INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Financial statements of Thomson and its consolidated subsidiaries

CONSOLIDATED INCOME STATEMENTS

	Note	Year ended December 31, 2000 *(a)*	2001 *(a)*	2002
			(€ in millions)	
Net sales	(3)	8,995	10,391	10,187
Cost of sales		(6,915)	(8,116)	(7,761)
Gross margin		**2,080**	**2,275**	**2,426**
Selling, general and administrative expense		(1,183)	(1,271)	(1,334)
Research and development expense	(4)	(351)	(368)	(374)
Operating income		**546**	**636**	**718**
Interest income (expense), net		(10)	(29)	9
Other financial expense, net		(67)	(160)	(137)
Financial expense	(5)	**(77)**	**(189)**	**(128)**
Equity investments	(10)	(3)	(3)	-
Amortization of goodwill		(8)	(49)	(78)
Other income (expense), net	(6)	(81)	8	(96)
Employee profit sharing *(b)*		(2)	-	-
Income tax	(7)	1	(139)	(56)
Net income before minority interests		**376**	**264**	**360**
Minority interests		18	22	13
Net income		**394**	**286**	**373**

(a) Restated: The Company has elected to apply for the full year 2002 EITF 01-09 ("accounting for consideration given by a vendor to a customer") and has therefore restated prior periods accordingly (note 1).

(b) For the years 2001 and 2002, employee profit sharing is included in operating result. Year 2000 has not been restated.

	Year ended December 31, 2000	2001	2002
		(in euro except number of shares)	
Weighted average number of shares outstanding-basic net of treasury stock *(1)*	*252,039,992*	*274,181,607*	*277,240,438*
Basic net income per share	**1.56**	**1.04**	**1.35**
Diluted net income per share *(2)*	**1.56**	**1.04**	**1.29**

(1) In 2001, including the average number of bonds redeemable in shares (ORA) issued in March 2001 to Carlton.
(2) Note 17.

CONSOLIDATED BALANCE SHEETS

	Note	December 31, 2000	2001	2002
			(€ in millions)	
ASSETS:				
Fixed assets:				
Intangible assets, net	(9)	**196**	**1,696**	**2,183**
Property, plant and equipment		3,280	3,754	3,800
Less: accumulated depreciation		(2,158)	(2,218)	(2,178)
Property, plant and equipment, net	(9)	**1,122**	**1,536**	**1,622**
Equity investments	(10)	16	15	4
Other investments	(11)	282	337	58
Loans and other non-current assets		16	65	156
Total investments and other non-current assets		**314**	**417**	**218**
Total fixed assets		**1,632**	**3,649**	**4,023**
Current assets:				
Inventories	(12)	1,477	1,120	962
Trade accounts and notes receivable, net	(13)	1,553	2,139	1,675
Current accounts with affiliated companies (except TSA)		21	43	71
Other receivables	(14)	846	1,059	1,278
Contracts advances, net	(15)	-	248	242
Cash and cash equivalents	(16)	1,772	1,532	1,463
Total current assets		**5,669**	**6,141**	**5,691**
Total assets		**7,301**	**9,790**	**9,714**

CONSOLIDATED BALANCE SHEETS

	Note	2000	2001	2002
		December 31,		
			(€ in millions)	
LIABILITIES, SHAREHOLDERS' EQUITY AND MINORITY INTERESTS				
Shareholders' equity:	(17)			
Common stock *(280,613,508 shares of € 3.75 each at December 31, 2002; 265,113,508 shares of € 3.75 each at December 31, 2001 and 2000)*		994	994	1,052
Additional paid in capital		1,235	1,235	1,938
Retained earnings		788	1,074	1,447
Redeemable bonds		-	761	-
Cumulative translation adjustment		(42)	46	(339)
Treasury shares		(119)	(156)	(155)
Revaluation reserve		4	4	4
Shareholders' equity		**2,860**	**3,958**	**3,947**
Minority interests		54	71	38
Reserves:				
Reserves for retirement benefits	(18)	633	709	705
Restructuring reserves	(19)	179	183	127
Other reserves	(20)	277	246	216
Total reserves		**1,089**	**1,138**	**1,048**
Financial debt:	(21)			
Financial debt with third parties		1,131	1,128	1,694
Financial debt with TSA group		12	3	-
Total financial debt		**1,143**	**1,131**	**1,694**
(of which short-term portion)		298	*293*	*262*
Current liabilities:				
Trade accounts and notes payable		1,114	1,378	1,235
Accrued employee expenses		201	310	223
Other creditors and accrued liabilities	(22)	840	1,099	1,070
Debt related to Technicolor acquisition	(23)	-	705	459
Total current liabilities		**2,155**	**3,492**	**2,987**
Total liabilities, shareholders' equity and minority interests		**7,301**	**9,790**	**9,714**

- Off-balance sheet commitments (25)
- Contingencies (28)

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31		
	2000	**2001**	**2002**
	(€ in millions)		
Operating Income	546	636	718
Adjustments to reconcile operating income to cash from operating activities			
Depreciation of property, plant and equipment	292	331	358
Amortization of intangible assets	31	37	38
Amortization of contracts and changes in reserves reflected in operating income *(1)*	6	(11)	45
Decrease (increase) in inventories net	(311)	494	155
Decrease (increase) in trade and other receivables, net	(68)	(45)	401
Increase (decrease) in trade accounts, notes payable and accrued expenses	165	60	(139)
Change in other current assets and current liabilities *(2)*	(45)	(209)	(115)
Restructuring cash expenses	(75)	(139)	(175)
Others	(131)	(149)	(182)
Net cash provided by operating activities –I-	**410**	**1,005**	**1,104**
Capital expenditures	(442)	(499)	(608)
Proceeds from disposal of fixed assets	166	163	16
Acquisition of investments *(note 24)*	(158)	(1,022)	(1,273)
Proceeds from disposals of investments	36	185	149
Net cash used by investing activities –II-	**(398)**	**(1,173)**	**(1,716)**
Net cash from operations –I+II-	**12**	**(168)**	**(612)**
Capital increase and minority interests *(3)*	734	(15)	-
Increase in short-term debt	211	449	218
Repayment of short-term debt	(337)	(446)	(248)
Increase in long-term debt *(note 21)*	802	6	607
Repayment of long-term debt	(1)	(25)	(37)
Change in debt to TSA companies	4	(3)	-
Net cash (used) provided by financing activities –III-	**1,413**	**(34)**	**540**
Effect of exchange rates and changes in reporting entities –IV-	(55)	(38)	3
Net increase (decrease) in cash and cash equivalents –I+II+III+IV-	**1,370**	**(240)**	**(69)**
Cash and cash equivalents at the beginning of the period	402	1,772	1,532
Cash and cash equivalents at the end of the period	**1,772**	**1,532**	**1,463**

(1) *Amortization of contract advances amounts to € 66 million, € 54 million and € 0 million for the years ended December 31, 2002, 2001 and 2000 respectively.*

(2) *This line excludes any change in balance sheet items unrelated to operating income, mainly: interest, income tax and non current items, the cash effect of which is presented under "others".*

(3) *Includes the repurchase of treasury stock.*

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY AND MINORITY INTERESTS For the Years Ended December 31, 2002, 2001 and 2000

	Number of shares	Common stock	Additional paid in capital net of costs	Redeemable bonds	Treasury Stock	Accumulated retained earnings	Cumulative translation adjustment	Revaluation reserves	Shareholders' equity	Minority interests
	(in thousands)				*(€ in millions)*					
Balance at December 31, 1999	**124,354**	**933**	**452**			**397**	**(68)**	**5**	**1,719**	**73**
Effect of stock split from € 7.5 to € 3.75	124,354									
Increase in common stock – October 2000	16,405	61	783						844	
Treasury stock (2,468,000 shares)					(119)				(119)	
Translation adjustment							26		26	4
Other						(3)		(1)	(4)	(5)
Net income (loss)						394			394	(18)
Balance at December 31, 2000	**265,113**	**994**	**1,235**		**(119)**	**788**	**(42)**	**4**	**2,860**	**54**
Redeemable bonds *(1)*				761					761	
Treasury Stock *(799,850 shares)*					(37)				(37)	
Translation adjustment							88		88	4
Other										35
Net income (loss)						286			286	(22)
Balance at December 31, 2001	**265,113**	**994**	**1,235**	**761**	**(156)**	**1,074**	**46**	**4**	**3,958**	**71**
Translation adjustment							(385)		(385)	(9)
Conversion of redeemable bonds *(1)*	15,500	58	703	(761)					-	-
Treasury Stock loaned *(interest)*					1				1	-
Change in perimeter										(11)
Net income (loss)						373			373	(13)
Balance at December 31, 2002	**280,613**	**1,052**	**1,938**	**0**	**(155)**	**1,447**	**(339)**	**4**	**3,947**	**38**

(1) 15.5 million of non interest bearing "ORA" bonds redeemable in 15.5 million Thomson shares of € 3.75 par value subscribed by Carlton on March 16, 2001 and redeemed on March 16, 2002.

1. THE GROUP AND SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

At the shareholders' meeting held on October 8, 2002, the name change of the company from "Thomson multimedia" to "Thomson" was approved.
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.). Thomson's 21% shareholder is referred to herein as "TSA".
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. To advance and enable the digital media transition, Thomson has five principal activities: Digital Media Solutions, Displays and Components, Consumer Products, Patents and Licensing, and New Media Services. Thomson distributes its products under the THOMSON ®, RCA ®, TECHNICOLOR ® and Grass Valley ® brand names.

The consolidated financial statements of Thomson have been prepared in accordance with French generally accepted accounting principles ("French GAAP") as set forth in the French law on consolidation (the Act of January 3, 1985) and within Regulation 99-02, approved by the decree dated June 22, 1999 of the *Comité de la Réglementation Comptable (CRC).* The new regulation had no material effect on consolidated financial statements.

Financial statements of consolidated subsidiaries, when prepared in accordance with the accounting principles generally accepted in their country of origin, have been adjusted accordingly in consolidation. All figures are presented in millions of euro unless otherwise stated.

Cash Flow presentation: Thomson has elected to present the breakdown of its "*cash flow from operating activities*" using the reconciliation from "*operating income"* according to the method permitted by regulation 99-02, instead of the reconciliation from "*net income*". Under this new method, operating income instead of net income is reconciled to the cash provided by operating activities. Thomson believes that such a change provides more useful information to the users of its financial statements. Also, "others" includes interest, non-current items and income tax, which are determined using the direct method (i.e., the net cash paid or received). Prior periods have been restated but as the definition of "Net cash provided by operating activities" is unchanged, the amounts related to prior periods are the same as previously reported.

Changes in Accounting Principles: Regulation 00-06 of the "*Comité de la Réglementation Comptable"* relating to the accounting for liabilities was required to be adopted in 2002. The cumulative effect of this change in accounting principles as of January 1, 2002 is nil.
The effect mainly relates to the recognition of restructuring accruals which are generally recognized later than under the previous French GAAP practice. Had the new accounting rules been applied retroactively, shareholders' equity would have increased by an amount of € 116 million as of January 1, 2000 with a corresponding decrease in the restructuring reserve. Net income would have decreased by € 15 million and € 111 million respectively for the twelve month periods ended December 31, 2000 and December 31, 2001.

Reclassification in the presentation of Income Statements:
In 2001, the Emerging Issues Task Force (EITF), issued EITF 01-09, "Accounting for Consideration Given by a Vendor to a Customer or a Reseller of the Vendor's Products", which codified and reconciled EITF Issue 00-14, "Accounting for Certain Sales Incentives", EITF 00-22 "Accounting for Points and Certain Other Time-Based or Volume Based Sales Incentives Offers, and Offers for Free Products or Services to Be Delivered in the Future" and EITF 00-25, "Vendor Income Statement Characterization of Consideration Paid to a Reseller of the Vendor's Products". These EITF's prescribe guidance regarding the timing of recognition and income statement classification of costs incurred for certain sales incentive programs to resellers and end consumers. The effect of this pronouncement on Thomson's financial statements was a decrease in "net sales" of Consumer Product segment of € 84 million, € 103 million and € 99 million respectively for the twelve month periods ended December 2002, 2001 and 2000, with a symmetrical change in "Selling, general and administrative expenses" for some cooperative advertising and promotion expenses previously classified under marketing expenses. There is consequently no impact on operating profit. Thomson elected to apply this rule, which is not specifically addressed under French GAAP, in order to limit the differences with the financial statements filed with the U.S. SEC.

in millions of euro, unless otherwise stated

Use of estimates

The preparation of the consolidated financial statements in conformity with generally accepted accounting principles in France requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenses during the reporting period of the consolidated statements. Actual results could differ from these estimates.
Estimates made by management include among other items, accrued accounts receivable, deferred tax, inventory and investment valuation allowances, retirement and post-retirement benefits, depreciation and amortization, loss reserves, contingencies and environmental obligations.

Thomson files a form 20-F report with the Securities and Exchange Commission in the United States, which contains a reconciliation of net income and shareholders' equity prepared in accordance with French GAAP, to net income and shareholders' equity prepared in accordance with U.S. GAAP.

a) Consolidation

The financial statements of the subsidiaries in which Thomson has a direct or indirect controlling interest have been consolidated. Investments in companies which are not significant (external revenues below € 15 million and total balance sheet below € 15 million) and have no significant activities are not consolidated. They are presented under "other investments".

Investments in companies over which Thomson exercises significant influence, directly or indirectly, but does not control, are accounted for under the equity method.

Investments in companies over which Thomson has joint control with a limited number of partners ("joint ventures") are accounted for under the pro rata consolidation method.

b) Translation of foreign subsidiaries' financial statements

The accounts of foreign subsidiaries are translated into euro using the principles set forth below:
- balance sheets are translated at closing rates prevailing at the balance sheet date;
- statements of income and cash flows are translated at the average exchange rates of the period;
- the resulting translation differences are reflected as a translation adjustment in the shareholders' equity section of the balance sheet.

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

	2000		2001		2002	
	Closing rate	**Average rate**	**Closing Rate**	**Average rate**	**Closing rate**	**Average Rate**
U.S. Dollar	1.074691	1.092692	1.134687	1.125354	0.95356	1.05803
Pound Sterling	1.602308	1.649100	1.643385	1.614802	1.53728	1.59132

The average rate is determined by taking the average of the month-end closing rates for the period.

c) Transactions denominated in foreign currency

Monetary assets and liabilities denominated in foreign currencies are converted at the respective exchange rates prevailing at the balance sheet dates. The related unrealized exchange gains and losses are included under "Other financial expense, net" in the consolidated income statement, except if the assets and liabilities were hedged.

Transactions denominated in foreign currencies are converted at the exchange rate prevailing at the date of the transaction or at the rate of the applicable forward contract if hedged.

d) Financial instruments

The Group enters into financial instruments to hedge foreign currency risk, interest rate risk and from time to time to hedge the market volatility of certain marketable equity investments.

Financial risk exposures are managed by the Corporate Treasury department in Paris in accordance with market conditions and in the framework of procedures established by management. Thomson enters into over-the-counter financial instruments, with a limited number of counterparts. Depending on local foreign currency regulations or practical access to markets, foreign exchange transactions are carried out by the Corporate Treasury in Paris or by the Singapore regional treasury or by the Americas regional treasury (the latter for transactions in Mexican peso). Affiliates unable to enter into foreign currency hedging operations with Corporate Treasury because of local laws or regulations do so directly with local banks under the supervision of Corporate Treasury and in accordance with corporate policies and procedures.

Foreign currency risk

Thomson operates as a global company and consequently is subject to mismatches between the currencies in which sales are made and the currencies in which expenses are incurred. Moreover, the Group operates in emerging markets, which are subject to risks and uncertainties inherent in such markets, including economic and governmental instability, controls on repatriation of earnings and capital and restrictions on the means available to Thomson to hedge currency fluctuation risks.

Thomson’s policy is to reduce the impact of foreign currency fluctuations on net commercial transaction exposures on a short-term basis, which corresponds to Thomson’s underlying business cycle. The Group buys and sells currencies on a forward basis and buys currency options.

Foreign currency forward contracts and foreign currency options are considered as hedges for accounting purposes if they are designated to hedge the following items:

- accounts receivable and accounts payable amounts on the balance sheet and
- anticipated commercial transactions.

The nature of the commercial products sold and the consistency of the demand for these products are such that it is reasonable to consider the anticipation of future cash flows generated by market demand as similar to firm order commitments.

Gains and losses on foreign currency instruments designated as hedges of the following year’s anticipated commercial transactions are recognized as income over the same period as the underlying transaction.

Foreign currency instruments that do not qualify for hedge accounting are marked-to-market and in the case of loss a provision is taken. This loss is recognized as “Other financial expense, net” in the consolidated income statements.

Interest rate risk

Thomson’s policy is to hedge interest rate exposures in accordance with target ratios of fixed/floating debt, which are set periodically as a function of market conditions.

The Group enters into interest rate swaps and buys forward rate agreements and caps.

Gains and losses on interest rate instruments designated as hedges of the Group’s debt instruments, are accounted for over the life of the contract, on an accrual basis, as an increase or decrease to “interest expense, net” and the accruals are included either in “Other receivables” or “Other creditors and accrued liabilities” on the balance sheet.

Interest rate swaps and forward rate agreements that do not qualify for hedge accounting as well as interest rate caps are marked-to-market and in case of loss a provision is taken. This loss is recognized in “Other financial expense, net” in the consolidated income statements.

Equity risk

From time to time, Thomson hedges the market volatility of certain marketable equity investments. Gains and losses on equity instruments designated as hedges are deferred until the related marketable equity securities are sold.

e) Net sales

Sale of goods and services
Revenue consists of income from all activities of consolidated subsidiaries after elimination of inter-company transactions. Revenue is recognized when ownership is transferred which generally occurs at the time of shipment.

