(71)			(71)
Total recognised income and expense for the period					33	(71)	(111)	(1)	(150)
Dividends (Note 18)						(78)			(78)
Conversion of BASA (563,264 shares) (Note 18)	2		7						9
Dividend payable on subordinated perpetual notes (4)						(29)			(29)
Convertible bonds					(67)	67			
Treasury shares sold (3,604,099 shares)		14							14
Put on shares to minority interests and change in perimeter							2		2
Share based payment to employees (Note 23)			7						7
Balance at June 30, 2006	1,027	(225)	1,785	500	9	(1,091)	(22)	8	1,991

(*) See details in the Interim Statement of recognised income and expense on previous page.

(1) This comprises the shares to deliver following Inventel and Cirpack acquisitions (Note 18).

(2) The cost associated with issuance of the perpetual subordinated notes are accounted within retained earnings for (8) million.

(3) The variations mainly relate to the acquisition of VCF Thematiques in 2005 that increase first the minority interest and then a reclassification of the minority interests in borrowings as a put on these minority interests exist.

(4) It corresponds to the interest from September 25, 2005 until September 25, 2006, because the entirety of the dividends is no more optional following the decision taken during the Shareholder's meeting of May 12, 2006 to pay a dividend to ordinary shareholders.

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Thomson Group

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

All amounts indicated in the tables are expressed in millions of euro, unless otherwise stated

1 GENERAL INFORMATION

Thomson provides a wide range of video (and enabling) technologies, systems, finished products and services to customers and professionals in the entertainment and media industries. Since January 1, 2005, Thomson's activities have been organized into three principal activities: Services, Systems (formerly Systems & Equipment) and Technology, plus two further activities regrouping Corporate Functions and its remaining continuing but non-core activities: Displays & CE Partnerships.

Thomson's revenues across its divisions have historically tended to be higher in the second half of the year than in the first half, reflecting the business activity of our end customers, notably during the autumn selling season and year-end holidays. The impact of seasonality has historically tended to be higher in terms of profitability than sales (based on profit from continuing operations before tax and financial result) driven by the fact that costs are spread more evenly than sales over the year.

In these financial statements, the terms "Thomson group" (formerly the Thomson multimedia group), "the Group" and "Thomson" mean Thomson S.A. together with its consolidated subsidiaries. Thomson S.A. refers to the Thomson group parent company (formerly Thomson multimedia S.A.).

The financial statements have been approved by the Board of Directors of Thomson S.A. and authorized for issue on July 25, 2006.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

These interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by EU, which include IAS 34 Interim Financial Reporting.

The accounting policies applied by the Group are consistent with those followed in the preparation of the Group's annual financial statements for the year ended December 31, 2005 and described in Note 2 to our 2005 annual financial statements, which are an integral part of the Group's Annual Report 2005, except for the following interpretations and standards effective for annual periods beginning on or after January 1, 2006:

An amendment to IAS 39 regarding the use of the fair value option. This amendment has no significant impact on Thomson's financial statements.

IFRIC 5 *Rights to Interests Arising from Decommissioning, Restoration and Environmental Funds*. This interpretation has no significant impact on Thomson's financial statements.

A limited amendment to IAS 21 *The Effects of Changes in Foreign Exchange Rates*. The amendment clarifies the requirements of IAS 21 regarding an entity's investment in foreign operations. This amendment has no significant impact on Thomson's financial statements.

IFRIC 4 *Determining whether an arrangement contains a lease*. The impact of the first application of this interpretation on the Group's financial statements is disclosed below.

These Interim Consolidated Financial Statements should be read in conjunction with the 2005 annual IFRS Consolidated Financial Statements.

2.2 Impact of application of IFRIC 4 as of January 1, 2006

IFRIC 4 *Determining whether an arrangement contains a lease* gives guidance on determining whether arrangements that do not take the legal form of a lease (e.g. some take-or-pay contracts or outsourcing contracts) should, nonetheless, be accounted for in accordance with IAS 17

Leases. It specifies that an arrangement contains a lease if it depends on the use of a specific asset and conveys a right to control the use of that asset.

Within the Services division, our Network Operations Services activity assembles programming and manages the play-out of video content for broadcasters through play-out facilities owned by the Group. The assets used in these facilities are sometimes used for and dedicated to a single customer and

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Thomson Group

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

All amounts indicated in the tables are expressed in millions of euro, unless otherwise stated

therefore may fall within the scope of IFRIC 4. However, for these existing contracts falling within the scope of IFRIC 4, the Group has assessed the impact of IFRIC 4 and concluded that there is no significant difference between the accounting previously applied by the Group and the accounting method described by IFRIC 4.

2.3 Standards and interpretations issued, not effective and not applied earlier by Thomson

The following IFRS standards or IFRIC interpretations were issued in previous years or during the first semester 2006 but they will be effective at a later date and have not been applied earlier:

IFRIC 7 *Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies* issued in 2005 clarifies the requirements under IAS 29 relating to two issues: (a) how comparative amounts in financial statements should be restated when an entity identifies the existence of hyperinflation in the economy of the currency in which its financial statements are measured (its functional currency); and (b) how deferred tax items in the opening balance sheet should be restated. IFRIC 7 is effective for annual periods beginning on or after March 01, 2006.

IFRIC 8 *Scope of IFRS 2* issued in January 2006, clarifies that IFRS 2 *Share-based Payment* applies to arrangements where an entity makes share-based payments for apparently nil or inadequate consideration. IFRIC 8 is effective for annual periods beginning on or after May 01, 2006.

IFRIC 9 *Reassessment of Embedded Derivatives* issued in March 2006 addresses whether IAS 39 requires such an assessment to be made only when the entity first becomes a party to the hybrid contract, or whether the assessment be reconsidered throughout the life of the contract. IFRIC 9 is effective for annual periods beginning on or after June 01, 2006.

IFRS 7 *Financial instruments: disclosures* issued by the IASB in August 2005 and endorsed by the European Union in January 2006. IFRS 7 supersedes the disclosure requirements of IAS 32 *Financial Instruments: Presentation and Disclosure*. It is effective for annual periods beginning on or after January 01, 2007.

An amendment to IAS 1 *Presentation of Financial Statements - Capital Disclosures* was issued in 2005 and is effective for annual periods beginning on or after January 01, 2007. This amendment introduces new requirements for disclosures about an entity's capital. The Group plans to adopt this amendment at its effective date. Its impact is expected at this stage to be limited to disclosures to the financial statements.

The impacts of current IFRS and IFRIC projects are not anticipated in these financial statements.

All figures are presented in millions of euro unless otherwise stated.

The IFRS financial information has been prepared using the historical cost convention with some exceptions regarding various assets and liabilities, for which specific provisions recommended by the IFRS have been retained: available-for-sale financial assets at fair value, and financial assets at fair value through profit and loss.

2.4 Critical accounting estimates and judgements

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing these consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended December 31, 2005 except for the following estimate that have been significantly updated as of June 30, 2006:

Deferred tax: Management judgment is required to determine the Group's deferred tax assets and liabilities and the extent to which deferred tax assets can be recognised. When a specific subsidiary has a history of recent losses, future positive taxable income is assumed improbable, unless the asset recognition can be supported for reasons such as (1) the losses having resulted from exceptional circumstances which will not re-occur in a nearby future, and/or (2) the expectation of exceptional gains and (3) future income to be derived from long-

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[Back to Contents](#)**Thomson Group****NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS****(Continued)***All amounts indicated in the tables are expressed in millions of euro, unless otherwise stated*

term contracts. As of June 30, 2006, we have considered tax-planning in assessing whether deferred tax assets should be recognised. As of June 30, 2006, the Group has a 161 million deferred tax liability and 357 million of deferred tax assets reflecting management's estimates.

TCL Multimedia: As of June 30, 2006, Thomson's management, having regard to the substantial and prolonged decrease of the market value of the shares of TCL Multimedia and TCL's recent announcement on July 10, which highlighted in particular that its European operation recorded a financial performance which is much worse than expected, determined that a triggering event occurred. Thomson has a 29.3% equity investment in TCL Multimedia as well as trading relationships and receivables due from or connected to TCL Multimedia. Thomson's management has measured the recoverable value of its investment. As a result of the impairment test, Thomson recognized a 30 million impairment charge for the period ended June 30, 2006 on the carrying value of its investment in TCL Multimedia (resulting in a net book value as of June 30, 2006 of 139 million) after taking into account its share of the associate losses for the period.

Measurement of conversion option embedded in certain convertible debt: On September 16, 2004, Thomson issued certain subordinated bonds that are (1) redeemable in US dollars or (2) convertible into newly issued ordinary shares or existing ordinary shares (or a combination of both), which, at the option of the bondholders, may be delivered in the form of American Deposit Shares evidencing such ordinary shares (the Bonds). As required by IAS 32 and 39, the embedded conversion option has been bifurcated and accounted for separately within non-current liabilities.

The conversion option and the debt component are recognised at fair value at inception. Subsequent changes in the fair value of the embedded derivative have been charged to the statement of operations under IFRS.

As such Thomson's management is required to make significant estimates in order to measure the fair value of the conversion option that has been bifurcated from the bonds.

The measurement process comprises the determination, using an option instrument measurement model, such as the Black & Scholes or Binomial models. Main inputs relate to the discounted volatility of Thomson shares on the stock exchange, Thomson share closing prices and the exchange rate as of measurement date.

Subsequent changes in fair value of the derivative have required Thomson to recognize non cash financial gains amounting to 16 million and 45 million for the six months ended June 30, 2006 and 2005, respectively (17 million and 35 million respectively after foreign exchange impacts).

2.5 Financial risk management

The Group's financial risk management objectives and policies are consistent with that disclosed in the consolidated financial statements as at and for the year ended December 31, 2005.

2.6 Translation of foreign currency transactions

The main exchange rates used for translation (one unit to each foreign currency converted to euros) are summarized in the following table:

Six months period ended June 30, 2006		Six months period ended June 30, 2005		Year ended December 31, 2005	
Closing rate	Average rate	Closing Rate	Average rate	Closing Rate	Average rate
0.7862	0.8072	0.8281	0.7814	0.8433	0.8055

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US dollar
(USD)
Pound
sterling
(GBP)

1.4398

1.4497

1.4944

1.4623

1.4559

1.4625

The average rate is determined by taking the average of the month-end closing rates for the period, unless such method results in a material distortion.