Until August 31, 2000, Thomson's U.S. subsidiary, Thomson, Inc., had a specific agreement with DIRECTV, related to sales of digital decoders under the RCA ® trademark. Sales were recorded when digital decoders were shipped to retailers. In addition, when consumers subscribed to DIRECTV's programming, Thomson, Inc. was entitled under the terms of the agreement to receive a fixed fee payable in 60 monthly installments. As Thomson, Inc. had no additional services to render nor any continuing obligations to DIRECTV, this fee was recognized as income at the present value of future payments to be received on the date the consumer subscribed to DIRECTV's service.
Effective January 1, 2001, a new agreement was signed with DIRECTV notably relating to the marketing of DIRECTV digital decoder products through U.S. retail distribution channels under the RCA ® trademark. Under the terms of the new agreement, Thomson, Inc. received a shipment-based subsidy with no additional services to render nor any continuing obligations to DIRECTV. These products sales and related subsidies were recognized as revenue at the time of shipment. This agreement terminated effective January 2002.

Licensing revenue
Thomson's patent licensing agreements generally recorded that a specified royalty amount is earned on each product shipped to a third party by a licensee. Thomson's policy is to record licensing revenue as it is earned. The gross royalty amount is determined on a quarterly basis and in accordance with the license agreement. Generally, the royalty amount is required to be paid to the Group within 30-60 days after the end of the calendar quarter.
The Group may enter into specific licensing agreements according to which its only obligation is to maintain and defend the patent rights licensed to its customers. Under such contracts, the related up front payments are recognized when the right to such payments is acquired.
Sales of patents incidental to patent licensing activities are recorded as revenues when earned.

Warranty and returns
Estimated product warranty costs are provided for at the time of sale. The warranty provision covers all of the products that are still under warranty. The amount of the provision is determined based upon known non-recurring product issues as well as on historical experience.
Thomson accrues an estimate, at the time of sale, through its warranty reserve for all returns from its customers related either to product failures or consumer returns. Although Thomson's general policy is to not accept returns of undamaged products, Thomson may accept returns for undamaged products on a discretionary basis. The impacts of these returns have historically not been material.

Price protection
Price protection may be granted to customers when Thomson's retail price of a product decreases for items held in stock by the customer. Price protection programs are discretionary. Accordingly, Thomson accrues for price protection at the time allowances are probable of being granted to customers. Price protection is reflected as a deduction of sales.

Sales incentives

Sales incentives to customers under sales incentives programs are deducted from sales unless the following conditions are met:

- Thomson receives an identifiable and separable benefit (goods or services) in exchange for the cash paid to the customer, and
- Thomson can reasonably estimate the fair value of the benefit.

Amounts paid in excess of such identified benefit are deducted from sales.

f) Fixed assets

Goodwill is amortized on a straight-line basis over its estimated useful life, generally over a period of 5 to 20 years.

Trademarks and similar rights with an indefinite economic life are no longer subject to amortization since January 1, 2001. Trademarks and the value of customer relationships associated with market share are not amortized in accordance with the accounting method widely used in France.
Software development costs are capitalized as intangible assets when they comply with the following criteria:

. the project is clearly defined and costs are separately identified and reliably measured,
. the technical feasibility of the software is demonstrated,
. the software will be sold or used in-house,
. a potential market exists for the software, or its usefulness (in case of internal use), is demonstrated, and
. adequate resources required for the project are available.

Software costs thus capitalized are categorized and amortized over their economic useful lives which usually do not exceed 3 years.

Property, plant and equipment are carried at historical cost.

Depreciation is computed using the straight-line or declining-balance method over the estimated useful lives of the assets or using the unit of production method when appropriate.

Depreciation is generally applied over the following estimated useful lives of the fixed assets:

- 20 to 40 years for buildings,
- 1 to 12 years for plant and equipment,
- 4 to 10 years for other fixed assets.

At the balance sheet dates, whenever events or changes in market conditions indicate a potential impairment of intangible assets or property, plant and equipment, the expected future cash flows (undiscounted for tangible as well as intangible with a definite useful life and discounted for intangible with an indefinite useful life) of the related assets are compared with the carrying amounts of such assets. Whenever such review indicates that there is an impairment, the carrying amount of such assets is reduced to their fair market value, such value being computed using the discounted expected future cash flows generated by these assets.

g) Other investments

Other investments are recorded at the lower of historical cost or net realizable value, assessed on an individual basis. Net realizable value is based upon the underlying equity of the investee company, future profitability, or market value (average of the quoted prices of the closing month for listed investments).

h) Inventories

Inventories are carried at the lower of cost or net realizable value. Cost is determined using the first-in, first-out (FIFO) or weighted average method.

The cost of finished goods and semi-finished goods inventories includes the cost of raw materials, labor and subcontracted purchases used during production, plus an allocation of industrial overhead.
A valuation allowance is recorded when the carrying value is higher than the net realizable value.

i) Research and development

Research and development costs are expensed as incurred, except software development costs, which are included in intangible assets (paragraph f).

Subsidies for research and development are accounted for as income based on the stage of completion of the projects and are directly deducted from research and development costs.
Certain projects are funded by means of repayable advances from governmental entities. Thomson deducts such external funding directly from research costs as incurred, as the repayments are generally contingent on future revenues generated by the project and are possible, but not probable.

j) Cash and cash equivalents

Cash and cash equivalents consist of cash and liquid investments with an initial maturity of three months or less.

k) Deferred tax

Thomson uses the liability method of tax allocation and records deferred taxes when there is a difference between the tax and accounting basis of assets and liabilities. A valuation allowance is recorded when there is uncertainty regarding the future utilization of these temporary differences.
Tax on undistributed earnings of subsidiaries and equity companies are taken into account only when there is a planned distribution of dividends.

l) Pensions and retirement and termination benefits

Retirement indemnities and post-retirement benefits are accrued over the years of service of the employees; termination indemnities are accrued when rights to those benefits accumulate, vest and payment of the benefits is probable.

m) Reserves

According to regulation 00-06 of the CRC a reserve is recorded when Thomson has a current obligation as a result of a past event and for which an outflow of resources is probable and a reliable estimate can be made. Consequentely, "restructuring reserves" are accrued for when a restructuring decision to close a facility, or to reduce or relocate the workforce meets the criteria stated in the above regulation.

n) Statements of cash flows

Cash flows from operating activities is determined using the reconciliation from “*operating income”* according to the method permitted by regulation 99-02, instead of the reconciliation from “*net income*”.

o) Other income and expense

“Other income and expense, net” includes restructuring costs, gain or loss on disposals of fixed assets, write-off of fixed assets and any other material unusual items.

p) Legal reserve

Pursuant to French law, Thomson is legally required to contribute a minimum of 5% of its annual net income (after reduction for losses carried forward from previous year, if any) to a legal reserve. This minimum contribution is no longer required when the legal reserve equals 10% of the aggregate nominal value of its issued share capital. The legal reserve may be distributed only upon liquidation.

in millions of euro, unless otherwise stated

q) Earnings per share

Basic earnings per share is computed by dividing net income available to common shareholders by the weighted average number of common shares outstanding during the year. Treasury shares are not considered outstanding.
Diluted earnings per share is computed by dividing net income available to common shareholders by the weighted average number of common shares outstanding during the year adjusted to include any dilutive potential common shares (mainly share options, warrants, and convertible bonds issued by the Company on its own common shares). Net income is restated from convertible bonds and warrants interest expenses, net of tax.

2. MAIN CHANGES IN THE SCOPE OF CONSOLIDATION

As of and for the year ended December 31, 2002, Thomson's consolidated balance sheets and income statements include the accounts of companies listed in note 30. The following is a summary of the number of companies consolidated and accounted for under the equity method and the pro rata consolidation method as of December 31, 2002, 2001 and 2000:

	December 31,					
	2000		2001		2002	
	France	Others	France	Others	France	Others
Number of companies:						
Parent company and consolidated subsidiaries	19	51	25	133	29	149
Companies consolidated by pro rata method	1	-	2	9	5	25
Companies accounted for under the equity method	1	4	1	4	0	2
Sub-total	21	55	28	146	34	176
Total	**76**		**174**		**210**	

New subsidiaries consolidated in 2002

- On December 17, 2001, Thomson acquired Alcatel's DSL activity. This activity has been fully consolidated since January 1, 2002.
- Thomson Zhaowei multimedia, a joint venture formed in the second half of 2001 with Beijing C&W Electronics (Group) Co Limited situated in Beijing (People's Republic of China), is 55% held by Thomson multimedia Asia and consolidated under the pro rata method since January 1, 2002. This joint venture develops, manufactures and sells TVs and digital set-top boxes. The subsidiary was shown at cost under "Other investments" in 2001 because no significant activities occurred during 2001.
- On January 2, 2002, Victor Company of Japan Limited sold its 50% interest in J2T Holding GmbH to Thomson. After this transfer, J2T Video Tonnerre is now 100% owned by Thomson.. This company has been fully consolidated since January 1, 2002.
- On January 31, 2002, in accordance with the contract signed in 2001, Thomson exercized its call option and purchased from Philips an additional 16.67% interest in BTS Holding International B.V. and in September 2002, purchased the remaining 16.67%. The Group now holds 100 % of BTS Holding International B.V.
- On February 20, 2002, the Group acquired 100% of Vidfilm, a privately held digital post production services company with operations in the Los Angeles area, London, and Singapore. This company has been fully consolidated since February 20, 2002.
- On February 25, 2002, the Group acquired a business related to the DVD compression, authoring, regionalizing and related services business from Still In Motion LLC and two private vendors, which has been fully consolidated since February 25, 2002.
- On March 1, 2002, the Group acquired all of the shares of Grass Valley Group, a leading supplier of digital broadcasting equipment. This company has been fully consolidated since March 1, 2002.

- On April 4, 2002, the Group acquired all of the shares of Southern Star Duplitek Pty Limited in Australia. Duplitek is an Australian leader in manufacturing and distribution of pre-recorded DVDs and videocassettes. This company has been fully consolidated since April 4, 2002.
- On May 7, 2002 the Group formed ScreenVision Holdings (Europe) Limited, a 50-50 joint venture with Carlton Communications Plc to purchase the entire issued share capital of Circuit A in France, and RMB II, a subsidiary formed by Régie Media Belge (RMB) in Europe in order to acquire the cinema screen advertising business owned by UGC and RTBF (Radio Télévision Belge de la communauté Française) in certain European countries. This acquisition has been consolidated under the pro rata method since the closing, which occurred on June 28, 2002.
- On June 25, 2002, the Group acquired Panasonic Disc Services Corporation (PDSC), a company specializing in DVD replication and distribution services in the U.S. and DVD replication services in Europe. This company has been fully consolidated since June 25, 2002.
- On June 28, 2002, Thomson acquired Grundig's set-top box activity through the acquisition of the Digital Intermedia System Business ("DIS Business"). The DIS Business comprises one manufacturing and two research and development facilities. This company has been fully consolidated since June 28, 2002.
- On September 19, 2002, ScreenVision U.S. a 50-50 joint venture of the Group with Carlton Communications plc, acquired 100% of the US operations of Val Morgan, a division of Television Media Services specializing in the cinema advertising business. This company has been consolidated under the pro rata method since September 19, 2002.

Subsidiaries disposed of in 2002

On February 1, 2002, 33.33% of A Novo Comlink Espana (Spain) was sold by ATLINKS to A Novo, in accordance with a contract signed with the purchaser in 2000. ATLINKS sold its remaining interest of 33.33% in December 2002.

New subsidiaries consolidated in 2001

- Thomson multimedia Kulim Sdn Bhd, a wholly owned subsidiary, was accounted for under the equity method in 2000 but is fully consolidated since January 2001 because its activity has become more significant. Thomson Audio Hong-Kong Ltd spun-off its CD and DVD optical components activity into a new manufacturing entity "Thomson OKMCO Shenzen Ltd" and holding entity "Thomson Tubes and Displays HK Ltd". Thomson, Inc. incorporated two new entities "Homefront DSL, Inc." and "Easyplug, Inc.". Homefront DSL, Inc. delivers broadband connectivity as well as voice over DSL to residential consumers, and Easyplug, Inc. was formed in order to be contributed to a new 50-50 joint venture "Easyplug, SAS" which was formed with Schneider at the end of 2001. The Easyplug joint venture develops Powerline Communication technologies.

- Thomson acquired 66.67% of the outstanding common stock of BTS Holding International B.V. (a new holding company comprising five businesses of Philips Professional Broadcast). The business is fully consolidated since January 1, 2001 and forms part of the new Digital Media Solutions division.

- On February 15, 2001, Alcatel and Thomson joined their interactive video network activities by contributing their respective assets into the Nextream joint venture of which Thomson holds 75% and Alcatel 25%. Thomson fully consolidates this activity. The new activity includes MPEG network products and multimedia head-ends.

- On March 16, 2001 Thomson acquired from Carlton Communications Plc ("Carlton") the Technicolor motion picture film processing and distribution and the pre-recorded DVD, CD and videocassette processing and distribution activities.
  The transaction involved the acquisition of (i) all of the shares of Carlton Communications Investments a U.S. general partnership, Technicolor Holdings Limited, a U.K. private limited company, Technicolor Australia Investments Limited, a U.K. private limited company, Technicolor Holdings of Canada, Inc., a Canadian corporation and Elap Music A.S. a Danish private limited company (these five companies are collectively referred to as "Technicolor"), and (ii) the loans granted by Carlton and subsidiaries to Technicolor.

The initial aggregate price for the shares amounted to USD 1.3 billion (€ 1.4 billion at historical March 16, 2001 closing rate). This amount has been adjusted by a USD 41.5 million (€ 46 million at the transaction rate) post-closing adjustment paid to Carlton in January 2002, corresponding to the excess net cash and working capital, as defined in the contract, contributed by Technicolor affiliates at the closing date. In addition, Thomson paid to Carlton the Technicolor group debt due to Carlton Communications Plc and its affiliates in an amount of USD 750 million (€ 823 million at historical rate). No other financial debts were recorded in Technicolor's books as of the purchase date.

The consideration paid to Carlton consists of (i) USD 750 million paid on March 16, 2001 (€ 837 million at March 16, 2001 historical rate), (ii) € 761 million paid on March 16, 2001, and (iii) an aggregate amount of USD 600 million (€ 669 million at March 16, 2001 historical rate) payable over the following four years in four equal installments plus interest, on the first, second, third and fourth anniversaries of the closing (Thomson may elect to pay up to half of the USD 600 million deferred consideration in Thomson shares) and (iiii) USD 41.5 million (€ 46 million at the transaction rate) paid in January 2002. In parallel, Thomson and Carlton signed a cooperation agreement and Carlton subscribed non-transferable, non-interest bearing bonds (in the amount of € 761 million), payable only in 15.5 million Thomson shares one year after the closing, representing approximately 5.5% of the outstanding shares of Thomson as of December 31, 2001. These bonds were redeemed on March 16, 2002.

The acquisition was accounted for under the purchase method. The Group 's consolidated financial statements include the results of operations of Technicolor from March 17, 2001.

The purchase price was allocated to identifiable tangible and intangible assets and liabilities as set forth below, with the excess of the purchase price over such identifiable assets and liabilities allocated to goodwill. The goodwill is amortized over twenty years. The trademark and the market share associated with the customer relationships are not amortized. In compliance with French GAAP, no deferred tax liability was recognized on trademark and customer relationships because they are not amortized and cannot be sold separately from the business acquired. No deferred tax liability was recognized on goodwill as the amortization is not tax-deductible in the countries concerned.

The opening balance sheet of the Technicolor group and its affiliates presented below is converted into euros using the exchange rate as of March 16, 2001 (i.e. USD 1 = € 1.11538) and includes assets and liabilities at fair value after final purchase accounting allocation:

	(€ in millions)
Assets:	
Intangible assets (net)	1,280
Property, plant and equipment (net)	425
Inventories (net)	82
Trade accounts receivable (net)	492
Other assets	105
Customer contracts, net	259
Deferred tax asset	121
Cash	160
	2,924
Liabilities:	
Equity	1,499
Financial debt *(out of which € 837 million (USD 750 million) to Carlton*)*	846
Restructuring reserve	27
Trade accounts payable	130
Other liabilities	422
	2,924

** Technicolor debt to Carlton assumed by Thomson.*

- In July 2001, Carlton and Thomson merged their US based screen advertising businesses into a 50-50 joint venture “Technicolor Cinema Advertising” doing business as “ScreenVision US”. Because of the joint control, this company is consolidated under the pro rata consolidation method starting July 1, 2001.

- On July 31, 2001, Technicolor acquired 100% of Miles O' Fun, Inc, an audio post-production company, for cash consideration of USD 7.7 million (€ 8.8 million at July 31, 2001, closing rate).. This company is fully consolidated.

Pro forma information

For comparative purposes, the table below presents condensed consolidated income statements on a pro forma basis. The 2001 pro forma information has been prepared in order to present 2001 within the same consolidation perimeter as that which existed in 2002.

(Unaudited) *(In millions of euro, unless otherwise stated)*	**Year ended December 31, 2001 (historical)**	**Impact of acquired & disposed businesses (1)**	**Year ended December 31, 2001 (Pro forma)**	**Year ended December 31, 2002 (historical)**
Net sales	10,391	1,169	11,560	10,187
Operating income (loss)	636	(40)	596	718
Financial expense	(189)	(16)	(205)	(128)
Goodwill amortization	(49)	(29)	(78)	(78)
Minority interests	22	(5)	17	13
Net income (loss)	286	(90)	196	373
Basic net income (loss) per common share (In euro)	*1.04*	*(0.33)*	*0.71*	*1.35*
Weighted average number of shares outstanding in the period (in thousand)	*274,181*	*3,186*	*277,367*	*277,240*
Diluted net income (loss) per common share (In euro)	*1.04*	*(0.33)*	*0.71*	*1.29*
Weighted average number of shares and diluted potential common shares (in thousands)	*274,181*	*3,186*	*277,367*	*304,174*

(1) Pro forma information is comprised of the following adjustments :
In 2002 the Group began consolidating mainly the entities noted below. Therefore 2001 results have been adjusted as if the following acquisitions had occurred 12 months prior to the consolidation date.

- *Alcatel DSL activity consolidated as of January 1, 2002*
- *Vidfilm consolidated as of February 20, 2002*
- *Still in Motion consolidated as of February 25, 2002*
- *Grass Valley Group consolidated as of March 1, 2002*
- *Duplitek consolidated as of April 4, 2002*
- *Grundig (DIS business) consolidated as of June 28, 2002*
- *ScreenVision Europe consolidated as of June 28, 2002*
- *PDSC consolidated as of June 25, 2002*

In 2001 the Group began consolidating certain entities. Therefore 2001 results have been adjusted to reflect the impact of such acquisitions as if they had taken place as of January 1, 2001:

- *Technicolor consolidated as of March 16, 2001*
- *Miles O'Fun consolidated as of July 31, 2001*
- *Nextream consolidated as of February 15, 2001*

No entity or segment component was excluded from consolidation in 2001 and 2002.

3. INFORMATION BY GEOGRAPHIC AREA AND BUSINESS SEGMENT

	France	Rest of Europe	U.S.A.	Rest of Americas	Asia / Pacific	Elimination	Total
				(€ in millions)			
December 31, 2002							
Net sales	2,028	1,418	5,345	534	862	-	10,187
Transfers from/to other geographical areas	416	931	286	298	735	(2,666)	-
Operating income *(1)*	211	213	191	60	43	-	718
Long lived assets	92	448	716	197	169	-	1,622
December 31, 2001							
Net sales *(2)*	1,848	1,382	5,740	562	859	-	10,391
Transfers from/to other geographical areas	801	890	124	330	815	(2,960)	-
Operating income *(1)*	231	139	146	77	43	-	636
Long lived assets	120	352	773	151	140	-	1,536
December 31, 2000							
Net sales *(2)*	1,471	1,058	5,204	490	772	-	8,995
Transfers from/to other geographical areas	1,068	744	149	326	920	(3,207)	-
Operating income *(1)*	214	40	181	102	9	-	546
Long lived assets	115	282	485	109	131	-	1,122

(1) The variations of inter-company profits included in the inventories of the buying geographic area are deducted or added from or to the operating income of the selling zone.
(2) Restated for EITF 01-09 effective 2002 in the United States (note 1).

Net sales and operating income (loss) are classified by the location of the business that invoices the customer.

Analysis by Business Segment

The Group has the following five reporting segments: Digital Media Solutions created in early 2001, Displays and Components, Consumer Products, New Media Services, and Patents and Licensing.

- The Digital Media Solutions segment processes and distributes motion picture film and pre-recorded DVDs, CDs and Videocassettes and produces professional broadcast equipment.
  In 2002, the Digital Media Solutions segment aggregates Technicolor, Singingfish and the professional Broadcast equipment previously managed by the Consumer Products segment since 2000, together with the professional broadcast activities acquired from Philips and the Grass Valley Group. Nextream, which was previously included in Digital Media Solutions is managed since 2002 within the Consumer Products segment.
- The Displays and Components segment produces and sells television tubes, other display devices, optical components and television and video components.
- The Consumer Products segment provides retail products such as televisions, video, audio and communication devices, and broadband access products including decoders and modems.
  The Consumer Products segment aggregates the following: Television/Video, Audio and Communication, Broadband Access Products (including Nextream since January 2002), and the worldwide Marketing and Sales organization.
- The Patents and Licensing segment licenses the intellectual property of the Group and of external customers.
- The New Media Services segment develops and markets new products and services related to advertising based activities (for the movie theaters and based on TV electronic program guides), video/systems integration services for network operators, and technology solutions (e.g. for content security, copy protection and conditional access).

- In addition, the Holdings column includes amounts related to corporate functions and worldwide programs unrelated to a specific business segments (notably central research).

(€ in millions)	Digital Media Solutions	Displays & Components	Consumer Products	Patents & Licensing	New Media Services	Holdings	Consolidated Adjustments and other	Total
December 31, 2002								
Net sales from external customers	2,686	1,560	5,444	429	58	10	-	10,187
Intersegment sales *(a)*	8	664	7	-	-	188	(867)	-
Depreciation & amortization	(116)	(125)	(136)	(2)	(5)	(12)	-	(396)
Operating income (loss)	372	84	41	387	(45)	(121)	-	718
Interest expense, net *(b)*	(19)	(3)	(24)	8	-	47		9
Income from equity iinvestments	-	-	-	-	-	-	-	-
Other income (expense), net (c)	(34)	(42)	(79)	-	77	(18)	-	(96)
Segment assets *(f)*	2,180	1,047	1,750	19	50	76	-	5,122
Capital expenditures *(d)*	(339)	(244)	(85)	(1)	(2)	(11)	-	(682)

(€ in millions)	Digital Media Solutions	Displays & Components	Consumer Products	Patents & Licensing	New Media Services	Holdings	Consolidated Adjustments	Total
December 31, 2001 (*)								
Net sales from external customers *(g)*	1,758	1,642	6,542	395	44	10	-	10,391
Intersegment sales *(a)*	1	756	5	-	-	191	(953)	-
Depreciation & amortization	(69)	(137)	(140)	(5)	(1)	(16)	-	(368)
Operating Income (loss) *(e)*	242	111	138	338	(82)	(111)	-	636
Interest expense, net *(b)*	(27)	(23)	(117)	-	-	138	-	(29)
Income from equity investments	-	-	(2)	-	-	(1)	-	(3)
Other income (expense), net *(c)*	(3)	(104)	(47)	(2)	155	9	-	8
Segment assets *(f)*	1,875	1,164	2,341	72	11	127	-	5,590
Capital expenditures *(d)*	(148)	(158)	(98)	(58)	(3)	(14)	-	(479)

(*) Restated with the transfer of Nextream to the Consumer Product segment.
(**) Restated for EITF 01-09 applicable in 2002 (note 1).

(€ in millions)	Digital Media Solutions	Displays & Components	Consumer Products	Patents & Licensing	New Media Services	Holdings	Consolidated Adjustments	Total
December 31, 2000 (*)								
Net sales from external customers *(g)*	62	1,686	6,849	378	9	11	-	8,995
Intersegment sales	1	864	8	-	-	216	(1,089)	-
Depreciation & amortization	(3)	(150)	(145)	-	(1)	(24)	-	(323)
Operating income (loss) *(e)*	(10)	262	185	319	(83)	(127)	-	546
Interest expense, net *(b)*	(2)	(17)	(120)	(2)	-	131	-	(10)
Income from equity investments	-	-	(3)	-	-	-	-	(3)
Other income (expense), net*(c)*	-	(54)	(83)	-	13	43	-	(81)

in millions of euro, unless otherwise stated

Segment assets *(f)*	51	1,222	2,852	57	2	109	-	4,293
Capital expenditures *(d)*	(6)	(193)	(209)	-	(2)	(15)	-	(425)

(*) Restated with the transfer of Nextream to the Consumer Product Segment.
(**) Restated for EITF 01-09 applicable in 2002 (note 1).

(a) Starting January 2002, the Patents & Licensing Segment no longer includes license fees charged to other segments; prior period segment information restatements only impact the second half of 2001 (Digital Media Solutions and Displays & Components) .

(b) In 2001 and 2000, interest expense is allocated to segments based upon average working capital requirement levels upon which market interest rates are applied for each country in which the entities comprising the segments operate ("imputed interest"). The difference between Thomson's consolidated interest expense and the imputed interest is allocated to "Holdings".
In 2002 interest expense is no more allocated.

(c) In 2002 € -8 million was related to the TAK activity, discontinued in 2002. TAK was in the New Media Services segment and was developing and marketing services for interactive television. The amount classified in "other income (expenses), net" corresponds to operating costs for the period of this discontinued activity. Prior year operating losses have not been restated (€ -10 million and € -6 million respectively for years 2001 and 2000). Restructuring costs related to this discontinued activity (€ -5 million) have also been classified under "other".

During 2002 the effect of operational inefficiencies in one of the Displays & Components glass plants due to a fire, mainly unabsorbed overheads and labor variance, is presented under "Other income (expenses), net" in an amount of € -3 million.

During the second half of 2001 and the first half 2002, the Group experienced operational inefficiencies on one of its Displays and Components panel lines due to equipment failure. The portion of overhead and labor variance and scrap in connection with this situation has been classified under the "Other income (expense), net" line in the amount of € -6.6 million in 2001. In 2002, the insurance recovery proceeds received were allocated in an amount of € 10 million and € 9.9 million to "Other income (expense), net" and operating income, respectively, in proportion to the costs incurred in 2001 and 2002 respectively.

In connection with a patent infringement claim concerning the Consumer Product Segment as a result of a jury verdict, the Group elected to classify under "Other income (expense), net" the estimated amount in excess of "reasonable royalties to be paid". In June 2002, Thomson entered into a settlement with the plaintiff. The payment is comprised of damages and royalties for the period prior to the date of the agreement (June 10, 2002), and a fully paid up worldwide license for the remaining life of the settled patents. Consistent with last year's classification, the portion of the damage in excess of the previous year accruals has been classified under "Other income (expenses), net" and amounts to € -5.7 million. When patent infringement cases are settled in the Group's favor the settlement received by the licensing companies of the Group corresponding to the amount of royalties which should have been received during the license period, is recorded under "Net Sales".

In 2001, as part of a substantial reassessment of its product portfolio, the Group discontinued certain products or product lines, which have not resulted in restructuring plans. As of December 31, 2001, the related costs, mainly finished goods and raw material inventory write-offs (€ -30 million related to Consumer Products), and purchase order and other contract cancellation costs (€ -18.5 million related to Consumer Products) have been classified as "Other income (expense), net". Related fixed asset write-offs (€ -4.8 million for Consumer Products and € -11.6 million for Displays & Components) are included in "Other income (expense), net".
Although reassessment of the product portfolio is an ongoing activity for the Group, the effects of which are reflected in operating costs, the Group believes that the scope of this year's reassessment was much more comprehensive and warrants the reclassification outside of operating costs in 2001.

As of December 31, 2001, the "Other income (expense), net" of Consumer Products includes a gain of € 35 million related to the unwinding of a derivative instrument acquired in 2000 in order to hedge the decline in value of supplier shares to be received in connection with a components purchase contract; such contract was subsequently terminated and consequently the derivative was no longer needed. As of year end 2002, 2001 and 2000 respectively, capital gain on partial disposal of investments and gain related to associated financial investments amount to € 81 million, € 162 million and € 18 million mainly in New Media Services segment.

(d) The net change in debt related to capital expenditure payables is € +74 million, € -20 million and € -17 million for the years ended December 31, 2002, 2001, and 2000 respectively.

(e) In December 2001, Thomson changed its global policy concerning employee entitlement to vacation. Previously, employees on the payroll of Thomson, Inc. and Thomson multimedia Licensing, Inc. were entitled to full vacation based upon length of service with the Group at December 31 for payment in the succeeding calendar year. Under the new policy, employees accrue their vacation ratably throughout the calendar year. As a result of the decision to modify the policy during 2001, € 14.9 million of expense was reversed in 2001 consisting mainly of € 9.1 million for Consumer Products, € 4.7 million for Displays & Components and € 0.8 million for Patents & Licensing.

(f) Including advances to suppliers. Sales deductions and price protection allowances are deducted from trade accounts receivables gross for € 235 million and € 221 million as of December 31, 2002 and 2001 respectively. In 2002, accruals related to sales incentives, which are deducted from sales, are classified in deduction of "trade receivables" (€ 29 million) instead of "other creditors and accrued liabilities" (note 22).Prior years have not been restated (respectively € 38 million and € 50 million respectively as of December 2001 and 2000 were recorded in "other creditors and accrued liabilities"). This restatement only concerns the Consumer Products segment.

(g) Restated for EITF 01-09 applicable in 2002 (note 1).

Reconciliation of segment information to consolidated figures:

	2000	2001	2002
		(€ in millions)	
Segment assets	4,293	5,590	5,122
Goodwill *(1)*	55	901	1,320
Investments and other non-current assets	314	417	218
Current accounts with affiliated companies	21	43	71
Other receivables	846	1,059	1,278
Contract advances, net *(2)*	-	248	242
Cash and cash equivalents	1,772	1,532	1,463
Total consolidated assets	**7,301**	**9,790**	**9,714**

(1) As of December 31, 2002, net goodwill for Digital Media Solutions is € 1,158 million, for Consumer Products € 98 million, for New Media Services € 63 million and Displays and Components € 1 million.
(2) Contract Advances mainly relate to the Digital Media Solutions segment in 2002 and 2001 (€ 225 million and € 241 million as of December 31, 2002 and 2001, respectively).

	2000	2001	2002
		(€ in millions)	
Segment depreciation and amortization	(323)	(368)	(396)
Impairment included in other income (expense) net *(*)*	-	(16)	(2)
Goodwill amortization	(8)	(49)	(78)
Consolidated depreciation and amortization	**(331)**	**(433)**	**(476)**

(*) Such amount excludes inventory write-off.

4. RESEARCH AND DEVELOPMENT EXPENSE

Research and development expenses which amounted to € 374 million, € 368 million and € 351 million for the years ended December 31, 2002, 2001 and 2000 respectively are presented net of government agency subsidies. Subsidies amounted to € 12 million, € 15 million and € 14 million net of repayments for the periods ended December 31, 2002, 2001 and 2000, respectively out of which € 2.9 million, € 2.9 million and € 5.3 million respectively were received through contingently repayable advances.
Total advances contingently repayable amount to € 16.6 million, € 13.7 million, and, € 10.8 million, respectively for the years ended December 31, 2002, 2001 and 2000.

5. FINANCIAL EXPENSE

	2000	2001	2002
		(€ in millions)	
Interest income	25	45	51
Interest expense	(35)	(74)	(42)
Interest (expense) income, net *(1)*	**(10)**	**(29)**	**9**
Cash payment discounts granted	(3)	(9)	(10)
Cash payment discounts obtained	1	2	1
Pension plan interest costs relating to shut-down activities	(14)	(20)	(26)
Other interest on non-financial payables	(12)	(9)	(13)
Dividends	1	1	-
Exchange profit (loss) *(2)*	(11)	9	(2)
Other *(3)*	(29)	(134)	(87)
Other financial expense, net	**(67)**	**(160)**	**(137)**
TOTAL	**(77)**	**(189)**	**(128)**

(1) Includes € 29 million and € 25 million of interest on promissory notes related to the acquisition of Technicolor for the years ended December 31, 2002 and 2001, respectively. The change in net interest expense during 2002 in comparison to 2001 is mainly due to lower swap costs due to sharply lower USD interest rates. The swap costs or income occur when the Group swaps euro deposits of its European affiliates into USD to lend to its U.S. affiliates.

(2) Includes an exchange profit of € 14 million from Thomson multimidia do Brazil Ltda (deposit and receivables denominated in USD) for the year ended December 31, 2001.

(3) This mainly includes the valuation allowance related to financial investments carried at cost.

6. OTHER INCOME (EXPENSE), NET

	2000	2001 (€ in millions)	2002
Restructuring costs, net *(1)*	(105)	(107)	(141)
Gain on disposal of fixed assets/investments *(2)*	59	163	79
Write-off of fixed assets *(3)*	(1)	(23)	(15)
Other *(4)*	(34)	(25)	(19)
Total other income (expense), net	**(81)**	**8**	**(96)**

(1) The breakdown of restructuring plans by segment for the year 2002 is as follows:

- *€ -43 million within Displays and Components, of which € -24 million relate to the closure of the Scranton tube plant in North America and €- 8 million relates to the storage and digital modules activity.*
- *€ -23 million within Digital Media Solutions mainly related to the restructuring of the Broadcast activity and the integration therein of the Grass Valley Group acquired in February 2002.*
- *€ -70 million related to various activities within Consumer Products, notably € -21 million in the U.S. in manufacturing, sales and aftersales and accessories, € -29 million in Europe and Asia in manufacturing and sales and € -14 million in communications manufacturing.*

In 2001 and 2000, the restructuring costs were mainly incurred in Displays and Components (€ -63 million and € -55 million respectively) and in Consumer Products (€ -27 million and € -21 million respectively).

(2) In 2002 and 2001, the gain relates to the disposal of unconsolidated investments together with the gain on hedges associated with such investments.

In 2000, the sale/lease-back of the headquarters located in Boulogne (France) resulted in a gain of € 32 million. The sale/lease-back of the Indianapolis headquarters (United States) resulted in a gain of USD 6.5 million (€ 6.9 million using the December 31, 2002 average rate).A partial disposal of investments resulted in a gain of € 18 million.

(3) In 2002, mainly fixed asset write-offs for € - 6.7 million in Digital Media Solution, € -4.2 million in Display and Components and inventory write-off € -3.2 million in Consumer Products for the year ended December 31, 2001, € -16.4 million is related to the exceptional write-off of fixed assets related to the portfolio reassessment mentioned hereunder.

(4) In 2002 € -8 million is related to the TAK activity, discontinued in 2002. TAK was in the New Media Services segment and was developing and marketing services for interactive television. The amount classified in "Other income (expenses), net" corresponds to operating costs of the period of this discontinued activity. Prior year operating losses have not been restated (€ -10 million and € -6 million respectively for years 2001 and 2000). Restructuring costs related to this discontinued activity (€ -5 million) have also been classified under "other".

During 2002 the effect of operational inefficiencies in one of the Displays & Components glass plants due to a fire, mainly unabsorbed overheads and labor variance, is presented under "other income (expenses), net" in an amount of € -3 million.