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[Back to Contents](#)**Thomson Group****NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS****(Continued)***All amounts indicated in the tables are expressed in millions of euro, unless otherwise stated***3 BRIDGE BETWEEN PREVIOUSLY RELEASED AND ACTUAL 2005 FINANCIAL STATEMENTS****3.1 Bridge for June 2005 statement of operations**

<i>(in millions)</i>	June 30, 2005 Released	SLP (a)	IFRS 5 (b)	Reclass. (c)	June 30, 2005 Actual
Continuing operations:					
Revenues	2,968		(388)		2,580
Cost of sales	(2,281)		330	(28)	(1,979)
Gross margin	687		(58)	(28)	601
Selling, general, administrative expenses and others	(451)		77	28	(346)
Research and development expense	(127)		15		(112)
Restructuring of plants to be discontinued	(44)		44		
Profit from continuing operations before tax and financial result	65		78		143
Interest expense	(33)		2		(31)
Other financial income (expense)	(38)	33	5		
Financial result	(71)	33	7		(31)
Share of profit (loss) from associates	(7)				(7)
Income tax	(49)		2		(47)
Profit (loss) from continuing operations	(62)	33	87		58
Discontinued operations:					
Profit (loss) from discontinued operations	(409)		(87)		(496)
Net income (loss)	(471)	33			(438)

The following adjustments have been made to actual June 2005 statement of operations compared to the statement of operations published previously provided in interim June 2005 information.

(a) SLP Convertible/exchangeable subordinated bonds adjustment

In September 2005, the International Accounting Standards Board (IASB) published a decision paper updating its interpretation of the treatment of foreign currency-denominated convertible bonds. This decision clarified that the treatment under IFRS converges with the analogous treatment under U.S. GAAP. This interpretation by the IASB was different from the interpretation applied by Thomson in its June 30, 2005 interim financial statements. The Group has therefore reconsidered the application of IAS 32 and IAS 39 to our dollar-denominated convertible bonds issued on September 16, 2004, and the Group has accordingly revised our convertible bonds presentation.

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As a result, the Group restated our previously issued June 30, 2005 financial information relating to our consolidated statement of operations to reflect an additional non-cash financial income for derivative instruments embedded in our dollar-denominated convertible bonds issued on September 16, 2004 of \$33 million pursuant to IAS 32 and IAS 39. Furthermore the Group cancelled the conversion option previously recognised as an equity component for \$25 million and reduced the retained earnings at January 1, 2005 for \$81 million to reflect the fair value changes of the derivative before that date. The impact on the equity as of January 1, 2005 (first time application of IAS 32 and IAS 39 for Thomson) was \$106 million.

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[Back to Contents](#)**Thomson Group****NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS****(Continued)***All amounts indicated in the tables are expressed in millions of euro, unless otherwise stated***(b) IFRS 5 adjustment**

According to IFRS 5, the IFRS statement of operations for the comparative periods has to be restated in order to reflect the effect of the scope of discontinued operations defined as of June 30, 2006. The column IFRS 5 reflects therefore the statement of operations of the following additional discontinued operations compared to June 30, 2005:

- The Audio-Video and Accessories business and associated activities (planned to be sold in 2006);
- The exit of Displays entities such as Videoglass and Gray;
- The optical business (sold in March 2006).

(c) Change of classification of warranty costs from Selling expenses to Cost of sales

Under French GAAP, Thomson classified warranty costs under Selling expenses. The warranty service is included in the sale price and the corresponding cost should therefore be included in the cost of sales. Hence, under IFRS, Thomson has elected the classification in cost of sales.

3.2 Bridge for December 31, 2005 income statement

<i>(in millions)</i>	December 31, 2005 Released	IFRS 5 (a)	December 31, 2005 Actual
Continuing operations:			
Revenues	5,691	(100)	5,591
Cost of sales	(4,322)	82	(4,240)
Gross margin	1,369	(18)	1,351
Selling, general, administrative expenses and others	(753)	19	(734)
Research and development expense	(234)	7	(227)
Profit from continuing operations before tax and financial result	382	8	390
Financial result	(54)	1	(53)
Share of profit (loss) from associates	(82)		(82)
Income tax	(70)	2	(68)
Profit (loss) from continuing operations	176	11	187
Discontinued operations:			
Profit (loss) from discontinued operations	(749)	(11)	(760)
Net income (loss)	(573)		(573)

(a) IFRS 5 adjustment

According to IFRS 5, the IFRS statement of operations for the comparative periods has to be restated in order to reflect the effect of the scope of discontinued operations defined as of June 30, 2006. The column IFRS 5 reflects therefore the statement of operations of the following additional discontinued operations compared to December 31, 2005:

- SME activities and Retail Decoders Europe business have been included in the scope of the AVA business as they are expected to be part of the disposal deal;
- A small residual facility in Brazil in the Tubes business is planned to be sold in the coming months.

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(Continued)***All amounts indicated in the tables are expressed in millions of euro, unless otherwise stated***3.3 Bridge for January 1, 2005 equity**

<i>(in millions)</i>	Total equity
Provisional equity at January 1, 2005 as released in June 2005	2,516
Adjustments of 2004 information (see Note 38.4 (j) of 2005 consolidated financial statements) ⁽¹⁾	(8)
Adjustments linked to the adoption of IAS 32/39 - USD denominated convertible bond issued to SLP ⁽²⁾	(106)
Other	(4)
Subtotal adjustments at January 1, 2005	(118)
Equity at January 1, 2005 as released in December 2005	2,398

⁽¹⁾ As explained in the consolidated financial statements as of December 31, 2005 (note 38.4 (j)) these adjustments relate to net loss of the Group for year ended December 31, 2004 and are composed of:

- Deferred tax asset on interest on joint-ventures previously not recognised on UK area
- Tax loss carryback receivable remeasured
- Subsidiaries controlled but not consolidated analyzed as immaterial subsidiaries under French GAAP

⁽²⁾ See Note 3.1 (a) above.

3.4 Bridge for June 30, 2005 equity

<i>(in millions)</i>	Total equity
Provisional equity at June 30, 2005 as released in June 2005	2,176
Adjustments on January 1, 2005 ⁽¹⁾	(118)
Adjustment related to the consolidated statement of operations for the period ending June 30, 2005 USD denominated convertible bond issued to SLP ⁽²⁾	33
Other adjustments	3
Actual equity at June 30, 2005	2,094

⁽¹⁾ See note 3.3 above

⁽²⁾ See note 3.1 (a) above

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**NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(Continued)**

All amounts indicated in the tables are expressed in millions of euro, unless otherwise stated

**4 SIGNIFICANT CHANGES IN THE SCOPE OF CONSOLIDATION
Changes in 2006**

(a) Main acquisitions

On December 5, 2005 Thomson signed an agreement to acquire one third of the issued and outstanding shares of Canopus Co., Ltd, a Japan based leader in high definition desktop video editing software. The transaction was subject to Governmental Authorities authorization and successful due diligence. The purchase price (¥ 3.8 billion equivalent to 27 million at the transaction exchange date) was paid on January 26, 2006 partially in cash and by a delivery of 821,917 Thomson treasury shares. In parallel Thomson launched a public tender offer for the remaining Canopus shares. The final closing took place on January 26, 2006, thus allowing the company to take control of 94.31% of Canopus share capital for a total additional consideration of ¥ 8.3 billion (equivalent to 60 million at the transaction exchange rate) and consolidate this activity from this closing date.

On January 13, 2006, Thomson acquired the network services business assets and liabilities of EDS, Convergent Media Systems. These assets provide broadcast-quality, networked digital video services for business television, distance learning, and networked digital signage. The installed base is approximately 70 networks with 35,000 sites and 400,000 viewing locations. The purchase price was approximately USD 37 million (equivalent to 31 million at the date of transaction exchange rate), subject to an increase by up to USD 7 million (6 million at the June 30, 2006 exchange rate) dependent upon the performance of the acquired company in 2006 and 2007. Thomson consolidates this activity from January 13, 2006.

On June 23, 2006, Thomson acquired the remaining (16 %) minority interests of Nextamp, a French company specialized in the protection of video content with technologies known as watermarking for 2 million paid in cash. This acquisition follows an initial transaction made in 2004 by Thomson with the acquisition of 10% of the capital, and a second made in 2005 with the acquisition of 74% of the capital for 7 million paid in cash. The total cost of the purchase amounts therefore to 9 million. The company is fully consolidated from June 17, 2005 and the amount due to minority shareholders that was recorded as a debt as of December 31, 2005 has been derecognised as of June 23, 2006 pursuant to the acquisition of the minority interests.

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(Continued)*All amounts indicated in the tables are expressed in millions of euro, unless otherwise stated*

Due to the complexity of the businesses acquired, the identification and evaluation of purchased intangible assets frequently require external expert appraisals, which means that the Group generally does not finalize purchase price allocations at the closing date. Consequently, for all the acquisitions mentioned above (except for the transaction with minority interests), the purchase price allocation exercise will be completed, as required, within 12 months of the acquisitions, and so is not yet finalized. The provisional fair values and the provisional goodwill arising from transactions mentioned above are as follows:

(in millions)	Acquirees		
	carrying amount before combination	Fair value adjustments	Fair value (provisional)
Net assets acquired			
Property, plant and equipment	43	2	45
Intangible assets		4	4
Inventories	15		15
Trade receivables	11		11
Other assets	7	2	9
Bank and cash balances	17		17
Provisions	(4)	)	(4)
Trade payables	(13)	)	(13)
Other liabilities	(24)	)	(24)
Deferred tax liabilities		(2)	(2)
Total net assets acquired	51	6	58
Purchase consideration			
Cost of acquisition			119
Direct costs relating to the acquisitions			5
Total purchase consideration paid			124
Goodwill			
(provisional amount as of June 30, 2006)			66

The goodwill is mainly attributable to the anticipated future synergies within the Group.

The contribution to the Group of the acquired businesses for the period from their related acquisition dates to the six months ended June 30, 2006 is the following:

(in millions)	Six months ended June 30, 2006

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Contribution in revenue	41
Contribution in profit from continuing operations before tax and finance costs	1
	<hr/>

In 2006 up until their related acquisition dates, these acquisitions had neither significant revenue nor significant result as they have been acquired at the very beginning of 2006.

(b) Main disposal

In 2005, Thomson agreed to transfer to a German company its remaining optical technology assets and people in the first semester of 2006. The definitive sale occurred in March 2006.

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NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Continued)

All amounts indicated in the tables are expressed in millions of euro, unless otherwise stated

Changes in 2005

(a) Main acquisitions

On February 4, 2005, Thomson Holding Germany GmbH & Co. OHG purchased 100% of the German company MediaSec Technologies GmbH, a pioneer in digital watermarking and copy detection technologies, with a strong portfolio of patents and software products. The consideration paid amounted to 4 million. This acquisition has been accounted for using the purchase method. This company is fully consolidated from that date.

On March 14, 2005, Thomson acquired 33% control over ContentGuard Holdings, Inc., for an amount of USD 27 million. ContentGuard is a developer of Digital Rights Management (DRM) technologies. Microsoft and Time Warner own the same percentage. This company is consolidated under the proportionate consolidation method from that date.

On March 29, 2005, Thomson acquired 100% of Inventel, a leading provider of innovative voice and data solutions to telecom operators and Internet Service Providers (ISP). Combining Inventel's expertise with Thomson's world leading positions in DSL and video technologies and solutions, is expected to enable the Group to expand its customer base, market reach and ranges of multiple-play gateways.

The total purchase consideration amounted to 146 million. The company is fully consolidated from March 29, 2005.

On April 20, 2005, Thomson acquired 100% of Cirpack, a French based company. Cirpack has a key softswitch technology expertise that allows telecom operators to drive voice, data and video convergence in IP networks.

The total purchase consideration amounted to 82 million. The company is fully consolidated from April 20, 2005.

On June 17, 2005, Thomson acquired 73% of Nextamp a French company specialized in the protection of video content with technologies known as watermarking for a total consideration of 7 million paid in cash. This technology allows the encryption of a digital code in the video content which allows identification of the original source of any copy. An additional 1 % has been acquired in September 2005.

The remainder of the 16% was acquired on June 23, 2006 for 2 million paid in cash (*cf. above main acquisitions 2006*).

The total cost of the purchase amounts therefore to 9 million.

The company is fully consolidated from June 17, 2005.

On August 26, 2005, Thomson announced the acquisition of 100% of the American company Premier Retail Network Corporation, the leader in the fast-growing market of out-of-home video advertising networks. This acquisition furthers Thomson's expansion into the implementation and management of video networks for a broad range of customers spanning broadcasters, cinemas and now retailers. The purchase price amounted to USD 299 million paid in cash, including a normalized level of working capital.

The company is fully consolidated from August 26, 2005.

On October 27, 2005, Thomson acquired 51 % of VCF Thématiques. The investment took the form of a capital increase by 17 million. VCF Thématiques is a leading provider of payout services to TV channels in France, broadcasting more than 1,000 hours of programs a day.

According to the shareholder's agreement, Thomson may purchase and may be required to purchase the remainder of the 49% from June 2006, at a price depending on the evolution of the results of the company.

The company is fully consolidated from October 27, 2005 and the optional amount due to the minority shareholder was recorded as a debt at an estimated amount of approximately 17 million as of June 30, 2006.

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NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Continued)

All amounts indicated in the tables are expressed in millions of euro, unless otherwise stated

On December 31, 2005, Thomson purchased 100% of Thales Broadcast & Multimedia (TBM) for an amount paid of approximately 133 million (of which 64 million for the repayment of current accounts due by acquired affiliates to Thales). The price is subject to adjustment depending on the level of working capital and cash measured as of the acquisition date, as determined in the contract. This acquisition follows the announcement of a strategic partnership between Thomson and Thales (a leading electronic group), specifically in the domain of high-video content management.

During the first semester 2006, for all the acquisitions mentioned above, there has not been any significant movement in the provisional fair value booked as of December 31, 2005. For TBM, Premier Retail Network and VCF, the purchase price allocation will be completed as required before the end of 2006.

5 INFORMATION BY BUSINESS SEGMENTS

Since January 1, 2005, Thomson has implemented a simple and flexible organizational and management structure as of with three divisions based on its core Media & Entertainment activities. The three divisions are:

- **Services:** this division offers end-to-end management of services for our customers in the M&E industries in the following areas:
 - Physical media: DVD and DVD-ROM replication and distribution, film printing,
 - Electronic media: post production, Archiving, Media Asset Management, VoD, Digital Cinema
 - Network Services: Out-of-home advertising, broadcast play-out and other related services outsourced by broadcasters.
- **Systems (previously Systems & Equipment) :**
 - Broadcast & Networks
 - Access, Platforms & Gateways
 - Connectivity
- **Technology:** development and monetization of technology
 - Research & Development
 - Licensing of patents and trademarks
 - Silicon solutions: IC design, Tuners and remotes
 - Software and Technology Solutions: Security, Imaging and Networking Software Services.

Its remaining continuing but non-core activities including its holdings in TCL and Videocon industries are regrouped under its Displays & Consumer Electronics Partnerships (named Displays & CE Partnerships hereafter) segment.

Unallocated activities mainly comprising corporate functions are grouped under Corporate.

These divisions and segments are the basis on which the Group reports its primary segment information.

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<i>(in millions)</i>	Services	Systems	Technology	Displays & CE Partnerships (*)	Corporate	Consolidation Adjustments	Total
Six months ended June 30, 2006							
Statement of operations items							
Revenues to external customers ⁽¹⁾	1,112	1,181	263	60	13		2,629
Intersegment sales		11	19	8	44	(82)	
Profit (loss) from continuing operations before tax and financial result ⁽²⁾	8	24	140	(25)	(39)		108
Out of which:							
Amortization of customer relationships ⁽³⁾	(15)	(13)					(28)
Other depreciation and amortization ⁽³⁾	(79)	(38)	(7)	(2)	(3)		(129)
Other non-cash expenses ⁽⁴⁾	(70)	(17)	9	(5)	(3)		(86)
Profit/(loss) from associates				(42)			(42)
Profit (loss) from discontinued operations ⁽⁵⁾		(67)	(4)	(3)			(74)
Balance sheet items							
Assets							
Operating segment assets ^(a)	1,800	1,244	178	88	37		3,347
Goodwill	1,056	665	27				1,748
Other segment assets	453	317	179	175	975		2,099
Total segment assets ^(b)	3,309	2,226	384	263	1,012		7,194
Interests in associates			3	146	1		150
Unallocated assets ^(c)							1,048
Total consolidated assets							8,392

Liabilities

Segment liabilities	657	1,060	355	500	689	3,261
Unallocated liabilities ^(d)						3,140
Total consolidated liabilities (without equity)						6,401

Other information

Capital expenditures ^(e)	(73	) (54	) (13	) 2	(3	) (141)
Capital employed ^(f)	1,555	559	28	47	(29	) 2,160	

- (*) Displays & CE Partnerships result includes all Genlis' result in the 1st semester 2006 consistent with practice elsewhere in the Group. If the same treatment had been applied as of June 30, 2005, Displays & CE Partnerships and Systems results would have been respectively decreased and increased by 5 million.
- (1) The Services, Systems and Technology segments generate substantially all of their revenues respectively from sale of services, sale of goods and royalties.
- (2) This profit line does not include intercompany items.
- (3) These figures, converted at average rate only relate to continuing operations and include amortization of customer advances (in other depreciation and amortization).
- (4) Non-cash expenses include mainly net variation of provisions without cash impact.
- (5) The loss from discontinued operations is split by segment based on the initial reporting segment: loss from AVA and related activities is disclosed in Systems, loss related to the display business in Displays & CE Partnerships and the loss from optical business in the Technology segment.
- (a) Amounts include advances to suppliers and to customers.
- (b) Segment assets include all operating assets used by a segment and consist principally of receivables, inventories, property plant and equipment and goodwill, net of depreciation and provisions. Amounts include advances to suppliers. Segment assets do not include income tax assets.
- (c) Unallocated assets include mainly financial assets, current accounts with affiliated companies, tax assets and assets available-for-sale.
- (d) Unallocated liabilities include mainly financial and tax liabilities and liabilities classified as held for sale.
- (e) Amounts before the net change in debt related to capital expenditure payables of (8) million for the 1st semester 2006.
- (f) Capital employed is defined as being the aggregate of net tangible and intangible assets (excluding goodwill), operating working capital and other current assets and liabilities (excluding reserves, together with those related to employee benefits, tax, payables on acquisition of companies and debt to suppliers of fixed assets).

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<i>(in millions)</i>	Services	Systems	Technology	Displays & CE Partnerships	Corporate	Consolidation Adjustments	Total
Six months ended June 30, 2005							
Statement of operations items							
Revenues to external customers ⁽¹⁾	1,069	1,058	259	175	19		2,580
Intersegment sales		4	18		61	(83)	
Profit (loss) from continuing operations before tax and financial result ⁽²⁾	65	35	139	(55)	(41)		143
Out of which:							
Amortization of customer relationships ⁽³⁾	(11)	(12)					(23)
Other depreciation and amortization ⁽³⁾	(72)	(27)	(18)	(30)	(5)		(152)
Other non-cash expenses ⁽⁴⁾	(68)	(21)	1	(8)	(1)		(97)
Profit (loss) from associates				(7)			(7)
Profit (loss) from discontinued operations ⁽⁵⁾		(19)	(9)	(468)			(496)
Other information							
Capital expenditures ^(a)	(52)	(40)	(41)	3	12		(118)
Capital employed ^(b)	1,601	499	(25)	179	(107)		2,147

(1) The Services, Systems and Technology segments generate substantially all of their revenues respectively from sale of services, sale of goods and royalties.

(2) This profit line does not include intercompany items.

(3) These figures, converted at average rate only relate to continuing operations and include amortization of customer advances (in other depreciation and amortization).

(4) Non-cash expenses include mainly net variation of provisions without cash impact.

(5) The loss from discontinued operations is split by segment based on the initial reporting segment: loss from AVA and related activities is disclosed in Systems, loss related to the display business in Displays & CE Partnerships and the loss from optical business in the Technology segment.

(a) Amounts before the net change in debt related to capital expenditure payables of (32) million for the six months ended June 30, 2005.

(b) Capital employed is defined as being the aggregate of net tangible and intangible assets (excluding goodwill), operating working capital and other current assets and liabilities (excluding reserves, together with those related to employee benefits, tax, payables on acquisition of companies and debt to suppliers of fixed assets).

6 SELLING, GENERAL, ADMINISTRATIVE EXPENSES AND OTHERS

<i>(in millions)</i>	Six months ended June 30, 2006	Six months ended June 30, 2005
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Selling and marketing expenses	(140)	(125)
General and administrative expenses	(183)	(184)
Other income (expense) (a)	(26)	(37)
Total selling, general, administrative expenses and others	(349)	(346)

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(a) The line Other income (expense) is detailed as follow:

<i>(in millions)</i>	Six months ended June 30, 2006	Six months ended June 30, 2005
Gain/(loss) on disposal of fixed assets/investments	1	(5)
Restructuring expenses and impairment charge of long-lived assets ⁽¹⁾	(31)	(30)
Other	4	(2)
Total other income (expense), net	(26)	(37)

(1) Restructuring expenses and impairment charge of long-lived assets

a. Restructuring expenses amount to (31) million and (20) million for the six months ended June 30, 2006 and 2005, respectively and are detailed in Note 22.1.

b. Impairment charge of long-lived assets amounts to nil and (10) million for the six months ended June 30, 2006 and 2005, respectively.

In 2005, Thomson has assessed that the carrying values of certain non-current assets related to its Angers plant were above their recoverable value and therefore recognised a (10) million impairment charge.

7 RESEARCH AND DEVELOPMENT EXPENSE

<i>(in millions)</i>	Six months ended June 30, 2006	Six months ended June 30, 2005
Research and development expense, gross	(168)	(132)
Capitalized development projects	40	22
Amortization of research and development intangible assets (*)	(13)	(8)
Subsidies	3	6
Research and development expense, net	(138)	(112)

(*) The Group records the amortization expense for capitalized research and development projects on this caption except for such amortization related to projects which have passed into the production, marketing and selling phase which is classified in Cost of sales .