On June 10, 2002, in connection with a patent infringement claim concerning the Consumer Products segment, Thomson entered into a settlement and license agreement with the plaintiff. The payment is comprised of damages and royalties for the period prior to the date of the agreement (June 10, 2002), and a fully paid up worldwide license for the remaining life of the settled patents. Consistent with last year's classification, the damages in excess of the previous year accruals have been classified under "other income and expenses" and amount to € -5.7 million. When patent infringement cases are settled in the Group's favor the settlement received by the licensing companies of the Group corresponding to the amount of royalties which should have been received during the license period, is recorded under "Net Sales".

The Group experienced operational inefficiencies on one of its Displays and Components glass panel lines beginning in the second half of 2001 due to equipment failure. Because no insurance indemnity had yet been agreed upon with the insurance company in

2001, the Group elected to classify the portion of scrap and overhead and labor variance in connection with this situation under "Other income (expense), net" in the amount of € 6.6 million in 2001. In June 2002, the insurance indemnity received of € 19.9 million was allocated in an amount of € 10 million and € 9.9 million respectively to "Other income (expenses), net" and operating income, in proportion to the costs respectively incurred in 2001 and 2002.
As of December 31, 2001, as part of a substantial reassessment of its product portfolio the Group discontinued in 2001 certain products or product lines, which have not resulted in restructuring plans. The related costs, mainly finished goods and raw material inventory write-offs, purchase order and other contract cancellation costs (€ 48.5 million) have been recorded as "Other income (expense), net".

For the year ended December 31, 2001 this line also includes a gain of € 35 million related to the disposal of a derivative instrument acquired in 2000 in order to hedge the decline in value of supplier shares to be received in connection with a components purchase contract; such contract was subsequently terminated and consequently the derivative was no longer needed.

In 2000, this item corresponds mainly to an accrual for litigation.

7. INCOME TAX

Pursuant to the provisions of the French Tax Code (article 209 quinquies) and in accordance with a tax agreement from the French Tax Authorities dated November 6, 2002, Thomson S.A. now files a worldwide consolidated tax return (the "Regime").

This Regime provides that the basis for income tax computation of the parent company is not limited to French consolidated subsidiaries taxable income but also include taxable income, as determined under French tax law, of more than 50% owned foreign entities (the "Foreign Entities"). Within certain limits, the French Tax Code allows for the reduction of the taxable income of profitable companies by offsetting taxable losses of other entities. Also French income tax payable, as determined by the method described above, allows for the application of foreign taxes due in local jurisdictions and related to greater than 50% owned foreign entities, to be applied as a credit to income taxes due in France.

This tax agreement has been retroactively applied as of January 1, 2001 and will expire on December 31, 2005 unless renewed. As a consequence, a worldwide consolidated tax return was filed for 2001 in November 2002.

In 2000 and 2001 the French consolidated tax return was limited to the French subsidiaries of Thomson S.A.

a) Income tax expense is summarized below:

	2000	2001	2002
Current income tax:		*(€ in millions)*	
France	(88)	(59)	(18)
Indemnities from/to T.S.A. net of tax	51	-	-
Tax effect on indemnities from/to T.S.A.	31	-	-
Tax refund due to the retroactive application of the Regime to 2001	**-**	**-**	33
Sub-total current income tax France	**(6)**	**(59)**	**15**
Foreign	(99)	(83)	(93)
Total current income tax	**(105)**	**(142)**	**(78)**
Deferred income tax			
France	39	2	47
Foreign	67	1	(25)
Total deferred income tax	**106**	**3**	**22**
TOTAL INCOME TAX	**1**	**(139)**	**(56)**

The decrease in 2002 current income tax expense as compared to 2001 is mainly due to France and relates to the effects of a non recurring tax refund for € 33 million and the utilization of tax loss carry-forward which eliminated French taxable licensing revenues while a charge of € -56 million related to such revenues was recorded in 2001. The level of income tax expense is higher in 2001 compared to the prior year 2000 due to the consolidation of Technicolor (income tax charge of € -47 million) and the expiration of the Tax Indemnification Agreement with T.S.A (*). As a consequence, in 2001 the tax expense related to French subsidiaries amounted to € -57 million out of which € -56 million was calculated at the reduced rate applicable under French law on revenues for patents owned for more than two years. French current income tax for year ended 2000 was an expense of € -6 million.

(*) For the previous years (1998, 1999 and 2000), Thomson benefited from a Tax Indemnification described as follows :
In December 1998, T.S.A. and Thomson (formally Thomson multimedia) entered into an agreement (the "Tax Indemnification Agreement") whereby T.S.A. agreed to indemnify the Thomson group for the tax effect of accumulated tax losses originating from Thomson and its 95% or more owned French subsidiaries (the "Qualified Subsidiaries"), which were transferred to T.S.A. from 1989 to 1997, and consequently were not available to offset their future taxable income.
Under the terms of this agreement, any income tax that Thomson and its Qualified Subsidiaries had to pay to the French tax authorities over the period 1998 to 2000 qualified for an indemnification from Thomson S.A. The 2000 tax expense was reduced by € 82 million and the indemnification was totally used by the end of 2000.

In 2002, the Group recorded a net deferred tax asset of € 22 million. This amount includes, in France a net of € 47 million corresponding to the recognition of a tax benefit related to long term capital losses and valuation allowances on ordinary tax rate deferred assets, and € -25 million related to foreign entities.
In 2001, a deferred tax asset of € 3 million was recorded.
In 2000, the Group recorded a deferred tax asset of € 106 million. It was composed of € 25 million concerning timing differences for the year and of € 81 million for a valuation allowance reversal concerning mainly deferred tax assets of the United States and French affiliates.

b) A reconciliation between the provision for income tax and the pre-tax accounting income/(loss) is as follows:

	2000	2001	2002
		(€ in millions)	
Net income/(loss)	394	286	373
Income tax	1	(139)	(56)
Minority interests	(18)	(22)	(13)
Net income/(loss) before tax (before minority interests and after equity)	**375**	**403**	**416**
Equity result of unconsolidated subsidiaries	3	3	-
Pre-tax accounting income/(loss) ***(6)***	**378**	**406**	**416**
Provision for income tax using the statutory rate of 34.33% (35.33% in 2001 and 36.67% in 2000)	**(139)**	**(143)**	**(143)**
Permanent differences	8	(34)	3
Indemnities from/to T.S.A. net of tax	51	-	-
Tax effect on indemnities from/to T.S.A.	31	-	-
Income tax refund due to retroactively application of the Regime *(1)*	-	-	33
Unrecognized deferred tax assets and change in valuation allowance *(2)*	39	29	(61)
Tax credits	52	15	9
Effects of differences in tax rate *(3)*	(3)	(2)	35
Other, net *(4)*	(38)	(4)	68
Income tax	**1**	**(139)**	**(56)**
Pre-tax accounting income/(loss) before amortization of goodwill and share in net income of equity affiliates ***(5)***	386	455	494
Effective tax rate ***(5)***	**(0.2)%**	**30.5%**	**11.3%**

(1) Includes € 33 million of the 2001 tax refund in connection with the worldwide tax consolidation.
(2) In 2002, this amount includes € -61 million of change in valuation allowance as described above in a), € -12 million of unrecognized deferred tax assets and € 12 million of carry-back from Thomson Inc and Thomson SA.
In 2001 mainly related to € 24 million of carry back from Thomson, Inc.
(3) In 2002 comprised of € 26 million related to operations taxed at reduced rate, € 11 million of effects of foreign tax rate differentials and € -2 million of effects of additional tax rate of 3,3%.
In 2001 and 2000 reflects only the impact of additional tax rate of 3,3% in the amount of € -2 million and € -3 million respectively.
(4) In addition to other foreign taxes (including State taxes) not based upon taxable income, this amount includes :
- *In 2002, mainly € 99 million for the recognition of unusual deferred tax benefits as described in paragraph a) above as well as € -19 million of unrecoverable withholding tax on licensing revenues.*
- *In 2001, € 39 million related to operations taxed at reduced rate, € 6 million of foreign tax rate differentials and € -22 million of unrecoverable withholding tax on licensing revenues.*

- *In 2000, € 4 million of foreign tax rate differentials and € -19 million of unrecoverable withholding tax on related to licensing revenue generated by Thomson multimedia Licensing, Inc.*

(5) The effective tax rate has been calculated on a net result before tax, minority interests, equity investments (refer to (6) above), and goodwill amortization (€ -78 million, € -49 million, € -8 million respectively at December 31,2002, 2001 and 2000).

c) Income/(loss) before income taxes and minority interests are broken out as follows:

	2000	2001	2002
		(€ in millions)	
Domestic activities	235	441	103
Foreign activities	140	(38)	313
Total income/(loss) before tax and minority interests (after equity result)	**375**	**403**	**416**

d) The deferred tax liabilities and income taxes payable in the balance sheet were as follows:

	2000	2001	2002
		(€ in millions)	
Deferred tax liabilities	29	25	23
Income taxes payable	227	151	151
TOTAL TAX LIABILITIES	**256**	**176**	**174**

e) The deferred tax assets and liabilities included in other receivables and other creditors and accrued liabilities of the balance sheet were as follows:

	2000	2001	2002
		(€ in millions)	
Deferred tax assets (net, by affiliates)	1,013	1,097	1,437
Valuation allowance	(886)	(842)	(1,154)
Deferred tax assets, net *(Note 14)*	**127**	**255**	**283**
Deferred tax liabilities *(Note 22)*	(29)	(25)	(23)
Net deferred tax assets (liabilities) *(1)*	**98**	**230**	**260**

(1) Including € 93 million for Technicolor at December 31, 2002. This amount includes € -42 million of valuation allowance on deferred tax assets recorded through goodwill on Technicolor, PDSC and Grass Valley.

f) The major temporary differences that give rise to deferred tax assets and liabilities are as follows:

	2000	2001	2002
		(€ in millions)	
Tax effect of tax loss carry-forwards *(2)*	**557**	**564**	**680**
Foreign Tax credit *(3)*	-	-	112
Tax effect of temporary differences related to:			
Accrued vacation pay	13	14	9
Reserve for restructuring costs	61	29	29
Reserve for other risks and losses	191	172	144
Reserve for depreciation of assets	17	18	13
Reserve for pensions	110	124	192
Other temporary differences	107	228	314
Total temporary differences	499	585	701
Deferred tax assets, gross	**1,056**	**1,149**	**1,493**
Tax effect of temporary differences related to:			
Reserve for depreciation of assets	(47)	(52)	(55)

Unrealized exchange difference	(8)	-	-
Other	(17)	(25)	(24)
Deferred tax liabilities, gross	**(72)**	**(77)**	**(79)**
Total valuation allowance	**(886)**	**(842)**	**(1,154)**
Net deferred tax assets (liabilities)	**98**	**230**	**260**

(2) The impact of the tax indemnification Agreement with TSA is included in 2000.
(3) Foreign tax credits are comprised of corporate taxes paid outside of France and deductible from the Regime future income tax payable.

g) As of December 31, 2002, the expiration of ordinary tax loss carry-forwards is as follows (basis before applying tax rate):

	(€ in millions)
2003	72
2004	49
2005	68
2006	82
2007	125
2008 and thereafter	1,244
Total	**1,640**

A valuation allowance is recognized for almost all the tax loss carry-forwards relating to European marketing subsidiaries (out of which Thomson multimedia Sales Germany GmbH represents 53% of the total tax loss carry-forwards), and some Asian affiliates for which loss history and prospects require such a valuation allowance.

8. RELATED PARTY TRANSACTIONS

- TSA and its subsidiaries ("TSA")

TSA (formerly Thomson S.A.) is a shareholder of Thomson and held a 20.8% ownership in the share capital of Thomson as of the end of February 2003. TSA is wholly owned by the French State.

Borrowing from TSA amounted to zero, € 3 million and € 12 million as of December 31, 2002, 2001 and 2000, respectively. Interest charged by TSA at market rate to Thomson for the 12 month periods ended December 31, 2002, 2001 and 2000 were not significant.

The group initiated in 1997 a tax indemnification agreement that ended in 2000. Refer to Note 7 for further information.

Thomson and TSA entered into an agreement on July 1997 defining the relations between Thomson, TSA and Thales S.A. (formerly Thomson -CSF), with respect to the management and the use of certain intellectual property rights. By amendments signed in 2000 and 2002, the parties have agreed to clarify and simplify the use of such intellectual property rights.

By the amendment effective in December 2000 and expiring in July 2006, Thales S.A. and TSA have granted to Thomson Licensing S.A. (a wholly owned subsidiary of Thomson) an exclusive right to grant licenses to third parties on their patents covering optical disk technologies and have also authorized Thomson Licensing S.A. to negotiate and sign such licensing agreements.

In addition in June 2002, TSA agreed to transfer all of the patents covered by the contracts signed in July 1997 to Thomson Licensing S.A., who was already the beneficiary of all revenues driven by such rights.

- Alcatel and its subsidiaries ("Alcatel")

Until July 2002, Alcatel was a shareholder of Thomson (3.4% ownership) and had one representative on the Board of Directors of Thomson. Therefore until this date, Alcatel was a related party of Thomson and transactions with Alcatel up to June 30, 2002 are disclosed hereafter.

In the normal course of its business and based on market conditions Thomson entered into the following transactions with Alcatel:

Thomson purchased from Alcatel different products, primarily modems, services, and trademark royalties totaling € 26 million, € 39 million and € 77 million for the 6 month period ended June 30, 2002 and the years ended as of December 31, 2001 and 2000, respectively

Also, the Group sold products (mainly modems) to Alcatel for € 97 million, € 82 million and € 74 million for the 6 month period ended June 30, 2002 and the 12 month periods ended December 31, 2001 and 2000, respectively.

Alcatel’s accounts payable in Thomson books were € 5 million, € 21 million and € 62 million as of June 30, 2002 and December 31, 2001 and 2000, respectively. The Group had receivables from Alcatel amounting to € 25 million, € 12 million and zero as of the same dates.

Consistent with the ATLINKS Joint Venture agreement, Alcatel and Thomson have granted loans to ATLINKS in order to provide financial support to the operation of the joint venture. On a consolidated basis, the debt due to Alcatel by ATLINKS amounted to € 14 million and € 23 million as of June 30, 2002 and December 31, 2001, respectively. As of December 31, 2000 the related debt outstanding amount was not significant.

The Group had an unconditional purchase obligation to acquire from Alcatel its 50% interest in the ATLINKS joint venture exercisable from October 2002. Agreement was reached in February 2003 involving a cash payment by Thomson of € 68 million in return for inter alia the 50% stake. (Note 25 and 29)

- NEC Corporation and its subsidiaries (“NEC”)

Until June 2002, NEC was a shareholder of Thomson (5% ownership) and had one representative on the Board of Directors of Thomson. Therefore until this date, NEC was a related party of Thomson and transactions with NEC up to June 30, 2002 are disclosed hereafter.

In the normal course of its business and based on market conditions Thomson entered into the following transactions with NEC:

The Group purchased from NEC primarily DVD spare parts and Plasma displays in the amounts of € 1 million, € 74 million and € 11 million for the 6 month period ended June 30, 2002 and the 12 month periods ended December 31, 2001 and 2000, respectively.

The Group sold products, mainly DVD drives and patent licensing to NEC in the amounts of € 18 million, € 93 million and € 2 million over the first 6 months of 2002 and over the full year 2001 and 2000, respectively.

As of June 30, 2002 and December 31, 2001 amounts due from NEC were € 1 million and € 8 million, respectively. As of the same dates, amounts due to NEC were zero and € 8 million, respectively. Such balances as of December 31, 2000 were not significant.

In 2001, the Group acquired for USD 50 million (€ 57 million) the joint ownership of patents and related know-how related to plasma screen technology (including € 6 million in withholding taxes paid to the French Treasury) with the intention of setting up a joint venture dedicated to plasma screen manufacturing. At the beginning of 2002, NEC informed Thomson that it was not in a position to launch the industrial phase of the underlying contracts. At the end of 2002, the parties agreed upon the cancellation of these related contractual obligations. As a consequence of this settlement, NEC shall pay the Group € 48 million (the Group will also claim reimbursement of the withholding taxes from tax authorities).

- DIRECTV and its subsidiaries ("DIRECTV")

Until September 2002, DIRECTV was a shareholder of Thomson (3.1% ownership) and had one representative on the Board of Directors of Thomson. Since that time, the Chairman and CEO of DIRECTV has been a member of the Board of Directors of Thomson and is qualified as an independent director. Therefore transactions with DIRECTV through December 31, 2002 are disclosed hereafter.

In the normal course of its business and based on market conditions Thomson entered into the following transactions with DIRECTV:

The Group invoiced products, mainly digital decoders and satellite receivers, and services to DIRECTV amounting to € 40 million, € 298 million and € 445 million during the 12 month periods ending on December 31, 2002, 2001 and 2000, respectively.

As of December 31, 2002, 2001 and 2000, receivables from DIRECTV amounted to € 83 million, € 254 million and € 271 million, respectively.

In 1999, Thomson Inc. (a subsidiary of Thomson) paid DIRECTV € 25 million for marketing support and development of local channel programming. This expense was deferred and amortized over the development and promotional period, which ended in 2000. As a consequence, the group recognized in 2000 an expense amounting to € 22 million.

With regard to satellite receiver promotion and advertising activities, DIRECTV has committed to pay Thomson € 6 million over the course of 2003 as a contribution to promotional related programs.

- Microsoft and its subsidiaries ("Microsoft")

As of February 28, 2003, Microsoft is a shareholder of Thomson (3.4% ownership) and has a representative on the Board of Directors of Thomson.

In the course of its business and based on market conditions, the Group sold products and services to Microsoft, mainly optical kits, royalties, distribution services and promotional services. These sales amounted to € 303 million and € 194 million for the 12 month periods ended December 31, 2002 and 2001. Such sales were not significant in 2000.

As of December 31, 2002 and 2001, Thomson had accounts receivable from Microsoft amounting to zero and € 89 million and owed accounts payable amounting to € 3 million and € 5 million, respectively. These balances were not significant as of 2000 year-end.