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All amounts indicated in the tables are expressed in millions of euro, unless otherwise stated

8 FINANCIAL RESULT

<i>(in millions)</i>	Six months ended June 30, 2006	Six months ended June 30, 2005
Interest income	9	18
Interest expense (1)	(47)	(49)
Interest (expense) income, net	(38)	(31)
Financial component of pension plan expenses	(13)	(13)
Other financial charges	(2)	(3)
Exchange profit (loss) (2)	5	(15)
Fair value on financial instrument (loss)	(3)	(11)
Change in fair value of the SLP USD convertible debt (3)	16	45
Other	(10)	(3)
Other financial (expense) income, net	(7)	
Total financial result	(45)	(31)

(1) From January 1st, 2005 under IAS 32 the option components of our convertible bonds are split out and accounted for separately and the effective interest rate is used to calculate the interest expense. The impact for our convertible bonds compared to the accounting treatment under French GAAP at actual rate is an additional interest charge of 4 million and 18 million for the 6 months ended June 30, 2006 and June 30, 2005 respectively and 36 million for the full year 2005.

(2) Including 1 million exchange gain related to the embedded derivative of the SLP USD convertible debt in the first semester 2006 compared to a (10) million of exchange loss in the first semester 2005.

(3) The SLP convertible bond contains an embedded derivative which is accounted for separately from the debt component of the bond. The change in fair value of the option is reflected in financial result for the amount mentioned under this caption.

9 INCOME TAX

The income tax expense for the periods ended June 30, 2006 and 2005 is determined using the year-end 2006 and 2005 forecasted effective tax rate applied to the year to date June result of affiliates. This rate is computed on a country-by-country basis and is in a range between 15 % to 40% for 2006 and 2005.

The income tax charge for the first semester 2006 for the Group amounted to 18 million (compared to 47 million for the first semester 2005). The decline in income tax reflects mainly a reversal of provision in connection with withholding taxes.

Analysis of variations of deferred tax assets and liabilities:

<i>(in millions)</i>	Deferred tax assets	Deferred tax liabilities	Total, Net deferred
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			tax assets
At December 31, 2005	379	(162)	217
Changes impacting the period result	(8)		(8)
Other movement (*)	(14)	1	(13)
At June 30, 2006	357	(161)	196

(*) In 2006, this caption includes the impact of change in scope (+2 million) and currency translation adjustments (- 9 million).

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All amounts indicated in the tables are expressed in millions of euro, unless otherwise stated

10 DISCONTINUED OPERATIONS

The activities classified as discontinued operations as of June 30, 2006 are the same as those considered as discontinued in 2005 (Tubes and Display businesses and the Audio-Video and Accessories business) except for the following:

- The remaining retail businesses in Europe linked to the AVA business including the retail distribution of decoders as these are expected to be part of the disposal deal;
- A small residual facility in Brazil from the Tubes business is planned to be sold in the coming months.

For change in the scope of discontinued operations between June 2005 and June 2006, refer to Note 3.1 above).

The results of these discontinued operations are as follows:

(in millions)	Six months ended June 30, 2006			Six months ended June 30, 2005		
	Results related to the displays and optical businesses	Results related to the AVA business	Total	Results related to the displays and optical businesses	Results related to the AVA business	Total
Revenues	8	376	384	380	368	748
Cost of sales	(7)	(335)	(342)	(456)	(300)	(756)
Gross Margin	1	41	42	(76)	68	(8)
Expenses other than impairment of assets	(1)	(107)	(108)	(318)	(84)	(402)
Loss on impairment of assets ⁽¹⁾				(74)		(74)
Loss from operations before tax and finance cost		(66)	(66)	(468)	(16)	(484)
Net interest expense ⁽²⁾		1	1	(8)	(2)	(10)
Other financial expense	(4)	(2)	(6)	3	(3)	
Income tax		(3)	(3)	(1)	(1)	(2)
Profit (loss) for the year from discontinued operations	(4)	(70)	(74)	(474)	(22)	(496)

(1) Corresponds to an impairment of (74) million booked on Foshan fixed assets prior to disposal. This provision was reversed during the second 2005 semester and the related loss included in the loss on disposal of the entity.

(2) Consisting of interest gain of 1 million for the period ended June 30, 2006 and of (11) million interest expense less interest income of 1 million for the first half of 2005.

The assets and liabilities attributable to the operations discontinued and not yet sold as of December 31, 2005 and as of June 30, 2006 have been classified as held for sale in the Group balance sheet and presented separately from other assets.

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All amounts indicated in the tables are expressed in millions of euro, unless otherwise stated

The major classes of assets and liabilities comprising the activities classified as held for sale are as follows:

	Six months ended June 30, 2006	Year ended December 31, 2005		
	Assets and liabilities related to the AVA business	Assets and liabilities related to the displays and optical businesses (1)	Assets and liabilities related to the AVA business	Total
<i>(in millions)</i>				
Goodwill and intangible assets	42		44	44
Property, Plant and Equipment	18		12	12
Other assets	10		10	10
Inventories	117		119	119
Account receivable and other receivable	123	12	172	184
Total - Assets classified as held for sale	310	12	357	369
Provisions and Restructuring	28	35	28	63
Borrowings	6		3	3
Liabilities working capital	303	22	382	404
Total - Liabilities directly associated with assets classified as held for sale	337	57	413	470

(1) The optical business has been sold in the first 2006 quarter.

11 PROPERTY, PLANT AND EQUIPMENT

<i>(in millions)</i>	Land	Buildings	Machinery & Equipment	Other Tangible Assets ⁽¹⁾	Total
At December 31, 2005					
Cost	53	223	1,149	288	1,713
Accumulated depreciation	(2)	(81)	(597)	(147)	(827)
Net amount	51	142	552	141	886

Six months ended June 30, 2006

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Opening net amount at January 1, 2006	51	142	552	141	886	
Exchange differences	(3) (6) (25) (6) (40)
Acquisition of subsidiaries ⁽²⁾	13	27	5		45	
Additions		1	30	62	93	
Disposals	(1	) (3	) (1	) (2	) (7)
Depreciation charge		(6	) (74	) (10	) (90)
Reclassification as held for sale		(1	) (3	) (2	) (6)
Other		3	30	(36	) (3)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	
Closing net amount at June 30, 2006	60	157	514	147	878	
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	
At June 30, 2006						
Cost	62	258	1,193	267	1,780	
Accumulated depreciation	(2	) (101	) (679	) (120	) (902)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	
Net amount	60	157	514	147	878	

(1) Includes tangible assets in progress.

(2) This line item includes not only the impact of the acquisitions of the year as disclosed in Note 3 but also the impact of ;purchase price allocations of previous year acquisitions (impact of definitive allocation of the purchase price).

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<i>(in millions)</i>	Patents & Trademarks	Customer relationships	Other intangible assets ⁽¹⁾	Total intangible assets	Goodwill
At December 31, 2005					
Cost	557	706	342	1,605	1,761
Accumulated amortization and impairment	(139)	(148)	(168)	(455)	(5)
Net amount	418	558	174	1,150	1,756
Six months ended June 30, 2006					
Opening net amount at January 1, 2006	418	558	174	1,150	1,756
Exchange differences	(23)	(34)	(5)	(62)	(78)
Acquisition of subsidiary ⁽²⁾		6		6	66
Additions	5		55	60	
Depreciation charge	(8)	(28)	(31)	(67)	
Reclassification as held for sale			(2)	(2)	
Other	(2)		(2)	(4)	4
Closing net amount at June 30, 2006	390	502	189	1,081	1,748
At June 30, 2006					
Cost	530	668	353	1,551	1,753
Accumulated amortization and impairment	(140)	(166)	(164)	(470)	(5)
Net amount	390	502	189	1,081	1,748

*(1) Includes capitalized development projects.**(2) This line item includes not only the impact of the acquisitions of the year as disclosed in Note 3 but also the impact of purchase price allocations of previous year acquisitions (impact of definitive allocation of the purchase price).*

In 2005 and 2006, no goodwill impairment has been recognised.

13 INVESTMENTS IN ASSOCIATES

<i>(in millions)</i>	Six months ended June 30, 2006
Beginning of the period	204
Share of (loss)/profit before impairment on associates	(13)
Impairment charge on associates	(30)
Foreign exchange differences	(12)
Other equity movements	1

End of the period ⁽¹⁾

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All amounts indicated in the tables are expressed in millions of euro, unless otherwise stated

(1) Of which:

(in millions)	Six months ended June 30, 2006 (a)	Year ended December 31, 2005 (b)
Investment in TCL (*)	139	193
Equivalent per share value in HK\$	1.20	1.55
Market value of the investment in TCL based on quotations	95	139
quoted per share value in HK\$	0.82	1.12

(*) As TCL Multimedia releases its financial statements at a later date than Thomson does, the financial statements of TCL Multimedia used by the Group to account for this investment under the equity method:

- From September 30, 2005 to March 31, 2006 for the Group's interim financial statements ended June 30, 2006.
- From October 1, 2004 to September 30, 2005 for the Group's financial statements ended December 31, 2005.

(a) As of June 30, 2006, Thomson's management determined that a triggering event occurred because the market value of its investment in TCL Multimedia was below its carrying amount. This review resulted in the recognition of an impairment charge amounting to 30 million. This charge has been posted in the caption Share of profit (loss) from associates in the Group income statement.

(b) As of December 31, 2005, Thomson's management determined that a triggering event occurred because the market value of its investment in TCL Multimedia was below its carrying amount. Thomson's management has therefore assessed the recoverable amount of this investment.

As a result of the impairment test, Thomson recognised a 63 million impairment for the year ended December 31, 2005 on the carrying amount of its investment in TCL Multimedia.

14 INVESTMENTS AND FINANCIAL ASSETS AVAILABLE-FOR-SALE

(in millions)	Investments in:		
	Listed securities	Unlisted securities ⁽¹⁾	Total
December 31, 2005	235	106	341
Acquisitions	2	7	9
Disposals ⁽²⁾	(15)	(81)	(96)
Fair value adjustment ⁽³⁾	(33)	1	(32)
Foreign exchanges differences	(1)	(6)	(7)
June 30, 2006	188	27	215

(1) This caption includes minority positions in unquoted companies strategic to the Group, including at December 31, 2005, a preference share investment totalling 84 million at December 31, 2005 closing rate that has been subject to disposal in the first half 2006.

(2) Total cash received from these disposals amounts to 94 million.

(3) This caption includes fair value adjustments recorded directly in equity.

15 INVENTORIES

<i>(in millions)</i>	Six months ended June 30, 2006	Year ended December 31, 2005
Raw materials	132	129
Work in process	55	45
Finished goods and purchased goods for resale	280	209
Sub-total	467	383
Less: valuation allowance	(48)	(50)
Total	419	333

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The European Restriction of Hazardous Substances (RoHS) Directive places restrictions on lead and certain other substances contained in specified electronic products, including some of the Group products sold in the European Union after June 2006 (within the Systems division). The cost of compliance with this directive for some products mainly made by Grass Valley cannot be precisely determined before the member states issue their final implementation guidance and the Commission publishes its final ruling on some remaining requests for exemptions currently under review.