- A Novo Comlink Espana ("A NOVO")

As of December 31, 2002, Thomson no longer has any interest in A NOVO (Note 2). Before the disposal, the Group accounted for such interest using the equity method.

In the course of its business and based on market conditions, the Group purchased kits, spare parts and raw materials for € 62 million and € 81 million for the 12 month periods ended December 31, 2002 and 2001. Accordingly, the Group owed € 15 million and € 18 million to A Novo as of December 31, 2002 and 2001, respectively. During 2000, A NOVO was not a related party.

- Carlton Communications Plc ("Carlton")

Since March 16, 2002 Carlton has been a significant shareholder of Thomson and holds a 5.5% interest in the share capital of Thomson. As a consequence, transactions with Carlton entered into since this date are disclosed hereafter.

in millions of euro, unless otherwise stated

The Group partially financed the Technicolor acquisition (Note 2) by issuing promissory notes (the "Notes") to Carlton (see note 23) in the amount of € 669 million (USD 600 million at historical exchange rate). The Notes are repayable over 4 equal installments on the first, second, third and fourth anniversaries of the Notes (March 2001).

In March 2002, an amount of € 178 million (USD 156 million at March 16, 2002 exchange rate) was reimbursed related to the first installment of the Notes; it includes € 7 million (USD 6 million) of accrued interest.

As of December 31, 2002, the outstanding debt due to Carlton amounts to € 459 million (USD 481 million) including € 29 million of accrued interest (USD 30 million), of which € 10 million (USD 10 million) relates to the period from March 16, 2002 to December 31, 2002.

On May 7, 2002 the group incorporated a new Joint Venture, ScreenVision Europe, with Carlton in order to purchase and operate the cinema screen advertising businesses formerly held by UGC and RTBF in Europe (Note 2).

Following the acquisition and during 2002, Carlton and the Group granted loans to ScreenVision Europe on an equal basis. As of December 31, 2002, the debt due to Carlton by Screenvision Europe in the consolidated financial statement of the Group amounts to € 14 million.

Such loans bear interest at market rate. For the 6 month period ended December 31, 2002, ScreenVision Europe recognized an interest expense amounting to € 1 million, out of which € 0.5 million was eliminated in Thomson's consolidated financial statements.

- France Telecom and its subsidiaries ("FT")

On October 2, 2002, Thierry Breton was appointed FT's chairman and CEO. Following these appointments he remains a member of the Board of Directors of Thomson and Chairman of the strategy committee of Thomson. As of the same date Franck E. Dangeard has been appointed director of the plan "équilibre financier 3x15 – France Telecom 2005" at FT and he has been appointed as a non-executive chairman of Thomson. Following these appointments he resigned from his former positions of vice chairman of the Board and Senior Executive Vice President of Thomson. As a consequence, FT has been considered as a related party since that date.

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

In December 2000, Thomson initiated with FT a telecommunication outsourcing agreement, which scope is to provide all of the Group's global telecom requirements for voice, data and videoconferencing. The agreement is known as TINOS (Thomson Infrastructure Network Operations Services).
As of November 7, 2002, with effect as of September 1, 2002, Thomson and FT amended the TINOS agreement in order to expand its scope to all of Thomson's recent acquisitions.

For the 3 month period ended December 31, 2002, Thomson recorded € 6 million in operating expenses related to the TINOS contract (as amended).

Thomson sold to FT communication set-top-boxes. For the 3 month period ended December 31, 2002 such sales amounted to € 10 million. As of December 31, 2002 amounts due from FT amounted to € 13 million.

9. FIXED ASSETS

(a) Intangible assets:

	2000	2001	2002		
	Net	Net	Gross	Accumulated amortization	Net

				(€ in millions)	
Goodwill	55	901	1,441	(121)	1,320
Patents, trademarks and customer relationships	72	727	925	(122)	803
Other intangibles (mainly softwares)	69	68	158	(98)	60
TOTAL	**196**	**1,696**	**2,524**	**(341)**	**2,183**
Gross Value	424	1,992			
Accumulated Amortization	(228)	(296)			

Goodwill

(€ in millions)	Purchase Date	Amortization Life (years)	2000 Net	2001 Net	2002 Gross	2002 Amortization	2002 Net
ATLINKS	*1999*	15	31	29	32	(6)	26
Singingfish.com	*2000*	5	22	15	23	(13)	10
Technicolor Group *(1)*	*2001*	20		712	589	(54)	535
ScreenVision US	*2001*	20		51	42	(3)	39
Miles O' Fun Inc	*2001*	20		7	6	-	6
BTS *(2)*	*2001 & 2002*	15		79	129	(13)	116
Thomson Broadband (ADSL)	*2001*	10		-	68	(7)	61
VidFilm *(3)*	*2002*	20		-	71	(3)	68
Grass Valley *(3)*	*2002*	15		-	98	(5)	93
Still in Motion *(3)*	*2002*	20		-	7	-	7
Southern Star Duplitek *(3)*	*2002*	20		-	51	(2)	49
Panasonic Disk Services Corporation (PDSC) *(3)*	*2002*	20			279	(7)	272
ScreenVision Europe *(3)*	*2002*	20			20	(1)	19
Grundig DIS business *(3)*	*2002*	15			7		7
Others *(less than € 5 million net individually)*			2	8	19	(7)	12
TOTAL			**55**	**901**	**1,441**	**(121)**	**1,320**

(1) The Technicolor goodwill has been amortized since March 17, 2001. Technicolor goodwill gross value decreased by € 153 million in 2002 due to the decrease in value of the USD (€ -118 million decrease) and to final purchase accounting allocation for USD -37 million (€ - 35 million at December 31, 2002 closing rate).

(2) The goodwill on the BTS business acquired from Philips Broadcast has been amortized since January 1, 2001. Philips sold its remaining 33.33% interest in BTS Holding International B.V. to the Group during 2002. The goodwill related to this complementary acquisition and the effect of final purchase accounting allocation amounts to € 44 million.

(3) As of December 31, 2002, these companies have only performed a preliminary purchase accounting which should be finalized no later than the close of the first financial year subsequent to the acquisition pursuant to French regulation 99-02.

Patents, trademarks and customer relationships consist mainly of:

- Trademarks of Technicolor (€ 219 million at December 31, 2002) and Grass Valley (€ 43 million at December 31, 2002).

Customer relationships of Technicolor (€ 286 million at December 31, 2002), Panasonic Disc Services Corporation (€ 85 million at December 31, 2002), and Screenvision Europe (€ 22 million), which are not amortized. Independent experts determined the amount of intangible assets. With respect to the customer relationships the valuation method was based on discounted future cash flows expected to be generated by the existing customer portfolio at acquisition date. As for the trademarks, the royalty method was used based on the royalty rates to be paid by third-party licensees. Such intangibles are not amortized but are subject to periodic impairment tests using the same criteria as applied in the initial valuation.

- THOMSON ® brand name purchased from TSA in 2001.

- License to use the RCA ® trademark for consumer electronics products was obtained in 1988 and in 1999 an extended usage of the RCA ® trademark was purchased from General Electric. The RCA ® trademark is no longer amortized as of January 1, 2001.

- Intellectual property licensing rights purchased in 2002 by Digital Media Solutions.

- Other intangible assets

Other intangible assets include mainly softwares.

(b) Property, plant and equipment:

	2000	2001	2002		
	Net	**Net**	**Gross**	**Accumulated Amortization**	**Net**
			(€ in millions)		
Land	43	86	77	(1)	76
Buildings	214	302	487	(212)	275
Plant and equipment	649	833	2,655	(1,800)	855
Other fixed assets	216	315	581	(165)	416
TOTAL	**1,122**	**1,536**	**3,800**	**(2,178)**	**1,622**

In December 2001, in connection with the transaction described under note 25 Thomson derecognized its Polish tube manufacturing equipment, for an amount of € 53 million.
As of December 31, 2002 the accumulated amortization includes € 32 million of write-downs broken down as follow: € 38 million reclassified, as of January 1, 2002 from the restructuring reserve (See note 19) and € -6 million used during the period.

10. EQUITY INVESTMENTS

These investments represent companies engaged in activities similar to those of Thomson's consolidated subsidiaries.
Equity investments in unconsolidated affiliates are summarized below:

	% Interest	**Investments**			**Income/(loss)**		
	2002	**2000**	**2001**	**2002**	**2000**	**2001**	**2002** *(4)*
				(€ in millions)			
MusicMatch (U.S.)	-	-	-	-	(1)	-	-
Thomson multimedia Kulim Sdn Bhd (Malaysia) *(1)*	-	10	-	-	1	-	-
Thomson Pacific CE Co. Ltd. *(Taiwan) (4)*	50%	-	-	-	(2)	(2)	-
CTE El Athir *(Tunisia) (4)*	30%	4	4	4	-	-	-
J2T Video Tonnerre *(France)(2)*	-	2	-	-	(1)	(2)	-
Novo Comlink Espana *(Spain) (3)*	-	-	11	-	-	1	-
TOTAL		**16**	**15**	**4**	**(3)**	**(3)**	**-**

(1) Thomson multimedia Kulim was accounted for under the equity method in 2000 and is fully consolidated since 2001.
(2) In 2002, JT2 Video Tonnerre was sold to STELI and merged into STELI.
(3) In 2002 shares of Novo Comlink Espana were sold.
(4) In 2002, the net income of remaining equity investments is immaterial.

11. OTHER INVESTMENTS

These investments are as follows:

	2000	2001	2002		
	Net	**Net**	**At cost**	**Valuation allowance**	**Net**

				(€ in millions)	
Investments in :					
- listed securities *(1)*	106	63	27	(22)	5
- unlisted securities	176	126	221	(168)	53
- subsidiaries recently acquired and not yet consolidated *(2)*	-	148	-	-	-
TOTAL	**282**	**337**	**248**	**(190)**	**58**

(1) In 2002, the net book value of listed securities disposed of amounted to € 55 million.
(2) The Company classified companies acquired at the end of December 2001 under "Other investments" because there was immaterial activity between the purchase date and the closing date.

12. INVENTORIES

(€ in millions)	2000	2001	2002
Raw materials	299	335	379
Work in process	363	185	123
Finished goods and purchased goods for resale	927	728	561
Sub-total	1,589	1,248	1,063
Less: valuation allowance	(112)	(128)	(101)
TOTAL	**1,477**	**1,120**	**962**

As of December 31, 2002, approximately 76 % (77% in 2001 and 89% in 2000) of inventories were valued by the FIFO method with the remainder valued by the weighted average cost method.
As of December 31, 2002 the valuation allowance includes € 10 million of write-downs broken down as follow: € 7 million reclassified as of January 1, 2002 from the restructuring reserve (See note 19) and € 3 million of accruals recorded during the period.

13. TRADE ACCOUNTS AND NOTES RECEIVABLE, NET

(€ in millions)	2000	2001	2002
Trade accounts and notes receivable *(1)*	1,614	2,218	1,742
Less: valuation allowance	(61)	(79)	(67)
TOTAL	**1,553**	**2,139**	**1,675**

(1) Including advances to suppliers. Sales deductions and price protection allowances are deducted from trade accounts receivables gross for € 235 million and € 221 million as of December 31, 2002 and 2001 respectively. In 2002, accruals related to sales incentives (EITF 01-09), which are deducted from sales, are classified in "trade receivables" (€ 29 million) instead of "other creditors and accrued liabilities" for an amount of € 38 million and € 50 million as of December 2001 and 2000, respectively. This restatement only concerns the Consumer Products segment.
As of December 31, 2002 the valuation allowance includes a write-down of € 2 million for 2002.

Sales of receivables

In December 2002, the Group put in place a new securitization program for its North American receivables replacing the previous program. Under this program, Thomson, Inc. entered into an agreement allowing the sale, on a revolving basis of a senior undivided ownership interest in a designated pool of receivables up to a maximum of USD 300 million (€ 286 million at December 2002 closing rate).
No sales of receivables were outstanding at December 31, 2002, 2001 and 2000 under these programs.

Valuation allowance

The Thomson group's accounting policy is to provide for doubtful accounts when losses are probable and can be estimated. Reversal of reserves for doubtful accounts for the years ended December 31, 2002, 2001 and 2000 amounted respectively to € 24 million, € 9 million, and € 8 million.

14. OTHER RECEIVABLES

	2000	2001	2002

(€ in millions)			
Value added tax receivable *(1)*	136	164	110
Other taxes receivable *(2)*	200	120	232
Subsidies	14	17	23
Deferred taxes, net of valuation allowance *(3)*	127	255	283
Prepaid expenses	17	41	67
Other (4)	352	462	563
TOTAL	**846**	**1,059**	**1,278**

(1) The value added tax receivable corresponds to the consolidated value added tax position generated in the normal course of the Thomson group's business.
(2) In 2002 this line includes the effect related to worldwide tax consolidation regime (note 7). In 2000, it corresponds mainly to advances to the French Tax authorities on current year income tax (€ 82 million) to be matched against income tax payable when the tax return was filed in April of the following year, and to the indemnification receivable from TSA for € 82 million.
(3) Includes Technicolor for respectively € 93 million and € 110 million in 2002 and 2001. These amounts are mostly related to the impact of purchase accounting.
(4) As of December 31, 2002, 2001 and 2000 € 125 million, € 84 million and € 61 million, respectively are related to royalty accrued income.

15. CONTRACT ADVANCES, NET

This item mainly corresponds to Technicolor customer contracts:
Technicolor conducts business with the majority of its customers under long-term contracts. These contracts award to Thomson a customer's business within a particular territory over the specified contract period (typically from 1 to 5 years). The contracts contain provisions that establish pricing terms for services and volumes to be provided and other terms and conditions. Consideration is typically paid as an advance to customers in return for the customer's various commitments over the life of the contracts.
Such advance payments are recorded as "contracts advances" and are amortized as a reduction of "Net sales" on the basis of units of production or film processed. Technicolor customer advances amounted to € 225 million and € 241 million respectively as of December 31, 2002 and 2001. For the years ended December 31, 2002 and 2001 respectively, the company recorded a total of € 66 million and € 54 million of depreciation of customer contracts advances amortization.

In 2002 an amount of € 17 million (€ 7 million in 2001) corresponds also to advances paid on contracts in the Group's screen advertising joint ventures in the U.S. and Europe.

16. CASH AND CASH EQUIVALENTS

As of December 31, 2002, 2001 and 2000 cash and cash equivalents amount to € 1,463 million, € 1,532 million and € 1,772 million respectively, of which € 89 million (€ 177 million in 2001 and € 35 million in 2000) are related to restricted cash deposits. These deposits consist principally of a deposit made by TCE Television Taiwan in the amount of € 80 million (€ 91 million as of December 2001) guaranteeing a loan to Thomson in the same amount. As of December 31, 2001, there was also € 86 million as collateral for a bank guarantee of certain promissory notes that Thomson issued to Carlton in connection with the purchase of Technicolor.

17. SHAREHOLDERS' EQUITY

Common stock and additional paid-in capital

As of December 31, 2002, the share capital of Thomson is € 1,052,300,655 consisting of 280,613,508 shares of common stock outstanding with a nominal value of € 3.75 (€ 994,175,655 consisting of 265,113,508 shares of common stock outstanding with a nominal value of € 3.75 at December 31, 2001 and 2000 respectively).

The main changes since 2000 are as follows*:*

- On May 26, 2000 the shareholders approved a two-for-one stock split which reduced the nominal value from € 7.5 to € 3.75 per share.

- In October 2000, as part of a global offering of 44,388,863 shares of Thomson, TSA sold 27,983,579 existing shares and Thomson issued 16,405,284 shares, each at € 55.90. The new shares were issued upon the exercise of warrants at a price per share equal to the French public offering price, which was € 2 lower than the international offering price in the global offering. Thomson's capital stock increased by € 61,519,815 and additional paid in capital was increased by € 782,691,725 after deduction of warrants paid to existing shareholders and of costs related to the share offering. Warrant holders making their warrants available for sale received a payment of € 0.13333 per warrant.

The costs related to the capital increases (€ 40 million in 2000) correspond to the valuation, audit and consulting fees, road shows, commissions to banks and to international underwriters and have been deducted from additional paid in capital.

Concurrently with the global offering of shares, Thomson issued 11,175,385 convertible/exchangeable bonds referred to as an “OCEANE” due in 2006 for an aggregate amount of € 812,115,228, with each bond having a € 72.67 nominal value (note 21).

- On March 16, 2001, in connection with the acquisition of Technicolor, Thomson issued to Carlton non-transferable and non-interest bearing bonds (*Obligations Remboursables en Actions* or "ORA") redeemable in Thomson shares payable in 15.5 million ordinary shares one year after the closing, representing approximately 5.5% of the outstanding shares of Thomson. The bonds were redeemed on March 16, 2002.

- Up to half of the deferred consideration for the acquisition of Technicolor due to Carlton may be paid in Thomson shares, which however is subject to shareholders’ approval if in excess of 4 million shares.

- On March 12, 2002 the group issued 14,814,815 convertible/exchangeable bonds referred to as an “OCEANE”, due January 1, 2008 for an aggregate amount of € 600 million, with each bond having a nominal value of € 40.50 (see note 21).

Treasury shares

As of October 2000, Thomson held 105,220 of its own shares to which 860 shares were added in 2001 from former employees shareholding plan adjustments.
Effective November 10, 2000 the General Assembly of Shareholders meeting authorized the Board of Directors to repurchase ordinary shares in the market for multiple purposes (future exchange of shares for strategic partnerships, possible exchange with convertible bonds, stock option plans etc…). Pursuant to this authorization, the Group repurchased 3,267,850 treasury shares for € 156 million.
As of December 31, 2001, 3,373,000 shares had been lent to third parties. This lending agreement was terminated on September 11, 2002.
Those treasury shares are not considered outstanding. Accordingly the financial interest income (€ 0,8 million) related to this loan is deducted from equity.

Stock option plan and dilutive potential ordinary shares

In accordance with the decision at the shareholders’ meeting on November 10, 2000, the Board of Directors decided at its meetings held on December 18, 2000, March 16, 2001 and July 23, 2001 to confer a total of 3,433,000 (4,018,500 initially) purchase options at an exercise price of € 55.9 for a period of 10 years to 395 beneficiaries (463, initially).
50% of the options will vest on December 18, 2003 and the remaining 50% on December 18, 2004.The option may be forfeited if the beneficiary leaves the Group. Before such date they may become fully vested upon a change of control of the Group as defined in the contract.

In accordance with the same shareholders’ decision, the Board of Directors approved a new stock option plan at its meeting held on October 12, 2001. The plan confers a total of 3,417,900 options (3,540,300 initially) to acquire new shares at an exercise price of € 31.5 for a period of 10 years to 517 beneficiaries (556, initially).

50% of the options will vest on October 12, 2004 (October 12, 2005 for French residents) and the remaining 50% on October 12, 2005. The options may be forfeited if the beneficiary leaves the Group.

As the average price for the period is below the exercise price in 2002 and 2001 respectively, the stock options do not have any dilutive effect on the earning per share of the Group as of December 31, 2002 and 2001.

The Group may issue 25,577,200 basic shares (weighted average number) in connection with the convertible/exchangeable bonds (note 21) and a maximum of 4,000,000 shares in connection with the promissory notes due to Carlton.

After consideration of the weighted average number of potential ordinary shares over the period (26,934,016) and the restatement of financial charges net of tax (€ 20 million) associated with these two financial instruments and based on 2002 interest on the promissory notes, there is a negative dilutive effect of € 0.06 on the earnings per share for the year ended December 31, 2002.

Minority interests
As of December 31, 2002 minority interests (€ 38 million including net result) consist mainly of the 50% equity investment in ATLINKS (€ 36 million) held by shareholders other than the Group (at December 31, 2001 minority interests also included the 33,33% held by Philips in the Broadcast activity purchased in 2001).

Cumulative translation adjustment
This item represents exchange differences arising from the translation of foreign subsidiaries' financial statements.

Revaluation reserve
This item represents the Thomson group's share in the revaluation of certain tangible fixed assets.

18. RESERVES FOR RETIREMENT BENEFITS

	2000	2001	2002
		(€ in millions)	
Group pension plan *(1)*	232	273	297
Group post-retirement benefit *(2)*	333	359	325
Group termination benefit *(3)*	68	77	83
Total reserves for retirement benefit	**633**	**709**	**705**
Current portion included in “Other creditors and accrued liabilities” (4)			
• *Pension plan*	*15*	*-*	*-*
• *Post-retirement benefit*	*13*	*16*	*-*

(1) The majority of this amount is related to the pension plan in Germany. In 2001, the increase is mainly due to pension plans of the new affiliates Technicolor and BTS. In 2002, the increase is mainly due to the short-term portion (€ 19 million) of the liability, which is now classified under reserve.
(2) In 2002, the decrease is mainly due to the decrease of the U.S. dollar translated to euro.
(3) As of December 2002, mainly relates to France (€ 41 million) and Italy (€ 34 million) (c) and d) below).
(4) As of December 2002, the short-term portion of pension and postretirement benefit (€ 37 million) is classified in the reserve for retirement benefit. Prior years (€ 28 million and € 16 million, respectively, as of December 31, 2000 and 2001) have not been restated.

a) Main pension plans

In some countries, Thomson pays contributions to governmental entities bearing the costs of retirement benefits. Such contributions are charged to expense as incurred. In other countries, mainly in Germany and in the United States, Thomson provides defined benefits to employees upon their retirement.

- **In Germany**, employees have a pension plan granted by Thomson. This non-funded plan is fully managed by Thomson.

	2000	2001	2002
		(€ in millions)	
Actuarial pension obligation	242	253	264
Unrecognized obligation *(1)*	(21)	(20)	(34)
Pension reserves recognized	**221**	**233**	**230**
Pension charges	(15)	(16)	(17)
Benefit paid	(16)	(16)	(16)
Discount rate	*6%*	*6%*	*5.5%*
Long-term rate of compensation	*2%*	*2%*	*2%*

(1) The unrecognized obligation corresponds to changes in actuarial assumptions that are deferred for the portion exceeding 10% of the actuarial pension obligation of each relevant entity. In 2002, the unrecognized obligation exceeds the 10% threshold. Consequently, the unrecognized loss or gain will have to be amortized starting in 2003 and will increase the pension cost by approximately € 1 million.

• **In the United States**, the employees of Thomson, Inc. are covered under a defined benefit pension plan. The plan is funded by a trust fund maintained by Thomson, Inc. Thomson, Inc.'s funding policy is to contribute on an annual basis in an amount that is at least sufficient to meet the minimum requirements of the U.S. Employee Retirement Income Security Act of 1974 ("ERISA"). Benefits are equal to a percentage of the plan member's earnings each year plus a guaranteed rate of return on earned benefits until retirement. The related accrued pension cost is reflected under "Accrued employee expenses". Technicolor operates a defined benefit pension plan (the "Technicolor Plan") that covers substantially all employees that are not covered by collective bargaining agreements.

The actuarial present value of the benefit obligation is as follows:

	2000	2001	2002
		(€ in millions)	
Projected benefit obligation	268	347	301
Fair value of plan assets	290	287	187
Funded (unfunded) status	**22**	**(60)**	**(114)**
Unrecognized prior service costs	(2)	(1)	0
Unrecognized (gain) loss *(1)*	(47)	14	63
Accrued pension cost	**(27)**	**(47)**	**(51)**

(1) In 2002, the unrecognized obligation exceeds the 10% threshold. Consequently, the unrecognized loss or gain will have to be amortized starting in 2003 and will increase the pension cost by approximately $ 2.8 million (€ 2.9 million converted at December 31, 2002 average rate).

The net periodic costs are as follows:

	2000	2001*	2002
		(€ in millions)	
Service cost	19	24	19
Interest cost	21	27	23
Return on plan assets:			
Expected	(26)	(30)	(22)
Amortization of prior service costs and actuarial (gain)/loss	(4)	(2)	(1)
Net periodic pension costs	**10**	**19**	**19**
Discount rate	*8.25%*	*7.5%*	*6.75%*
Long term rate of compensation	*4%*	*4%*	*4%-5%*
Long term rate of return on plan assets	*9.25%*	*9.25%*	*9.25%***

** 2001 restated, including Technicolor and affiliates.*
** *Based on recent investment returns the company will use an Expected Return On Assets (EROA) of 7.5% for 2003.*

b) US post-retirement employee benefits (FAS 106)

Thomson Inc. and its subsidiaries provide health care coverage during retirement to employees who meet seniority and age conditions.

The analysis of changes in the accrued post-retirement employee benefit obligation is as follows (including Technicolor since 2001 and the other affiliates of Thomson, Inc.):

	2000	2001*	2002
		(€ in millions)	
As of the beginning of the year	**294**	**331**	**359**
Allowances	26	26	42
Payments	(12)	(18)	(22)
Other movements (1)	23	20	(57)
As of the end of the year	**331**	**359**	**322**

(1) Other movements include translation adjustments.
** 2001 restated, including Technicolor and affiliates.*

The unrecognized post-retirement benefit obligation is as follows:

	2000	2001*	2002
		(€ in millions)	
Unrecognized prior service costs	4	5	3
Losses (gains) remaining to be amortized *(1)*	(66)	59	85
Total unrecognized post-retirement benefit obligations	**(62)**	**64**	**88**

(1) Because of the increase of the unrecognized loss to amortize, the 2003 amortization will increase the cost by approximately $ 3 million (€ 3.2 million converted at December 31, 2002 average rate).
** 2001 restated, including Technicolor and affiliates.*

The net post-retirement benefit expense for the year is as follows:

	2000	2001*	2002
		(€ in millions)	
Service cost	6	6	7
Interest cost	20	24	31
Amortization of unrecognized prior service costs	4	1	1
Amortization of unrecognized gain	(5)	(7)	1
Net post-retirement benefit expense	**25**	**24**	**40**

Discount rate	*8.25%*	*7.75%*	*7.0%*
Long term rate of compensation	*4.0%*	*4.0%*	*4.0%*
Assumed health care cost trend rate (1)	*5.5%*	*9.0%*	*8.5%*

(1) The assumed rate declines to 4% in 2004 subject to revision.
** 2001 restated, including Technicolor and affiliates.*

The effect of a one point increase in the assumed health care cost trend rate would increase the accumulated post-retirement benefit obligation as of September 30, 2002 by approximately USD 12 million

(€ 11 million translated at 2002 closing rate). It would also increase the aggregate of the service and interest cost components of the 2002 post-retirement benefit expense by approximately USD 5 million (€ 5 million translated at 2002 closing rate).

c) Contractual retirement indemnities

In certain countries, contractual retirement indemnities are payable upon retirement of the employees and are due only if the employee is on Thomson payroll when he or she retires. Such indemnities are based and accrued on the employee's estimated salary at retirement date and on his/her years of service.

	2000	2001	2002
		(€ in millions)	
Reserves for contractual retirement indemnities for French companies	27	36	41
Discount rate without inflation	*3.5%*	*3.5%*	*3.5%*
Rate of inflation	*2%*	*2%*	*2%*

d) Termination indemnities

In Italy, according to local regulations, Thomson accrues indemnities for all employees until they leave Thomson (retirement, lay-off or termination of contract). This indemnity is increased each year based on each employee's seniority and an inflation factor.
The related accrued termination indemnity of Italian subsidiaries amounts to € 34 million, € 39 million and € 41 million as of December 31, 2002, 2001 and 2000 respectively.

19. RESTRUCTURING RESERVES

(€ in millions)	2000	2001	2002
Reserves at the beginning of the period	**156**	**179**	**183**
Current year expense *(1)*	138	187	151
Release of provision *(1)*	(33)	(80)	(10)
Usage during the period	(75)	(139)	(175)
Change in perimeter *(2)*	(2)	93	34
Currency translation adjustment and other movements *(3)*	(5)	(57)	(56)
Reserves at the end of the period	**179**	**183**	**127**

(1) See note 6.
(2) As of December 31, 2001, the change in perimeter is due to the purchase accounting impacts of Technicolor (€ 71 million) and BTS (€ 22 million). As of December 31, 2002, the change in perimeter is due to the purchase accounting impact of PDSC (€ 31 million), Grass Valley (€ 27 million), BTS (€ 10 million), ADSL (€ 6 million) and Grundig (€ 1 million) together with a reversal for € -41 million on Technicolor.
(3) As of December 31, 2002 includes mainly currency translation adjustments and write-down of assets. As of December 31, 2002 currency translation adjustments amount to € -13 million (€ 3 million in 2001 and € 2 million in 2000). As of January 1, 2002 and according to the new French regulation 00-06 relating to the accounting for liabilities, all write-downs are re-classified against assets prior to disposals. The impact of this reclassification for year ended December 31, 2002 amounts mainly to € -46 million. If applied to years ended December 31, 2001 and 2000 the restructuring reserve would have been decreased by € -46 million and € -28 million.
For year 2002 the above mentioned € -46 million re-classification is broken down as follows: € -38 million for write-down of fixed assets (note 9) and € -8 million for write-down of inventories (note 12).

20. OTHER RESERVES

	Warranty	Losses on subsidiaries *(1)*	Others *(2)*	TOTAL
		(€ in millions)		
As of January 1, 2000	**114**	**21**	**90**	**225**
Current year expense	193	1	86	280
Release of provision	(3)	(2)	(16)	(21)
Usage during the period	(186)	-	(24)	(210)
Currency translation adjustments and others	9	(8)	2	3
As of December 31, 2000	**127**	**12**	**138**	**277**
Current year expense	178	38	62	278
Release of provision	(12)	-	(58)	(70)
Usage during the period	(191)	(3)	(69)	(263)
Currency translation adjustments and others	11	5	8	24
As of December 31, 2001	**113**	**52**	**81**	**246**
Current year expense	167	8	44	219
Release of provision	(17)	(1)	(21)	(39)
Usage during the period	(165)	(3)	(42)	(210)
Currency translation adjustments and others	(6)	(5)	11	-
As of December 31, 2002	**92**	**51**	**73**	**216**

(1) Mainly includes the losses in excess of the Group investments in unconsolidated companies.
(2) As of December 31, 2002, other reserves include mainly accruals for litigation risks for € 20 million (€ 50 million as of December 2001) and contract risks for € 13 million (€ 3 million as of December 2001).

21. FINANCIAL DEBT (SHORT-TERM AND LONG-TERM)

(a) Analysis by nature

(€ in millions)	2000	2001	2002
Debt due to financial institutions	227	255	204
Convertible/exchangeable bond *(October 2000) (1)*	812	812	782
Convertible/exchangeable bond *(March 2002)*	-	-	600
Bank overdrafts	19	7	19
Other financial debt	85	57	44
Accrued interest including premium *(2)*	-	-	45
Total	**1,143**	**1,131**	**1,694**

(1) 413,000 bonds were repurchased and cancelled during 2002 for an aggregate amount of € 28 million decreasing the nominal debt by € 30 million.

(2) As of December 31, 2002 accrued interests have been classified as part of the financial debt caption. Accrued interest are broken down into (i) € 32 million for the premium due at maturity on the October 2000 convertible bond which is recorded as a financial expense over the bond duration and (ii) € 13 million of interest. For 2000 and 2001 accrued interests have not been restated and were recorded in "Other creditors and accrued liabilities" in the amount of € 13 million and € 27 million (of which € 8 million and € 14 million, respectively for the premium and € 5 million and € 13 million, respectively for interest). The increase of interest payable is due to the premium due at maturity on the October 2000 convertible bond which is accrued for in "financial interest" over the bond duration.
Interest on "debt related to Technicolor acquisition" (note 23) is included in the total "debt related to Technicolor acquisition".

Convertible bonds

- In October 2000, Thomson issued 11,175,385 convertible/exchangeable bonds, with a nominal value of € 72.67 each, due in 2006 for an aggregate amount of € 812,115,228. The bonds bear interest at a rate of 1% per annum, payable in arrears on January 1 of each year, with the first payment made on January 1, 2001. The bonds will mature and become repayable at a price of € 79.71 per bond on January 1, 2006, unless previously converted, exchanged, redeemed or cancelled. This price is 109.69% of the original issue price. The annual effective interest rate is 2.75%.

Each bondholder may elect to receive, in lieu of receiving payment of the principal, ordinary shares of Thomson of € 3.75 par value each, at a ratio of one share for each bond, subject to adjustment upon occurrence of certain events.
The bonds are redeemable at Thomson's option at any time on or after January 1, 2004 in whole but not in part, at a price enabling the bondholder to receive a gross redemption yield equal to the gross redemption yield that would have been received at final maturity, which is 2.75% if the share price is greater than 120% of the bond redemption price for 20 consecutive days. Thomson may also repurchase any number of bonds at any time at any price on the Paris *Bourse*. Bonds so repurchased will be cancelled.
The costs related to the convertible bond offering (€ 18 million) are amortized over the bond duration.
In June 2002, Thomson repurchased 413,000 bonds at an average price of € 67.495. The repurchased bonds were cancelled.
The convertible/exchangeable bonds issued in October 2000, may be redeemed by bondholders for Thomson ordinary shares beginning October 11, 2001.

- On March 12, 2002 Thomson issued 14,814,815 convertible/exchangeable bonds, with a nominal value of € 40.50 each, for an aggregate amount of € 600 million. The bonds bear interest at a rate of 1% per annum, payable in arrears on January 1 of each year with the first payment to be made on January 1, 2003. The bonds will mature and become repayable at a price of € 40.50 per bond on January 1, 2008, unless previously converted, exchanged, redeemed or cancelled.

The bonds are redeemable at Thomson's option at any time on or after November 1, 2003 at a price enabling the bondholder to receive the nominal value plus 1% interest for the period between the last interest payment date and the redemption if the share price is greater than 120% of the nominal price for 10 consecutive days within the 20 days before the announcement of the reimbursement. Bondholders have the option from March 12, 2002 and until 7 days preceding the reimbursement date to convert one bond against one Thomson share (existing or new shares).
Bondholders who do not exercise the conversion option before 7 days preceding the reimbursement date will receive the nominal amount plus interest as mentioned above.
If at any time the remaining bonds outstanding represent less than 10% of total bonds initially issued, the group may also redeem at nominal value plus interest all the remaining bonds.
Bondholders also have the option of early redemption on January 1, 2005 at a price corresponding to the nominal value plus interest for the period January 1, 2004 to December 31, 2004.

Thomson may also repurchase any number of bonds at any time at any price on the Paris Bourse. Bonds so repurchased will be cancelled.

The costs related to the convertible bond offering (€ 12.3 million) are amortized over the bond duration.

(b) Annual maturity

	2000	2001	2002
Due within:		*(€ in millions)*	
One year	298	293	262
One-two years	19	7	6
Two-three years	3	9	1
Three-four years	1	1	818
Four-five years	1	813	7
Due after five years	821	8	600*
Total long-term	845	838	1,432
TOTAL	**1,143**	**1,131**	**1,694**

** The convertible bonds issued on March 5, 2002 are subject to an early redemption provision at the option of bondholders exercisable on January 1, 2005 .*

(c) Analysis by currency

	2000	2001	2002
		(€ in millions)	
Euro	956	966	1,557
U.S. dollar	68	47	18
Others	119	118	119
Total debt	**1,143**	**1,131**	**1,694**

(d) Analysis by interest rate

	2000	2001	2002
		(€ in millions)	
Variable rate (LIBOR 1 months)	7	7	6
Variable rate (EURIBOR 3 months)	3	-	-
Fixed rates	835	831	1,426
Total Long-term debt	**845**	**838**	**1,432**

Interest rates on substantially all short-term debt are based on LIBOR (London Interbank Offered Rate) or EURIBOR (Euro Interbank Offered Rate).