At June 30, 2006, manufacturers are awaiting decisions from the Commission to several Requests for Exemptions filed since February 2005 including notably the general category of Last Time Buy (LTB) components or specialized LTB assemblies. The Group anticipates a satisfactory resolution to the LTB issue. Failure to obtain these exemptions would mean additional cost of redesign for Grass Valley.

16 TRADE ACCOUNTS AND NOTES RECEIVABLES

<i>(in millions)</i>	Six months ended June 30, 2006	Year ended December 31, 2005
Trade accounts and notes receivable ⁽¹⁾	1,001	1,351
Less: valuation allowance	(32)	(36)
Total	969	1,315

(1) Including advances to suppliers. Sales deductions and price protection allowances are deducted from trade accounts and notes receivables gross for 159 million and 143 million as of June 30, 2006 and December 31, 2005, respectively.

In 2005, the Group put in place factoring programs. During the first semester 2006 and taking into account the evolution of the Group's customer base, the Group has extended this program in Europe and established a program in North America. Thomson sold receivables without recourse in 2006 for an amount of 159 million (7 million were sold without recourse in 2005) mainly across its continuing operations. These receivables have been derecognised as Thomson transferred all significant risks and rewards of the ownership of these receivables.

17 CASH AND CASH EQUIVALENTS

<i>(in millions)</i>	Six months ended June 30, 2006	Year ended December 31, 2005
Cash	336	376
Cash equivalents	811	620
Total	1,147	996
<i>Of which restricted cash deposits ⁽¹⁾</i>	66	66

(1) Deposits of 50 million at both June 30, 2006 and December 31, 2005 by TCE Television Taiwan guaranteeing loans to Thomson for the same amounts and at both June 30, 2006 and December 31, 2005 a 16 million deposit by Thomson Media Services France guaranteeing an external purchase commitment of certain minority shareholders for the same amount.

18 SHAREHOLDERS' EQUITY**(a) Common stock and additional paid-in capital**

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As of December 31, 2004, a number of 12,471,369 BASA at \$1 each were subscribed by shareholders. Each BASA gave the right to subscribe one Thomson share at \$16 from March 1, 2006 to June 30, 2006. During the conversion period from March 1 to June 30, 2006 a total number of 563,264 bonds were converted into new Thomson shares.

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The Board meeting of July 25, 2006 decided subsequently to increase the capital stock by 2,112,240 to 1,027,017,360 and additional paid in capital increased by 6,899,984.

The share capital will then comprise 273,871,296 shares with a nominal value of 3.75 each.

(b) Treasury shares

	Six months ended June 30, 2006	Year ended December 31, 2005
Treasury stock at cost ()	225,305,043	238,982,228
Number of Treasury shares held (*)	9,934,410	12,732,712
Movements of the period		
Treasury shares purchased		15,626,318
Treasury shares delivered	(3,604,099	) (2,352,544)
 (*) Reduced by the outstanding balance of treasury shares sold but not yet delivered (Inventel and Cirpack as described in Note 3 of our 2005 annual financial statements)	 (2,818,031	) (3,623,828)

(c) Subordinated perpetual notes

On September 26, 2005, Thomson issued deeply subordinated notes in a nominal amount of 500 million. Because of their perpetual and subordinated nature and the optional nature of the coupon, the notes are recorded under IFRS in shareholder's equity. The notes can be called at par on September 25, 2015 and at each interest payment date thereafter. The notes have an annual fixed coupon of 5.75% and a yield to the call date of 5.85%. If not called the interest payable starting September 25, 2015 is the 3 month EURIBOR deposit rate plus 3.625%.

The coupon adjustment clause after 10 years does not in itself imply any particular intention on the part of Thomson at that time.

(d) Dividends and distributions

The Shareholder's Meeting convened on May 12, 2006 approved a total dividend of 78 million which represents 0.30 per share. The dividend will be paid in the second half of 2006.

The payment of the proposed distribution eliminates the option to defer the interest on the subordinated perpetual notes referred to above. Of the interest thereby payable, 7.7 million is accounted as an additional distribution in respect of the 2005 financial period, 14.3 million for the first semester 2006 and 6.7 million as distribution for the period July 1, 2006 until September 25, 2006. The whole amount (28.7 million) is deducted from the equity as of June 2006 and presented as a liability.

(e) Net Equity Hedging Reserve

Gains and losses on hedging instruments accounted for as cash-flow hedges are recognised directly in equity. At January 1, 2005, 15 million was recognised; this amount was removed from equity during 2005 and included in profit and loss during the period as the hedged transactions

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occurred. At December 31, 2005, 4 million was recognised in equity and also removed from equity during the 1st half of 2006 and included in profit and loss. At June 30, 2006 8 million in gains on hedging instruments were recognised in equity.

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19 DERIVATIVE FINANCIAL INSTRUMENTS

The fair value of all derivative financial instruments is shown in the table below. Interest rate swap contracts are calculated by discounting the future cash flows. However, for complex swaps, the mark to market value calculated by the banks is used. The fair value of forward exchange contracts and currency swaps are computed by discounting the difference between the contract rate and the market forward rate and multiplying it by the nominal amount. The fair value of options is calculated using standard option pricing software and verified with the banks.

In September 2005, the International Accounting Standards Board (IASB) published a decision paper updating its interpretation of the treatment of foreign currency-denominated convertible bonds. This decision clarified that the treatment under IFRS converges with the analogous treatment under U.S. GAAP. This interpretation by the IASB was different from the interpretation applied by Thomson in its June 30, 2005 interim financial statements. The Group has therefore reconsidered the application of IAS 32 and IAS 39 to our dollar-denominated convertible bonds issued on September 16, 2004, and the Group has accordingly revised our convertible bonds presentation.

As a result, the Group restated our previously issued June 30, 2005 financial information relating to our consolidated statement of operations to reflect an additional non-cash financial income for derivative instruments embedded in our dollar-denominated convertible bonds issued on September 16, 2004 of 33 million pursuant to IAS 32 and IAS 39. Furthermore the Group cancelled the conversion option previously recognised as an equity component for 25 million and reduced the retained earnings at January 1, 2005 for 81 million to reflect the fair value changes of the derivative before that date. The impact on the equity as of January 1, 2005 (first time application of IAS 32 and IAS 39 for Thomson) was 106 million.

	June 30, 2006		December 31, 2005	
	Assets	Liabilities	Assets	Liabilities
<i>(in millions)</i>				
Interest-rate swaps not designated as hedges ⁽¹⁾		1	1	
Interest-rate swaps fair value hedges ⁽¹⁾	1	28		11
Equity options (Silver Lake bond conversion option)		28		46
Total non-current	1	57	1	57
Forward foreign exchange contracts- cash flow and fair value hedges	5	3	5	6
Forward foreign exchange contracts- not designated as hedges ⁽²⁾	2	2		4
Currency options			2	
Equity options			1	
Other options ⁽³⁾	2		1	
Total current	9	5	9	10
Total	10	62	10	67

(1) The notional principal amount of the outstanding interest rate swap contracts at June 30, 2006 was 1,143 million (December 31, 2005: 1,257 million) of which 848 million were long term contracts and 295 million were short term contracts (less than 3 months) concerning French commercial paper. At

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June 30, 2006, the fixed interest rates vary from 2.69% to 6.33% (at December 31, 2005, 2.12% to 6.11%) and the floating rates are based on EONIA, \$-LIBOR and £-LIBOR.

- (2) Hedges of debt and cash denominated in foreign currency; both the derivative and the debt/cash are marked to market and the foreign exchange gain or loss is taken in income.*
- (3) Option to purchase an equity participation in an unlisted company.*

Credit risk on these financial derivative assets arises from the possibility that counterparties may not be able to meet their financial obligations to Thomson. The maximum risk is the mark to market carrying values shown in the table above, that is, 10 million at both December 31, 2005 and June 30, 2006.

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20 BORROWINGS**20.1 Analysis by nature**

(in millions)	June 30, 2006	December 31, 2005
Debt due to financial institutions ⁽¹⁾	2,095	1,046
Convertible/exchangeable bond (October 2000) ⁽²⁾		677
Convertible/exchangeable bond (March 2002)	12	12
Convertible/exchangeable bond (September 2004)	355	382
Bank overdrafts	118	123
Other financial debt ⁽³⁾	69	81
Accrued interest	7	1
Total non-current	1,160	858
Total current	1,496	1,464
Total	2,656	2,322

(1) Includes \$450 million (354 million) in senior notes issued privately to institutional investors in May 2006. The notes have maturities of 3, 5, 7 and 10 years.

(2) Repaid at maturity on January 1, 2006.

(3) Includes minority interests having a put on Thomson which is reclassified to debt for an amount of 34 million as of June 30, 2006 and 36 million as of December 31, 2005.

20.2 Main features of the Group's borrowings

The table below presents the periods for which the interest rates of Thomson's interest rate sensitive borrowings are fixed. The amounts shown are those reflected in Thomson's interim consolidated financial statements and include principal and accrued interest at June 30, 2006.

(in millions)	Amounts at June 30, 2006 with interest rate fixed for the following periods			
	Less than 1 year	1 year to 5 years	Greater than 5 years	Total
Total borrowings	1,538	699	419	2,656
Effect of interest rate swaps (*)	533	(154)	(379)	0
Net	2,071	545	40	2,656

(*) Includes only the effect of interest rate swaps designated as hedges.

(a) Maturity

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<i>(in millions)</i>	June 30, 2006	December 31, 2005
Total current debt (less than one year)	1,496	1,464
Between 1 and 3 years	144	21
Between 3 and 5 years	613	515
Over 5 years	403	322
Total non-current debt	1,160	858
Total debt	2,656	2,322

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	<u>June 30, 2006</u>	<u>December 31, 2005</u>	
All borrowings (including impact of interest rate swaps):	4.29	% 4.89	%
Of which convertible bonds:	5.75	% 6.60	%

(c) Analysis of borrowing by currency

<i>(in millions)</i>	<u>June 30, 2006</u>	<u>December 31, 2005</u>
Euro	1,392	1,398
US Dollar	1,081	830
Other currencies	183	94
Total debt	2,656	2,322

(d) Undrawn credit lines

<i>(in millions)</i>	<u>June 30, 2006</u>	<u>December 31, 2005</u>
Committed, expiring in greater than one year	980	1,750
Uncommitted ⁽¹⁾	822	781

⁽¹⁾ The amount shown is the full credit line amount less borrowings; the uncommitted lines were also used at each year end for non-borrowing purposes (foreign exchange settlement risk, documentary credits, customs guarantees, etc.)

(e) Financial covenants

Two of Thomson's financing agreements have covenants pertaining to the Group's consolidated financial situation, the senior notes issued privately to institutional investors in a total amount of 722 million and a 40 million Mexican capital lease. These financings are subject to two financial covenants: (i) maintenance of a minimum ratio of profit from continuing operations and before tax, finance and restructuring costs to net interest expense of 3 to 1 and (ii) a maximum ratio of net debt to net worth of 1 to 1. Following renegotiation in June 2005, the Group's 1.75 billion credit facility is no longer subject to financial covenants.