(e) Unused credit lines

	2000	2001	2002
		(€ in millions)	
Committed credit lines	376	1,285	1,192
of which used	-	-	-
Uncommitted credit lines	1,246	1,234	1,331

of which used for debt	183	116	105
Sales receivable agreement in North America	242	255	286
of which used	-	-	-
Sales receivable agreement in France and Germany	152	152	-
of which used	-	-	-

On December 12, 2001 Thomson closed a € 1.2 billion committed credit facility with a consortium of banks. The facility consists of three portions of € 400 million, each with 364 day, 3 year and 5 year maturities. Simultaneously to the closing, Thomson cancelled an existing USD 350 million credit facility that would have otherwise matured in June 2002. On December 11, 2002 Thomson renewed € 392 million of the 364 day portion of the € 1.2 billion committed facility for an additional 364 days.
Thomson has no financing agreements with rating triggers. Three of Thomson's financing agreements have identical covenants pertaining to Thomson's consolidated financial situation. These financings are a € 221 million Mexican synthetic lease, a € 132 million Polish synthetic lease (see note 25 for more information about these leases) and Thomson's € 1.192 billion syndicated credit facility. The financial covenants are that Thomson on a consolidated basis maintains a ratio of balance sheet net debt to net worth of at least 0.7 and that it maintains a ratio of EBIT (earning before interest and tax) to net interest expense of at least 5. At December 31, 2002, Thomson fully respects those ratios.

22. OTHER CREDITORS AND ACCRUED LIABILITIES

(€ in millions)	**2000**	**2001**	**2002**
Taxes payables	314	265	221
Deferred tax	29	25	23
Royalties	72	116	223
Fixed assets acquisition balance	48	41	95
Thomson multimedia Polska - Deferred Income	-	85	85
Other *(1)*	377	567	423
TOTAL	**840**	**1,099**	**1,070**

(1) Since December 2001, sales deduction and price protection are deducted from trade accounts receivable gross (note 13). December 31, 2000 has not been restated in the amount of € 97 million.
In 2002 the accruals related to consideration given by a vendor to a customer are deducted from trade accounts receivable gross (note 13). December 31, 2001 and 2000 have not been restated and amounted to € 38 million and € 50 million respectively. In 2000 and 2001, this line also includes (i) the short-term portion of pension and postretirement benefit (note 18) for an amount of € 28 million and € 16 million, respectively, and (ii) accrued interests on OCEANE 2000 (note 21) for an amount of € 5 million and € 13 million, respectively.

23. DEBT RELATED TO TECHNICOLOR ACQUISITION

The promissory notes due to Carlton for the acquisition of Technicolor totaled USD 481 million and USD 622 million, including accrued interest, as of December 31, 2002 and 2001 respectively, equivalent to € 459 million and € 705 million respectively at the December 31, 2002 and 2001 exchange rates. Accrued interest amounted to € 29 million and € 25 million as of December 31, 2002 and 2001 respectively. According to the agreement signed with Carlton, these notes are repayable over four years in four equal installments plus interest, on the first, second, third and fourth anniversaries of the March 16, 2001 closing (Thomson may elect to pay up to half of the notes in Thomson shares).

On March 16, 2002 an amount of € 178 million (USD 156 million) was paid in cash on the maturity date of the first instalment of the promissory notes consisting of € 171 million (USD 150 million) for the nominal value of the first promissory note maturity and € 7 million for the related interest. The reduction in the euro amount of the promissory notes is also due to the USD variation from December 31, 2001 to December 31, 2002.

The remaining promissory note interest rates are based on 6 month Libor plus a margin of 0.15%-0.75% depending on the maturity (for the two first interest rate fixings the rate was based on 3 month Libor).
The latest applicable quotation for 6 month Libor dated September 14, 2002 was 1.82688% (respectively 1.97688% to 2.57688% including margin). On March 13, 2002 the rate was 2.24625% (respectively 2.396254% to 2.99625% including margin). The next quotation will be on March 12, 2003.

24. STATEMENT OF CASH FLOWS

Acquisition of companies and related assets are broken down as follows (converted at the historical exchange rate of the payment):

(€ in millions)	2000	2001	2002
Technicolor *(1)*	-	(826)	(215)
BTS	-	(98)	(65)
Grass Valley	-	-	(196)
Panasonic Disc Service Corporation	-	-	(446)
Canal + Technologies *(2)*	(49)	-	(90)
Other	(109)	(254)	(289)
Acquisition of investment	**(158)**	**(1,178)**	**(1,301)**
- Cash position of companies acquired	-	156	28
Acquisition of investment, net	**(158)**	**(1,022)**	**(1,273)**

(1) Technicolor acquisition as of March 16, 2001 is analyzed as follows in U.S. dollars:

Cost of shares acquired	*1,294*	
Technicolor debt assumed	*750*	
Less (ORA) redeemable bonds	*(694)*	
Less promissory notes	*(600)*	
• *Net cash disbursed*	***750***	
Other costs	*3*	
Net cash disbursed on March 16, 2001 (a)	***753***	*corresponding to 826 M€ at historical cost*
***Less** Technicolor consolidated cash balance (b)*	*(143)*	
• *Net cash flow on this investment (a) + (b)*	*610*	
Corresponding to euro (in millions using several historical rates)	*670*	

Consideration paid for Technicolor in 2002 corresponds to the payment of the USD 150 million first installment of the promissory note (note 23) due to Carlton and the USD 41.5 million purchase price adjustment corresponding to the post-closing adjustment as defined in the contract concerning excess cash and working capital (note 2).

(2) Thomson signed a share purchase agreement on September 24, 2002 to acquire 89% of Canal+ Technologies from the Canal+ Group for a gross amount of € 190 million, including existing cash and cash equivalents in Canal+ Technologies and subject to post-closing adjustments. Canal+ Technologies is a leading worldwide provider of conditional access and middleware technology solutions, marketed under the brand names of MediaGuard® and MediaHighway® to digital TV operators. The € 90 million cash payment is an advance paid to the seller before the closing. In the balance sheet the advance is recorded in "Loans and other non current assets".

25. CONTRACTUAL OBLIGATIONS AND COMMERCIAL COMMITMENTS

(In accordance with the "Commission des Opérations de Bourse" recommendation issued in February 2002)

The two tables presented below provide information regarding contractual obligations and commercial commitments as of December 31, 2002 for which we are obliged to make future cash payments. These tables include firm commitments that would result in unconditional or contingent future payments, but exclude all options Thomson held 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.

Guarantees given by entities of the Group securing debt, capital leases, operating 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			**Payment due by period**		
(€ in millions)	**2001 Total**	**2002 Total**	***Less than 1 year***	***> 1 and =< 5 years***	***After 5 years***
Financial debt *(1)*	**1,158**	**1,694**	262	832	600
Debt related to Technicolor acquisition *(1)*	**705**	**459**	153	306	-
Unconditional Future Payments					
Capital leases *(2)*	**11**	**11**	4	1	6
Operating leases *(3)*	**549**	**588**	119	313	156
Unconditional purchase obligations*:*					
- Financial investments *(4)*	**62**	**322**	259	61	2
- Property, plant & equipment	**4**	**47**	46	-	1
Total	*66*	*369*	*305*	*61*	*3*
Other long-term obligations *(5)*	**130**	**108**	54	54	-
Contingent Future Payments					
Guarantees given	**108**	**2**	1	1	-
Other conditional obligations	**198**	**-**	-	-	-

(1) Financial debt (note 21) and debt related to Technicolor acquisition (note 23) are reported for their principal amounts and accrued interest as of December 31, 2002. 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) Capital leases relate mainly to building and equipment leases.
(3) Operating leases are described below in (a) of this note
(4) Unconditional purchase obligations to buy financial investments are as follows:
- Thomson has an obligation to purchase from Alcatel its 50% interest in the ATLINKS joint venture. Agreement was reached in January involving a cash payment by Thomson of € 68 million in return for inter alia the 50% stake.
- Thomson has commitments to make payments to customers in its Digital Media Solutions Division through June 2004 for a total amount of € 143 million.
- In 2002 Thomson reached an agreement to purchase from Canal + Group its 89% interest in Canal + Technology for an amount of € 190 million in 2003, of which a € 90 million advance was paid in 2002. As of December 31, 2002 the remaining commitment amounts to € 100 million of which a further amount of € 80 million was paid in 2003 and the balance of € 20 million will be paid subject to certain post-closing adjustment.
(5) Other long-term obligations relate mainly to information technology service agreements and general sponsoring agreements entered into in the United States.

Commercial Commitments			**Amount of Commitments Expiring per period**		
(€ in millions)	**2001 Total**	**2002 Total**	***Less than 1 year***	***> 1 and =< 5 years***	***After 5 years***
Unconditional Future Payments					
Royalties *(1)*	**100**	**60**	14	46	-
Contingent Future Payments					
Guarantees given *(2):*					
- to suppliers	**24**	**1**	1	-	-
- for legal court proceedings and custom duties	**30**	**52**	11	7	34
- other	**15**	**46**	42	4	-
Total	*69*	*99*	*54*	*11*	*34*
Commercial purchase obligation (3)	**-**	**235**	140	87	8
Standby letters of credit *(4)*	**101**	**82**	80	2	-
Other commercial commitments	**-**	**9**	1	7	1

(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) Guarantees given for legal court proceedings secure the future payment we would be obliged to make in case of unfavorable determination of the proceeding. For information regarding contingencies related to legal proceedings and environmental matters please refer to note 28. Other guarantees given relate mainly to guarantees given to our customers.
(3) Commercial purchase obligations include mainly commitments to buy advertising space in the cinema industry.

(4) 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 as well as options. These commitments, as well as options, are disclosed in the following table for their related cash inflow and outflow amounts.

	2001	2002
	(€ in millions)	
Currency swaps	1,308	1,609
Forward exchange contracts	649	957
Interest rate swaps	3	95
Foreign exchange options	28	16
Total commitments given	**1,988**	**2,677**
Currency swaps	1,300	1,680
Forward exchange contracts	650	988
Interest rate swaps	3	95
Foreign exchange options	27	16
Total commitments received	**1,980**	**2,779**

In addition to the commitments mentioned above, the Group has unrecognized retirement benefit obligations amounting to € 193 million, € 121 million and € 55 million as of December 31, 2002, 2001 and 2000. These concern Germany for € 34 million, the United States for € 151 million and France for € 8 million, and are discussed in note 18.

Guarantees and commitments received amount to € 23 million, € 35 million, and € 55 million as of December 31, 2002, 2001 and 2000.

(a) Operating leases

Commitments related to future minimum and non-cancelable operating lease payments amount to € 582 million as of December 31, 2002 and are detailed below *(€ in millions):*

2003	117
2004	102
2005	91
2006	72
2007	44
Thereafter	156
Total	**582**

The significant operating leases are described thereafter:

In 2000, two leases were contracted related to the sales of office buildings in Boulogne and Indianapolis and are accounted for as operating leases:

Thomson S.A. sold an office building located in Boulogne-Billancourt, France for € 91 million (€ 89 million net of costs) on February 29, 2000. The building was leased back from the purchaser for a six-year period. The lease requires Thomson S.A. to pay customary operating and repair expenses and to observe certain operating restrictions and covenants. The lease contains renewal options at the end of the initial lease period.

Thomson, Inc. sold a U.S. office buildings (administration and technical services buildings) in March 2000 for € 57 million net of costs. The buildings were leased back from the purchaser for a twelve-year period. The lease requires Thomson, Inc. to pay customary operating and repair expenses and to observe certain operating restrictions and covenants. The lease contains renewal options at the end of the initial lease period.

In addition two leases contracted were related to industrial plants:

In 2000, the Group entered into a lease agreement for the equipment and building of a new television tube manufacturing facility located in Mexico. The manufacturing facility is owned by a special purpose entity (SPE) in which Thomson has no interest. The lease is an operating lease with a term of seven years. During the lease term and at the end of the term the Group has the option to purchase the facility for a purchase price equal to the expected fair market value which is the original purchase price less amortization (this price changes over time). At the end of the lease term if the purchase option is not exercised the Group has the option to either renew the lease or return the facility to the lessor and arrange for the facility to be sold to a third party.

If the Group elected not to acquire the equipment at the end of the lease its production capacity would be substantially decreased and if the Group needed to maintain the same capacity, it would have to enter into outsourcing arrangements or acquire or lease other production facilities.
Future minimum lease payments under this operating lease at December 31, 2002 are as follows (€ in millions):

2003	15
2004	16
2005	16
2006	16
2007 and after	4
Total	**67**

In 2001, Thomson Polish subsidiary (the "Subsidiary") entered into a transaction with a special purpose entity (the "SPE") whereby it transferred ownership title of tube manufacturing equipment to the SPE; the Subsidiary received an amount of € 138 million corresponding to the fair value of the equipment at transfer date (the "Original Fair Value"). For a 5 year period (the "Period") the Subsidiary will continue to use the equipment and pay an amount corresponding to approximately 22% of the Fair value which will be recorded as rental expense; at the end of the Period the Subsidiary will have two options: (1) either repay an amount corresponding to the Original Fair Value in which case the rights and legal title to the equipment will be retransferred to the Subsidiary or (2) remarket for the owner the equipment in which case the SPE will receive the proceeds and the Subsidiary will pay an amount corresponding to the difference between the proceeds and the Original Fair Value, such amount not exceeding 87% of the Original Fair Value (the "Guarantee"). The Group has not yet decided which option it will elect. The difference between the Original Fair Value and the Book Value of the equipment is deferred until the Guarantee is released. If due to a change in accounting regulations the Subsidiary were to reincorporate the asset in its balance sheet, the deferred amount would be applied against the amount paid to the SPE and the asset would therefore be restated at its original cost. The pro forma effect in 2002 of this restatement would have been the following: per annum depreciation expense (€ 16.5 million) would replace a rental expense (of approximately € 6.6 million) and interest expense would increase by approximately € 4.9 million.
If the Group elects not to acquire the equipment at the end of the lease, its production capacity will be significantly reduced. If the Group requires the same production capacity, it would have to enter into outsourcing arrangements or acquire or lease other production facilities.

In addition to the future minimum lease payments included above these leases provide for residual value guarantees in the event of market value declines, which may be due upon termination of the leases. As of December 31, 2002 the Group's maximum contingent liabilities with respect to these residual value guarantees are € 120 million related to its lease in Poland and € 189 million related to its lease in Mexico.

The two SPE's referred to above do not require consolidation under § 10052 of Regulation N°99-02 of the *"Comité de la réglementation comptable"* solely because the Group has no interest in these SPE's; as of December 31, 2002 the main effect of their consolidation would be to increase property plant and equipment by € 53 million for Thomson multimedia Polska sp.zo.o and € 230 million for Thomson Displays Mexicana, S.A. de C.V., debts by € 132 million for Thomson multimedia Polska sp.zo.o and € 221 million for Thomson Displays Mexicana, S.A. de C.V. and to decrease deferred gain by € 85 million for Thomson multimedia Polska sp.zo.o.

(b) Other commitments

Thomson has restricted cash deposits totalling € 86 million, € 177.5 million and € 35 million at December 31, 2002, 2001 and 2000 respectively.

At December 31, 2002 these deposits consisted principally of a deposit by TCE Television Taiwan in the amount of € 80 million guaranteeing a loan to Thomson in the same amount.

26. FINANCIAL INSTRUMENTS AND MARKET RELATED EXPOSURES

As indicated in note 1 (d), the Group uses financial instruments to manage its exposure to currency and interest rate risks incurred in the normal course of business.

(a) Foreign currency exposure

Given the international nature of its business, the Group generates significant cash flows in foreign currencies.
The Group primarily uses currency forward contracts or currency options to manage this exposure.

The nominal value of the Group's forward operations and options outstanding as of December 31, 2002, 2001 and 2000 is shown in the table below:

	2000	2001	2002
		(€ in millions)	
Forward exchange contracts:			
Euro	768	1,468	2,199
Canadian dollar	-	49	-
Pound sterling	-	20	45
Japanese yen	150	80	55
Mexican pesos	-	20	52
Singapore dollar	44	36	20
U.S. dollar	426	273	156
Polish zloty	-	-	110
Other currencies	7	4	31
Total forward purchases	**1,395**	**1,950**	**2,668**
Euro	(370)	(285)	(295)
Canadian dollar	(45)	(83)	(46)
Pound sterling	(127)	(142)	(183)
Hong Kong dollar	(21)	-	-
Japanese yen	(100)	(41)	(78)
Thai baht	(2)	-	-
U.S. dollar	(633)	(1,276)	(1,880)
Other currencies	(78)	(132)	(84)
Total forward sales	**(1,376)**	**(1,959)**	**(2,566)**
Currency options contracts purchased:			
Put Euro / Call Japanese yen	5	-	-
Put Euro / Call US dollar	104	-	-
Put U.S. dollar / Call Japanese yen	9	-	16
Put Canadian dollar / Call U.S. dollar	50	28	-
Total	**168**	**28**	**16**
Currency options contracts sold :			
Call Euro / Put U.S. dollar	104	-	-
Total	**104**	**-**	**-**
Deferred hedging gains (losses) related to anticipated transactions	**(6.7)**	**(1.3)**	**6.3**

(b) Financial policy and interest rate exposure

The main instruments used by the Group to manage interest rate risks are interest rate swaps, forward rate agreements and interest rate caps.
The Group's interest rate exposure is presented as follows, by maturity:

	December 31, 2002						
	2003	2004	2005	2006	2007	There-after	Total
	(€ in millions)						
Cash and cash equivalents – floating rate	1,463	-	-	-	-	-	1,463
Financial debt:							
Floating rate	262	-	-	-	6	-	268
Fixed rate	-	6	1	817	1	601	1,426
Interest rate swaps, from floating to fixed *(1)*	-	95	-	-	-	-	95
Interest rate swaps, from fixed to floating *(1)*	-	-	-	-	-	-	-

(1) U.S. dollar/euro = 0.953562

	December 31, 2001						
	2002	2003	2004	2005	2006	There-after	Total
	(€ in millions)						
Cash and cash equivalents – floating rate	1,532	-	-	-	-	-	1,532
Financial debt							
Floating rate	293	-	-	-	-	7	300
Fixed rate	-	7	9	1	812	2	831
Interest rate swaps, from floating to fixed *(2)*	-	-	-	-	-	-	-
Interest rate swaps, from fixed to floating *(2)*	3	-	-	-	-	-	3

(2) U.S. dollar/euro = 1.134687

	December 31, 2000						
	2001	2002	2003	2004	2005	There-after	Total
	(€ in millions)						
Cash and cash equivalents – floating rate	1,772	-	-	-	-	-	1,772
Financial debt							
Floating rate	298	-	3	-	-	7	308
Fixed rate	-	19	-	1	1	814	835
Interest rate swaps, from floating to fixed *(3)*	54	-	-	-	-	-	54
Interest rate swaps, from fixed to floating *(3)*	8	3	-	-	-	-	11

(3) U.S. dollar/euro = 1.074691

The table below gives the amount of interest related to interest rate swaps at December 31, contracted by the Group:

	(€ in millions)		
	2000	2001	2002
Interest received:			
- fixed rate	8	1	-
- floating rate	15	7	-
Interest paid:			
- fixed rate	(14)	(7)	-
- floating rate	(8)	-	-
Net interest	**1**	**1**	**-**

In 2002 the Group entered into an interest rate swap transaction and purchased an interest rate cap.