As of June 30, 2006, Thomson is compliant with both of these covenants.

21 RESERVES FOR POST-EMPLOYMENT BENEFITS**21.1 Summary of the benefits**

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<i>(in millions)</i>	June 30, 2006	December 31, 2005
Pension benefit plan	439	494
Medical post-retirement benefits	399	445
Total reserves for post-employment benefits	838	939
<i>Of which non-current</i>	774	877
<i>Of which current</i>	64	62

Thomson recognised as a separate asset certain reimbursement rights in relation with its medical postretirement benefits plan in the United States. As of June 30, 2006 and December 31, 2005, the carrying value of this asset amounts to 61 million and 65 million, respectively and is posted in the caption other financial asset . The change over 2006 is due to change in exchange rate.

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	Pension plan benefits	Medical Postretirement benefits	Total benefits
(in millions)	June 2006		
Opening provision	494	445	939
Net Periodic Pension Cost	19	10	29
Cash usage	(27)	(8)	(35)
Change in perimeter ⁽¹⁾	3		3
Change in held for sale provision ⁽²⁾	(2)		(2)
Reclassification in held for sale ⁽²⁾	1		1
Actuarial (gains) losses recognised in SORIE ⁽³⁾	(44)	(19)	(63)
Other (including currency translation adjustment)	(5)	(29)	(34)
Closing provision	439	399	838

⁽¹⁾ Change in perimeter relates mainly to the acquisition of Canopus⁽²⁾ Refer to Note 10.⁽³⁾ Refer to the Statement Of Recognised Income and Expense (SORIE).**21.3 Elements of the income statement**

Total expense for pensions and other benefits for the six months ended June 30, 2006 and 2005 is detailed as follows:

	Pension benefits		Medical post- retirement benefits		Total benefits	
(in millions)	Six months ended		Six months ended		Six months ended	
	June 2006	June 2005	June 2006	June 2005	June 2006	June 2005
Service cost	11	12	1	2	12	14
Financial component of benefits (*)	12	15	10	9	22	24
Expected return on plan assets (*)	(4)	(5)			(4)	(5)
Amortization of prior service costs			(1)	(1)	(1)	(1)
Total Net Periodic Pension Cost	19	22	10	10	29	32

(*) of which 13 million net, are posted for the two periods presented in Profit from continuing operations (in financial result).
Financial component of benefits and expected return on assets are recognised through financial income.

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<i>(in millions)</i>	June 30, 2006
Provision at December 31, 2005	54
Current year expense ⁽¹⁾	42
Release of provision ⁽¹⁾	(7)
Usage during the period	(44)
Currency translation adjustment	(3)
Reclassification to Held for Sale	(2)
Change in Held for Sale provision	34
Other movements	(1)
Provision at June 30, 2006	73
<i>Of which current</i>	65
<i>Of which non-current</i>	8

⁽¹⁾ Restructuring costs, net of release have been posted as follow in the consolidated income statements:

<i>(in millions)</i>	June 30, 2006	June 30, 2005
<i>Income from Continuing Operations</i>		
<i>Selling general and administrative expenses and others ^(a)</i>	(31)	(20)
<i>Income from discontinued operations</i>	(4)	(39)
Total restructuring costs	(35)	(59)

^(a) *Of which:*

<i>(in millions)</i>	June 30, 2006	June 30, 2005
<i>Termination costs</i>	(31)	(19)
<i>Write off of assets</i>		(1)
Total restructuring expenses	(31)	(20)

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<i>(in millions)</i>	Warranty	Others ⁽¹⁾	Total ⁽²⁾
As of December 31, 2005	38	224	262
Current period additional provision	34	14	48
Release of provision	(4	) (16	) (20
Usage during the period	(35	) (112	) (147
Currency translation adjustments and other	1	1	2
As of June 30, 2006	34	111	145

(1) For the six months ended June 30, 2006, others reserves cash usage is mainly related to the commitment given by Thomson to recapitalize, one year after the sale, the Anagni Tubes plant sold in February 2005.

(2) Split of Total provisions between non-current and current:

- as of December 31, 2005, 185 million classified as non-current and 77 million as current,
- as of June 30, 2006, 76 million classified as non-current and 69 million as current.

23 SHARE BASED PAYMENTS**Significant assumptions used**

The estimated fair values of the options granted were calculated using the Black-Scholes option pricing model.

The inputs into the model were the same as those used as of December 31, 2005 except for Cirpack's plan. This plan requires remeasurement at each balance sheet date because it can be cash settled. Therefore its updated fair value as of June 30, 2006 amounts to 0.1 (compared to 0.7 as of December 31, 2005) and the change in fair value (-0.6 per option) is recognised as compensation gain with counterpart in liabilities.

Movements of the period

No new plan has been implemented during the first semester 2006.

Regarding the retention plan of Cirpack, 50% of the options were vested on April 20, 2006 and none were exercised before May 20, 2006. These 1,012,337 options are therefore cancelled as of June 30, 2006.

Compensation expenses charged to income during the period

<i>(in millions)</i>	Six months ended June 30, 2006 (*)	Six months ended June 30, 2005
Employees subscription options plans	(4	) (3
Retention Plans (**)	(2	) (3
TOTAL	(6	) (6

(*) *The counterpart of this expense has been credited for 7 million to equity and for (1) million to liability as of June 30, 2006.*

(**) *Including a gain of 1 million due to the change in fair value of Cirpack's plan (cf. above).*

24 PAYABLES ON ACQUISITION OF COMPANIES

As of December 31, 2005, Thomson had a debt toward Thales regarding the acquisition of Thales Broadcast & Multimedia (TBM) on December 2005 for a gross amount of 138 million.

During the first semester 2006, this amount due to Thales has been paid and therefore the Group has no debt related to acquisition of companies as of June 30, 2006.

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The calculation of the diluted earnings per share attributable to the ordinary equity holders of the parent presented is as follows:

	Six months ended June 30, 2006	Six months ended June 30, 2005
Numerator:		
Adjusted profit from continuing operations attributable to ordinary shareholders (in millions) (1)	(17	) 29
Denominator (weighted shares in thousands)	286,510	297,383
<i>Of which</i>		
BASA s		2,525
Silverlake convertible (September 2004)	23,420	23,084
Cirpack and Inventel options (weighted)	2,738	450
Other stock options	203	1,306

(1) Profit from continuing operations is adjusted by the following items:

(in millions)	Six months ended June 30, 2006	Six months ended June 30, 2005
Profit from continuing activities	3	58
Profit from continuing activities attributable to ordinary shareholders	3	58
Potential interest payable on subordinated notes (net of tax)	(9)
Profit from continuing activities attributable to ordinary shareholders for basic earnings per share	(6	) 58
Cancellation of the fair value gain on the derivative element of the Silver Lake convertible bond and of the interests expensed in the period	(11	) (28
Cancellation of the gain on the change in value of the call granted to TCL as part of the deal regarding the creation of TTE		(1
Adjusted profit from continuing activities attributable to ordinary shareholders for diluted earnings per share	(17	) 29

[Back to Contents](#)**Thomson Group****NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS****(Continued)***All amounts indicated in the tables are expressed in millions of euro, unless otherwise stated***26 ACQUISITION OF SUBSIDIARIES, ASSOCIATES AND INVESTMENTS**

<i>(in millions)</i>	Six months ended June 30, 2006	Six months ended June 30, 2005
Inventel		(82)
Cirpack		(40)
ContentGuard		(20)
The Moving Picture Company		(11)
Nextamp	(2)	(7)
Other	(8)	(18)
Technicolor		(77)
Convergent	(31)	
Canopus	(75)	
Thalès Broadcast Multimedia	(133)	
Acquisition of investments	(249)	(255)
Less cash position of companies acquired	17	11
Acquisition of investments, net	(232)	(244)

27 CONTRACTUAL OBLIGATIONS AND COMMERCIAL COMMITMENTS

The two tables presented below provide information regarding contractual obligations and commercial commitments for the six months ended June 30, 2006 for which the company is obliged to make future cash payments. These tables include firm commitments that would result in unconditional or contingent future payments, but exclude all options since the latter are not considered as firm commitments or obligations. When an obligation leading to future payments can be cancelled through a penalty payment, the future payments included in the tables are those that management has determined most likely to occur given the two alternatives. No material commitment is omitted in this note, in accordance with IFRS.

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Guarantees given by entities of the Group securing debt, capital leases, finance leases or any other obligations or commitments of other entities of the Group are not disclosed as the related obligations are already included in the two tables below.

Contractual obligations	Amount of commitments expiring per period			
	December 31, 2005	June 30, 2006	Less than	More than
(in millions)	Total	Total	1 year	1 year
Financial debt ⁽¹⁾	2,322	2,656	1,496	1,160
Of which capital finance liability ⁽²⁾	70	60	9	51
Payables on acquisition and disposal of companies ⁽¹⁾	312	77	77	
Unconditional future payments				
Operating leases ⁽²⁾	438	510	75	435
Other ⁽³⁾	142	114	80	34
Unconditional purchase obligations				
Financial investments	32	1	1	
Property, plant and equipment	1	2	2	
Contingent future payments				
Guarantees given ⁽⁴⁾	167	131	2	129
Other conditional obligations ⁽⁵⁾	200	141	75	66

(1) Financial debt and payables on acquisition and disposal of companies are reported for their principal amounts and accrued interest. Future interest expense and the impact of interest rate swaps are not reported in this table. Currency swaps, hedging operations and foreign exchange options are described below in a separate table.

(2) Operating and finance leases are described below in this Note.

(3) Other unconditional future payments relate to information technology service agreements, general sponsoring agreements entered into in the US, guarantees given for assets disposal, and other contractual advances.

(4) Guarantees given for disposal of assets.

(5) Conditional obligations include contingent earn out payments related to the purchase of 20% of Technicolor Digital Cinema L.L.C. and other obligations. In 2005, Thomson granted to banks of Videocon a guarantee for an amount of 55 million, and reciprocally the Group received from Videocon a guarantee for the same amount (55 million).

Commercial commitments	Amount of commitments expiring per period			
	December 31, 2005	June 30, 2006	Less than	More than
(in millions)	Total	Total	1 year	1 year

Unconditional future payments				
Royalties ⁽¹⁾	1	1	1	
Commercial purchase obligations ⁽²⁾	129	144	88	56
Contingent future payments				
Guarantees given:				
- to suppliers	24	17	14	3
- for legal court proceedings and custom duties ⁽³⁾	62	55	24	31
- other ⁽⁴⁾	39	32	26	6
Total	125	104	64	40
Standby letters of credit ⁽⁵⁾	79	92	92	
Other commercial commitments	8	8	2	6

(1) Royalties to be paid for which future amounts are fixed. Royalties to be paid for which the amount is based on a per unit basis are not included, except if a fixed minimum amount will be charged. These are mainly related to licensing fee agreements.

(2) Include commitments to buy advertising space for 66 million in its cinema sale house activity as of June 30, 2006.

(3) As of June 30, 2006 these guarantees comprise:

- Guarantees for customs duties amount to 38 million and comprise mainly duty deferment guarantees, required by the customs administration to benefit from a derogatory customs regime. Imported goods are normally taxed when they enter

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the territory. In the case of regular import flows, customs may grant a derogatory regime, under which a cumulated duty payment is made after a determined one-month credit period. The carrying value of this guarantee is to cover the duties to be paid during the credit period.

- *The Group also grants to customs administrations various operation guarantees to exempt from duties goods transiting through custom warehouses for re-exportation, and transit guarantees in order that taxes are paid on goods only at their final destination in the import country. The maturity of these bank guarantees match the one-month renewable term of the agreements.*
- *Guarantees given for legal court proceedings amount to 17 million, including a 8 million bank guarantee that Thomson gave to the Italian direct tax office in order to be allowed to pay by instalment its tax debt resulting from the reassessment of its taxable income from 1993 to 1998.*
- (4) *Under the terms of many of its long-term contracts, the Group must provide to its clients performance guarantees issued by banks. For the six months period ended June 30, 2006 and for the year ended December 31, 2005 these guarantees amount to 27 million, and 34 million respectively, mainly related to its broadcast activities.*
- (5) *Standby letters of credit relate mainly to guarantees in favor of suppliers.*

Commitments related to financial instruments held by the Group generate both future cash payments and receipts. Therefore they have not been disclosed in the two tables above. These commitments are disclosed in the following table as follows:

- Forward exchange contracts, swaps and options and metal hedging contracts: for their related cash inflow and outflow amounts.
- Interest rate swaps: for the underlying nominal debt amounts.

(in millions)	December	
	June 30, 2006	31, 2005
Currency swaps	561	1,544
Forward exchange contracts	1,006	665
Interest rate swaps	1,142	1,257
Metals hedging contracts	1	
Foreign exchange options		74
Total commitments given	2,710	3,540
Currency swaps	561	1,536
Forward exchange contracts	1,006	667
Interest rate swaps	1,142	1,257
Metals hedging contracts	1	
Foreign exchange options		75
Total commitments received	2,710	3,535

Guarantees and commitments received amount to 58 million and 61 million as of June 30, 2006 and as of December 31, 2005, respectively.

Operating and finance leases

(in millions) June 30, 2006

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		December 31, 2005
Future lease payments commitments given <i>(1)</i>	570	508
Future lease payments commitments received <i>(2)</i>	(34)	(27)
Net value of future lease commitments	536	481

(1) Includes operating and finance lease commitments. The increase is mainly explained by some lease contracts renewals in the US.

(2) Includes mainly operating lease payments from customers of our Network Services activities within the Services division.

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28 CONTINGENCIES

In the normal course of the business, the Group is involved in legal proceedings and is subject to tax, customs and administrative regulation. The Group's general policy is to accrue a reserve when a risk of an obligation to a third-party is identified, the outcome of which may result in a potential liability that can be reasonably estimated.

Thomson multimedia Sales Italy tax litigation

On May 24, 2006, the Guardia di Finanza concluded a global tax verification on Thomson multimedia Sales Italy related to 2003 and issued minutes challenging (1) some deductions, (2) the tax benefits of a legal entities reorganization (3) the recovery of VAT on sales commissions and (4) for the period 2003-2005, Thomson multimedia Sales Europe (a French entity) by claiming it has a permanent establishment in Italy. Thomson is convinced of its substantially regular and correct postings and procedures and is waiting for the possible final assessments.

Brazilian tax litigation

Brazilian Tax Authorities have assessed Thomson Tubes Components (Belo Horizonte) LTDA for the non payment of the Social Contribution on Profit (CSSL) for a total amount of 29.3 M Reais (around 10 million) from 1994 to 2003, despite the fact that, in 1991 and 1997, a Court gave the right to Thomson not to pay CSSL as the CSSL violated the Federal Constitution. Thomson believes it has correctly applied the Brazilian tax law and strongly disputes the grounds of this assessment.

Superguide Corporation

In June 2000, Superguide Corporation filed suit in the U.S. District Court for the Western District of North Carolina against DIRECTV Enterprises, Inc. et al., Thomson, Inc. and Echostar Communications Corporation et al. alleging infringement with respect to three patents relating to program guide data retrieval, display, and program recordation. Gemstar Development Corporation was added as a defendant in March 2001. In July 2002, the U.S. District Court for the Western District of North Carolina granted summary judgment in favor of Thomson, DIRECTV and Echostar, finding that none of the three patents owned by Superguide Corporation were infringed. Superguide Corporation and its licensee, Gemstar Development Corporation, appealed the District Court's decision with the U.S. Federal Circuit Court of Appeals. On February 12, 2004 the Court of Appeals issued a decision affirming in part and reversing in part the District Court's claim construction of the patents in issue. As a result, the Court of Appeals vacated the summary judgment ruling of the District Court and remanded the case to the District Court for further proceedings. Subsequently, in August 2005 the District Court again entered judgment in favor of Thomson on two of the three patents in suit. Thomson has also filed a summary judgment motion asserting that the existence of a sublicense between Thomson and Gemstar provides Thomson the applicable rights to the remaining asserted Superguide patent. Gemstar joined Thomson in this filing. The parties await the District Court's summary judgment ruling.

Anti-dumping on televisions manufactured by Thomson's Thailand unit

Customs authorities in eight European countries are assessing imports into the European Union by Thomson subsidiaries of television manufactured by Thomson in Thailand. These proceedings related to different periods according to the different rules in each country, beginning at the earliest in 1997 and ending at the latest in August 2002. In accordance with the relevant procedures, Thomson received in May 2004, January and February 2005 various re-assessment notices relating to antidumping duties, excluding interest and any penalties applicable, in the United Kingdom, Germany, France, Italy, Spain, Denmark, Greece and Sweden in an aggregate amount of around 16.1 million. On March 24, 2005, the Provincial Tax Court of Milan (Italy) rendered a decision and maintained the assessment; Thomson will appeal. The French Customs Authority accepted to submit in August 2005 to the European Commission Thomson's duty refund claim based on Article 239. This claim is not an admission of liability. In May 2006, Italian customs have announced that they would also accept to submit a similar request to the EU Commission. Thomson believes that it has correctly declared and paid duty on the imported televisions concerned and accordingly strongly

disputes the grounds of these re-assessments.

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Taoyuan County Form RCA Employees Solicitude Association (the Association)

In April 2004, the Association filed a purported class action under Article 41 of the Taiwan Code of Civil Procedure in the Taipei District Court, Taiwan, Republic of China against TCE Television Taiwan Ltd. and General Electric International, Inc. The complaint alleges that the defendants failed to provide employees with necessary instruction on how to protect themselves and failed to take measures to store or dispose of chemicals used in the operation of the Taoyuan electronics plant. The Association claims damages in the amount of TWD 2.4 billion (58.4 million at June 30, 2006 closing rate) to compensate the members of the Association for the alleged higher-than-normal incidents of cancer and disease suffered by the former plant employees who worked at the facility during the period 1970-1992. On March 18, 2005, the Association's complaint was dismissed by the Taipei District Court based on the Association's failure to comply with certain procedural aspects of Taiwan's class action statutes. In October, 2005, the Association appealed the dismissal, which was upheld by the Taiwan Supreme Court in December 2005. The case has been remanded to the Taipei District Court for further proceedings as to procedural compliance by the Association. On May 12, 2006 Thomson filed its first Defense Statement again attacking the Plaintiffs' failure to comply with the procedural requirements.

Parental Guide of Texas

In December 2000, Parental Guide of Texas, Inc. filed suit against Thomson Inc. and numerous other consumer electronics manufacturers in the U.S. District Court for the Eastern District of Texas, Marshall Division, alleging infringement of a patent which relates to inhibiting the intelligible output of possibly undesirable sound and visual events of a television program. In October 2002, Thomson Inc. entered into a Release and License Agreement with Parental Guide of Texas Inc. whereby the Company agreed to license Parental Guide's V-Chip patents. The amount to be paid by Thomson was contingent upon the amount, if any, of the litigation royalty established by Parental Guide in the lawsuit. Thomson Inc. contended that all of the other defendants settled prior to trial and that it did not owe Parental Guide any further license payments. On February 7, 2003, Parental Guide filed suit in the U.S. District Court for the Eastern District of Texas alleging that Thomson Inc. was in breach of the Release and License Agreement. In March 2004, Parental Guide and Thomson Inc. each filed summary judgment motions contending respectively that as a matter of law it should prevail in the lawsuit. On January 20, 2005, the Court issued an Order and Final Judgment in favor of Thomson Inc. Parental Guide appealed the District Court's decision to the U.S. Federal Circuit Court of Appeals. On April 21, 2006, The Federal Circuit Court of Appeals issued a decision affirming the Trial Court's grant of summary judgment. The matter is now final.

Pegasus Development Corporation and Personalized Media Communications, L.L.C.

In December 2000, Pegasus Development Corporation and Personalized Media Communications, L.L.C. filed suit in the U.S. District Court for the District of Delaware against Thomson, Inc., DIRECTV, Inc., Hughes Electronics Corporation, and Philips Electronics North America Corporation alleging infringement with respect to seven patents relating to digital satellite signal processing. In November 2001, StarSight Telecast, Inc., TVG-PMC, Inc., and Gemstar-TV Guide International, Inc. (Gemstar) were added as third-party defendants and filed a counterclaim.

Subsequently, Thomson, Inc. filed a Revised Second Amended Counterclaim and Amended Third-Party Complaint claiming violation of antitrust laws and unfair competition. Upon Thomson, Inc.'s motion, the antitrust and unfair competition claims were transferred to the U.S. District Court for the Northern District of Georgia by the Judicial Panel on Multi-District Litigation for inclusion in the coordinated or consolidated MDL-1274 pretrial proceedings occurring there involving Gemstar, Scientific Atlanta Inc. Pioneer Corp., EchoStar Communications Corp., and other parties. In June 2003, as part of a new commercial arrangement with Gemstar, the Company dismissed with prejudice its antitrust and unfair competition claims against Gemstar and Gemstar agreed to provide the Company with a limited indemnity with respect to the PMC patent litigation. In March 2004, the U.S. District Court for the Northern District of Georgia remanded the antitrust and unfair competition claims back to the U.S. District Court for the District of Delaware, where pursuant to an order of the U.S. District Court for the District of Delaware in May 2003, the case is subject to an indefinite stay pending the re-examination of the patents at issue by the U.S. Patent and Trademark Office (USPTO).

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The USPTO has now issued initial office actions on all seven patents rejecting all claims asserted in the litigation as unpatentable. Pegasus/PMC has initiated appeals on two of the office actions with the Board of Patent Appeals and Interferences (BPAI), and is expected to appeal similarly the remaining rulings. If the BPAI rejects the appeals, Pegasus/PMC has the right to appeal to the U.S. Federal Circuit Court of Appeals.

UGC Arbitration

Screenvision Holdings (Europe) Limited (Screenvision), a joint venture between Thomson and Carlton Communications Ltd, in which the Thomson group holds 50%, has filed an arbitration claim at the ICC Court in May 2003 against UGC S.A., RMB International S.A. (RMB) and Regie Media Belge S.A. The claim was filed on the basis that UGC and RMB failed to comply with certain obligations under the agreement for the sale of a 51% stake in an Italian cinema advertising business to Screenvision. The claim amounts to 25 million. The ICC Court's award was delivered on August 19, 2005. The Court acknowledges that UGC and RMB failed to manage properly their Italian subsidiary (RMB Italia SpA) and failed to cause RMB Italia SpA's management to cooperate with Screenvision. However the ICC Court judges an absence of causal link between UGC/RMB failures and the losses incurred by Screenvision. Screenvision has lost on most of its principal claims and did not obtain any damages. Screenvision decided not to appeal.

Metabyte, Inc., et al. v. Canal Plus Technologies, S.A.

In 2001, Metabyte, Inc. and Vivek Mehta (the plaintiffs) and Canal Plus Technologies, S.A. entered into several agreements which ultimately gave Canal Plus Technologies control over Metabyte Networks, Inc. (MNI), a company owned by plaintiffs. One of the agreements was a Put Option Agreement (POA) whereby the common shareholders of MNI could require Canal Plus Technologies to purchase their shares in three Tranches. The POA specifically provided that it would only be exercisable in the event that MNI first met certain technical and financial milestones which were to be set by MNI's board and Canal Plus Technologies. No milestones were ever set. In 2002, Canal Plus Technologies rejected plaintiffs' attempt to exercise the put option. Plaintiffs filed suit against Canal Plus Technologies in October 2002 in U.S. District Court for the Northern District of California alleging breach of contract and breach of the covenant of good faith and fair dealing. In early 2003, Thomson acquired Canal Plus Technologies from Groupe Canal Plus with some guarantees related to this case. The matter proceeded to trial in June 2005, resulting in a verdict in favor of Canal Plus Technologies. Plaintiffs have initiated an appeal of the unfavourable jury verdict with the Ninth Circuit Court of Appeals.

IP Innovation and Technology Licensing Corp.

On June 20, 2003, Technology Licensing Corp. (TLC) filed a lawsuit in the U.S. District Court for the Eastern District of California alleging that certain Grass Valley Group products infringe four of TLC's U.S. patents. Thereafter, TLC placed two of the patents into re-examination before the United States Patent and Trademark Office. As a result, this lawsuit has been stayed as to those patents pending a ruling on re-exam. In June and July 2005, the District Court granted summary judgment in favour of Thomson on the remaining two patents. TLC appealed that ruling to the U.S. Federal Circuit Court of Appeals. On April 20, 2006, the parties reached an agreement in principal settling all issues pertaining to the Appeal. The case remains pending with respect to the remaining two patents in suit.

Thomson, Inc. v. Praxair

After closure of the Circleville, Ohio glass manufacturing facility in March 2004, Thomson Inc. received a letter, dated March 25, 2004, from Praxair, Inc., owner and operator of an onsite oxygen manufacturing plant constructed on the Circleville facility property in 1996, demanding assurances that Thomson's performance would be maintained for the remaining seven years of the contract. Although the Circleville facility no longer used oxygen, Praxair argued that the contract provided for the continuance of certain minimum payments and services, which over the remaining life of the contract could exceed \$14 million (11 million at June 30, 2006 exchange rate) (Praxair estimated the net present value at \$9.85 million (equivalent to 7.74 million at June 30, 2006 exchange rate)). On July 30, 2004, Thomson filed suit against Praxair in Cleveland, Ohio seeking a declaration from the Court

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that its remaining obligations under the contract, if any, are terminated. Praxair responded by filing a Counterclaim seeking a declaration that the contract continues to be valid and enforceable and seeking an award of damages to be proven at trial. In May 2005, the venue of the case was transferred to Circleville, Ohio on motion of Praxair.

On March 15, 2006 the Trial Court issued a ruling granting summary judgment dismissing Thomson's claims and finding Thomson liable for breach of the contract. The Court set a June 7, 2006 date for trial on the sole issue of the amount of damages, if any, Thomson owed Praxair under the contract. On June 9, 2006 a Circleville jury issued a verdict awarding Praxair \$3,652,885 (equivalent to 2,871,878 at June 30, 2006 exchange rate). On July 5, 2006 Praxair filed a Motion for Judgment notwithstanding the verdict, new trial, or additur with the Trial Court. That motion remains pending.

Compression Labs, Inc. v. Adobe Systems, et al.

In April 2004, Compression Labs (CLI) filed suit against Thomson, Inc. and 27 other companies in the U.S. District Court for the Eastern District of Texas, Marshall Division, alleging infringement of U.S. patent 4,698,672 which relates to a method and apparatus for processing signals used in video compression systems including the JPEG standard. Compression systems are typically utilized in products such as digital cameras, cellular phones, printers and scanners. The Federal Trade Commission (FTC) has undertaken a non-public antitrust investigation of CLI and its parent, Forgent Corporation, to determine whether CLI violated the FTC Act by reason of CLI's involvement in the JPEG standard-setting process. Thomson is defending itself alone and in conjunction within a joint defense group of other defendants. In February 2005, the suit was transferred to a multidistrict proceeding in the U.S. District Court for the Northern District of California. In June 2006, the Trial Court issued a claim construction ruling interpreting certain key terms of the patents in a fashion favourable to the defendants. Summary Judgment motions or an immediate appeal of the claim construction ruling will follow.

STV Asia, LTD v. PRN

On March 2, 2006 STV Asia, LTD (STV) filed suit in the U.S. District Court for the Northern District of California against Premier Retail Networks (PRN), Thomson subsidiary acquired from its broad group of shareholders on August 2005, alleging that PRN's in store media network infringes two U.S. patents allegedly owned by STV. Initial discovery is underway in the matter.

Environmental matters

A certain number of Thomson's current and previously-owned manufacturing sites have an extended history of industrial use. Soil and groundwater contamination, which occurred at some sites, may occur or be discovered at other sites in the future. Industrial emissions at sites that Thomson has built or acquired expose the Group to remediation costs. The Group has identified certain sites at which chemical contamination has required or will require remedial measures.

Soil and groundwater contamination was detected near a former production facility in Taoyuan, Taiwan acquired from General Electric and owned by Thomson from 1987 to 1992. Production activities at this site ceased after being sold by the Group. Thomson is currently working with the local Taoyuan Environmental Protection Agency to undertake a potential remediation of groundwater contamination. In accordance with an agreement for the acquisition of General Electric Company's consumer electronics business in 1987, General Electric Company has assumed or indemnified Thomson with respect to certain liabilities resulting from this issue, and should assume or indemnify the Group with respect to certain liabilities that could arise from the period prior to Thomson's acquisition of the property.

The Group believes that the amounts reserved and the contractual guaranties provided by its contracts for the acquisition of certain production assets will enable it to reasonably cover its safety, health and environmental obligations. Potential problems cannot be predicted with certainty, however, and it cannot be assumed that these reserve amounts will be precisely adequate. In addition, future developments such as changes in governments or in safety and health laws or the discovery of new risks could result in increased costs and liabilities that could have a material effect on the Group's financial condition or results of operations. Based on current information and the provisions established for the uncertainties described above, the Group does not believe it is not exposed to any material adverse effects on its business, financial condition or result of operations arising from its environmental, health and safety obligations and related risks.

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29 RELATED PARTY TRANSACTIONS

TCL Multimedia Technology Holdings Ltd (TCL)

In the ordinary course of business, Thomson provides various services to TCL. These services comprise in particular televisions manufactured on a sub-contractual basis by Thomson's Angers facility, licenses of certain Thomson patents and trademarks, and certain other services. For the six months ended June 30, 2006 such sales amount to 46 million. As of June 30, 2006 receivables due from TCL to Thomson amount to 44 million.

In addition, Thomson and TCL entered into a 24 months Receivable Purchase and Sale Agreement by which Thomson purchases certain TCL's receivables and collects those receivables. With this regards, as of June 30, 2006 Thomson has loans outstanding of 50 million from TCL and recognised an amount of 1 million as financial income over the six months period closing as of June 30, 2006.

France Telecom and its subsidiaries (FT)

In the normal course of its business and based on market conditions Thomson made the following transactions with FT:

- Thomson is a supplier of Triple Play and ADSL set top boxes and other telephone products to FT. For the six months period ended June 30, 2006, such sales amount to 108 million. At June 30, 2006, amounts due from FT to Thomson amount to 34 million.
- In December 2000, Thomson entered into a telecommunications outsourcing agreement with FT (Equant), pursuant to which FT will provide all of the Group's telecommunications requirements, including voice, data and videoconferencing. The agreement is known as Thomson Infrastructure Network Operations Services (TINOS). On November 7, 2002, with effect as of September 1, 2002, Thomson and FT amended the TINOS agreement in order to include within its scope all of the Group's recent acquisitions. There were no significant developments for the period ended June 30, 2006.

Microsoft Corporation and its subsidiaries (Microsoft)

Thomson sells products and services to Microsoft, including, duplication and distribution services and promotional services and royalties. These sales amount to 46 million for the six months period ended June 30, 2006.

At June 30, 2006, Thomson has accounts receivables from Microsoft amounting to 9 million.

Silver Lake Partners (SLP)

On September 16, 2004, Thomson issued convertible/exchangeable subordinated bonds to Silver Lake Partner LLC.

As of June 30, 2006, Thomson has a financial debt toward SLP amounting to 393 million (USD 500 million).

In application of IAS 39, the above mentioned financial debt has been recognised in the interim consolidated balance sheet for an amount of 354 million as of June 30, 2006. In addition, a derivative financial instrument has been recognised in the interim consolidated balance sheet as a financial liability and amounts to 28 million as of June 30, 2006. Change in fair value of the derivative instrument is charged to financial result of the Group and amounts to 16 million for the six months period ended June 30, 2006.

For the six months ended June 30, 2006, Thomson recognised net interest expenses and certain other expenses in an amount of 8 million toward SLP in the interim consolidated statement of operations.

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30 SUBSEQUENT EVENTS

On July 3, 2006 Thomson acquired for 17 million the 49% minority interest of VCF Thématiques. This acquisition follows an initial transaction made in October 2005 by Thomson with the acquisition of 51% of the capital. The initial investment took the form of a capital increase by 17 million. The company is fully consolidated from October 27, 2005 and the optional amount due to the minority shareholder was recorded as a debt at an estimated amount of 17 million as of June 30, 2006.

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SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: October 12, 2006

By: **/s/ Julian Waldron**

Name: Julian Waldron

Title: Senior Executive Vice President, Chief Financial Officer