Under the interest rate swap, Thomson receives 3 month USD Libor and pays 12 month USD Libor in arrears with the latter being capped up to a knock-out interest rate which if reached cancels the cap until such time as interest rates drop below the knock-out rate. This interest rate swap is accounted for in accordance with French GAAP: it is marked-to-market and in case of loss a provision is taken. In 2002 Thomson booked a loss of € 1 million on this swap.

The interest rate cap that Thomson bought in 2002 provides that until 2005 Thomson will receive the difference between 3 month USD Libor and the cap rate on a nominal amount of USD 50 million if 3 month USD Libor is above the cap rate and less than the knock-out rate. This cap is accounted for in the same way as the interest rate swap. Thomson booked in 2002 a loss of € 0.3 million on this cap.

Because of the significant interest rate differential rate between the USD and the euro the Group had in 2002 significant gains on currency swaps used to convert euro borrowed by corporate treasury to U.S. dollars which treasury lends to our U.S. affiliates.

The table below summarizes the average interest rate on the Group's consolidated debt taking into account interest rate hedging operations and currency swaps:

	2000	2001	2002
Average interest rate on borrowings	4.60%	3.26%	2.42%
Effective interest rate after interest rate hedging	4.49%	3.23%	2.49%
Effective interest rate after currency swaps and interest rate hedging	5.38%	2.87%	1.34%

The effective weighted average interest rate in 2002 on the Group's consolidated deposits was 2.25% (4.07% in 2001).

The percentage of the Group's average debt at floating rates taking into account interest rate hedging operations is shown in the following table. For the purposes of this table the interest rate hedging operations executed in 2002 are not taken into account because these hedging operations only fix the interest rate on the debt if market interest rates are above the cap rates which is not currently the case.

	2000	2001	2002
Average debt *(€ in millions)*	583	1,148	1,586
Percentage at floating rate	63%	28%	17%

The Group 's average deposits in 2002 amounted to € 1,354 million, 100% at floating rate. A one-point variation in interest rates, applied to the floating rate debt and deposits would have had an impact on the Group annual financial expenses of approximately € 11 million.

(c) Financial counterparty risk

The financial instruments used by the Group to manage its interest rate and currency exposure are all undertaken with counterparts having an investment grade rating.

The table below gives the percentage of outstanding foreign exchange operations by counterpart credit rating:

Foreign Exchange Forwards: Counterparty's rating (according to Standard & Poors)	2000	2001	2002
A-1+	61.9%	66.4%	87.8%
A-1	23.6%	24.7%	12.2%
A-2	14.5%	8.9%	0 %
	100.0%	100.0%	100.0%

All significant cash deposits are maintained with rated financial institutions. An amount of € 388 million was invested in mutual funds at end of December 2002.

The table below gives the percentage of outstanding cash deposits by counterpart credit rating:

Cash deposit: Counterpart's rating (according to Standard & Poors)	**2000**	**2001**	**2002**
A-1+	28.5%	38.6%	80.2%
A-1	64.9%	57.4%	11.9%
A-2	1.5%	0.7%	6.0%
A-3	-%	0.4%	0.4%
B	3.5%	0.5%	1.0%
BB+	-%	0.4%	0.1%
Non rated financial institutions	1.6%	2.0%	0.4%
	100.0%	100.0%	100.0%

Accordingly the Group does not believe that there is a significant risk of non-performance by a major counterpart of the Thomson Group.

(d) Fair value of financial instruments

The fair value of interest rate swap contracts is calculated by discounting the future cash flows. However, for complex swaps, the market-to-market value calculated by the banks was used.
The fair value of forward exchange contracts is computed by discounting the difference between the contract and the market forward rate and multiplying it by the nominal amount.

The fair value of currency options is calculated using standard option pricing software and verified with the banks.

The fair value of all current assets and liabilities (trade accounts receivable and payable, short term loans and debt, cash, bank overdrafts) is considered to be equivalent to net book value due to their short-term maturities.

The fair value of long-term debt is determined by estimating future cash flows on a borrowing-by-borrowing basis and discounting these future cash flows using the borrowing rates at year-end for similar types of borrowing arrangement.

The fair value of listed investment securities is calculated using their last known market price at year-end.

	2001		**2002**	
	Net book value	**Fair market value**	**Net book value**	**Fair market value**
		(€ in millions)		
Balance sheet:				
-Liabilities: Long-term debt	26	26	17	16
Convertible bonds	812	776	1414	1326
-Assets : *(1)*	63	288	10	10
Off-balance sheet:				
Interest rate instruments				
Interest rate swap	-	-	(1)	(1)
Foreign exchange instruments				
Forward contracts	-	(1)	20	26
Equity instruments				
Collars	-	47		
Metal hedging instruments				
Metal forward purchase contracts	-	-	-	(1)

(1) 2001: mainly comprising Gemstar (net book value € 31 million and market value € 258 million) and M.I.H (net book value € 23 million and market value € 21 million).

27. INFORMATION ON EMPLOYEES

The breakdown of the number of employees in companies in the list of consolidated subsidiaries is as follows:

	2000	2001	2002
Europe (1)	14,773	16,594	17,464
North America	6,745	12,119	14,405
Asia (2)	20,494	20,024	20,268
Other countries (3)	18,397	13,097	12,967
Number of employees in consolidated subsidiaries	**60,409**	**61,834**	**65,104**
Number of employees in equity companies	775	1,028	383
Total employees	**61,184**	**62,862**	**65,487**
(1) Of which Poland.	*5,555*	*5,517*	*5,256*
(2) Of which People's Republic of China.	*17,090*	*17,232*	*17,195*
(3) Of which Mexico.	*17,454*	*12,343*	*11,974*
Salary costs *(€ in millions)*	**1,287**	**1,690**	**1,841**

Compensation of Directors and Principal Executive Officers:

Director's fees were voted by the shareholders' meeting on November 10, 2000. The amount paid in 2002 is € 197 thousand.
The aggregate amount of compensation paid by the Group to its principal executive and directors (21 persons and 19 persons in 2002 and 2001 respectively), during the 2002 fiscal year was € 7.6 million (€ 6.4 million in 2001).

28. CONTINGENCIES

Legal Proceedings

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.
U.S. customs
In January 1998, a grand jury investigation was initiated by the U.S. Attorney's Office in Baltimore, Maryland. This investigation was conducted by the U.S. Department of Justice relating to the transfer pricing used in the importation of picture tubes by Thomson, Inc. from an Italian subsidiary of the Group between 1993 and June 1998. In October 2002, the U.S. government informed the Company that it has declined to prosecute the grand jury case.
A civil investigation was also initiated by the U.S. Customs Service, which issued pre-penalty notices on December 21, 1998. A pre-penalty notice means that a claim is being contemplated. The pre-penalty notices allege that certain subsidiaries of the Group and five of its employees intentionally undervalued television tubes imported by the Group from the Italian affiliate. According to the preliminary pre-penalty notices, these tubes had an appraised domestic value of approximately USD 419 million (€ 399 million at December 31, 2002 closing rate). On December 28, 2000, the Customs Service amended the pre-penalty notices and alleged an appraised domestic value of approximately USD 425 million (€ 405 million at December 31, 2002 closing rate). In an agreement reached with the Customs Service in January 1999, all action with respect to the pre-penalty notices was suspended for a period of one year in exchange for waivers of the statute of limitations through January 2001. In July 2000, all of the parties who previously received pre-penalty notices agreed to waive the statute of limitations defense for an additional period of time in order to allow the U.S. government to complete its investigation and to seek resolution of the matter through administrative proceedings. The waivers were again extended in November 2001, and October 2002 and are now effective through January 6, 2004.

The amended pre-penalty notices estimate the loss of custom revenues at approximately USD 12.5 million (€ 11.9 million at December 2002). Under applicable statutes, penalties could be levied in an amount equal to the appraised domestic value of the merchandise and against each of the five employees concerned in an amount up to eight times the loss of revenue. In addition, the Group has agreed to indemnify the five employees for the monetary penalties. To date, no charges have been filed. Based on information currently available, the Group is not in a position to estimate the liability and has not accrued for a reserve. The Group will defend itself vigorously against any allegations of wrongdoing.

In connection with the investigation being conducted by the U.S. Customs Service, the Italian “Guardia di Finanza” tax police conducted a tax verification of the Italian subsidiary of the Group, Videocolor SpA, which had exported picture tubes to Thomson, Inc. during the years 1993 through 1998. In its report transmitted to the Italian Direct Taxes Local Office in December 1999, the Guardia di Finanza recommended increasing the prices of the tubes exported to Thomson, Inc., and, as a consequence, increasing the taxable income of Videocolor SpA. The taxable income increase, as proposed for the years 1993 through 1998, with regard to picture tube prices, amounts to € 31 million. On December 28, 1999, the Direct Taxes Local Office formally advised that an assessment would be due with regard to 1993 amounting to € 5.6 million taxable income, resulting in (i) reversal of tax-loss carry-forwards and (ii) additional tax penalties and interest amounting to approximately € 2.1 million. On March 21, 2000, Videocolor S.p.A. challenged this assessment before the competent tax jurisdiction of Frosinone in Italy.

On November 23, 2000, the Direct Taxes Local Office gave notice of an assessment with regard to 1994 amounting to € 9.7 million taxable income, resulting in (i) additional taxes amounting to € 5.2 million and (ii) tax penalties amounting to € 5.2 million (before interest). In February 2001, Videocolor S.p.A challenged this assessment before the Local Tax County Commission. Based on the valuation method of the Group, the Commission has considered that the tax assessment should amount to € 3.4 million and that the Group should pay an additional € 2.7 million for 1994 and € 2.5 million for penalties. As for 1993, the Group has challenged this assessment before the competent tax jurisdiction of Frosinone.

On February 13, 2001, the Court of Frosinone rendered its decision regarding the 1993 tax assessment, it maintained part of the assessment based on 1993 elements, yet it invalidated the valuation method of the exported tubes applied by the Italian Direct Taxes Local Office. Taking into account the tax-loss carry-forwards and the tax exemption system at that date, no tax or penalty is due concerning that year. Videocolor S.p.A. has decided to appeal against the decisions before the Court of Roma.

In 2001, the Direct Taxes Local Office gave notice of an assessment with regard to 1995 resulting in (i) additional taxes amounting to € 4.2 million and (ii) tax penalties amounting to € 4.2 million (before interest). The taxable income increase, as proposed for 1995, also mainly relates to picture tube prices. Videocolor SpA appealed this assessment on October 25, 2001, before the competent tax jurisdiction of Frosinone in Italy.

On September 2002, the Direct Taxes Local Office gave notice of an assessment with regard to 1996 and 1997 fiscal years resulting in (i) additional taxes amounting to € 3.5 million and € 1.8 million, respectively and (ii) tax penalties amounting to € 3.5 million and € 1.8 million, respectively.

Tanashin

In June 1998, Tanashin Denki Co. Ltd. filed suit in the U.S. District Court for the Eastern District of Virginia alleging infringement of four utility patents and one design patent that relate to various sub-components of audio cassette drive mechanisms purchased from third parties. The case was subsequently transferred to the U.S. District Court for the Southern District of Indiana. In October 2001, a jury trial was held and a verdict was returned in favor of Tanashin Denki in the amount of USD 10.65 million (€ 12.1 million). The jury also made a finding of willful infringement and the issue of damages was left to the discretion of the trial judge. In May 2002, the U.S. District Court, Southern District of Indiana entered final judgment in the action in favor of Tanashin awarding damages in the amount of USD 21.3 million plus interest and attorneys’ fees. On June 10, 2002, Thomson, Inc. entered into a settlement and license agreement with Tanashin Denki, Co. Ltd. related to cassette deck patents. The agreement results in the dismissal of Tanashin’s lawsuit.

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, have appealed the District Court's decision with the U.S. Court of Appeals for the Federal Circuit in Washington D.C.

Pegasus Development Corporation
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. were added as third-party defendants. 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 have been 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-TV Guide International Inc., Scientific Atlanta Inc. Pioneer Corp., EchoStar Communications Corp., and other parties. The parties are currently engaged in extensive discovery with respect to all claims pending.

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. understands that all of the other defendants have settled prior to trial and does not believe it owes Parental Guide any further license payments. On January 17, 2003, Thomson Inc. filed a Complaint for Declaratory Judgment against Parental Guide in the U.S. District Court for the Southern District of Indiana seeking a ruling that Thomson Inc. owes no additional payments to Parental Guide pursuant to the Release and License Agreement. On February 7, 2003, Parental Guide served Thomson Inc. with a complaint filed 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.

Broadcast Innovation
In November 2001, Broadcast Innovation filed suit in the U.S. District Court for the District of Colorado against Echostar Communications Corporation, Hughes Electronics Corporation, DirecTV, Inc., Thomson, Inc., Dotcast, Inc., and Pegasus Satellite Television, Inc. alleging infringement with respect to two patents; one relating to receiving data broadcast on a carrier signal (the '094 patent), and one relating to the control of signal distribution through the use of scrambling and unscrambling techniques (the '066 patent). NDS Limited, the manufacturer of the conditional access card utilized in Thomson digital satellite set-top boxes, is currently defending Thomson with regard to the '066 patent, subject to a reservation of rights. Thomson believes that it has meritorious defenses and is defending itself against the allegations.

Gemstar
In November 2001, Thomson, Inc., filed a demand for arbitration and a Statement of Claims with the American Arbitration Association seeking to dissolve and/or terminate the @TV Media Joint Venture with Gemstar-TV Guide International, Inc. ("Gemstar") and recover damages for breach of contract. Gemstar counterclaimed that Thomson terminated, without good cause, a Memorandum of Terms outlining a proposed joint venture relating to the development of an electronic program guide business in Europe. In May 2002, Thomson entered into a binding memorandum of terms with Gemstar which resolved the issues in the pending arbitration. The arbitration proceeding has been terminated.

Individual class action
In February 2002, James Stalcup and Mary Gick filed an individual and purported class action pursuant to Section 5/2-801 of the Illinois Code of Civil Procedure on behalf of U.S. consumers who acquired certain television sets manufactured by Thomson, Inc. during the period between 1998-2001. The complaint alleges a defect in certain televisions which have a “software-like integrated chip” which can cause temporary audio failure. The Group does not believe that the alleged televisions or the “ICs” which it procures from third parties are defective, and it intends to defend itself against any such allegations.

IP Innovation
On January 14, 2003, IP Innovation LLC and Technology Licensing Corp. filed a complaint against Thomson, Inc. in the U.S. District Court for the Northern District of Illinois, Eastern District, alleging infringement of four patents which cover the fields of video noise reduction, audio video synchronization, and audio in video technologies. The Court, after reviewing the complaint, dismissed it without prejudice for failure to establish jurisdiction or appropriate venue. On February 14, 2003, IP Innovation LLC and Technology Licensing Corp. filed a new complaint alleging infringement of the above described patents in the U.S. District Court for the Southern District of Indiana. The Company is in the process of reviewing the complaint and intends to file an answer contesting the allegations.

Environmental matters

A number of Thomson’s current and previously owned manufacturing sites have an extended history of industrial use, including the handling and disposal of wastes. Soil and groundwater contamination has occurred at some sites, including third-party disposal sites, and might occur or be discovered at other sites in the future, exposing Thomson to remediation costs and/or claims for damages to persons or property. Principal among these sites is a former production facility in Taoyuan, Taiwan, which Thomson owned from 1987 to 1992 when all production activities ceased and the site was sold.

In accordance with the 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, including certain liabilities that could arise from the Taoyuan, Taiwan facility relating to environmental conditions existing prior to Thomson’s acquisition of the property.

The Group believes that the amounts budgeted and reserved will enable it to satisfy known and anticipated environmental, health and safety obligations to the extent they can be reasonably estimated and anticipated. These matters cannot be predicted with certainty, however, and the Group cannot provide any assurance that these amounts will be adequate. In addition, future developments, such as changes in environmental, health and safety laws or the discovery or development of new or existing conditions could results 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 provisions established for environmental, health and safety matters and subject to the uncertainties described in this section, the Group does not believe that environmental, health and safety compliance and remediation requirements will have a material adverse effect on the Group’s business, financial condition or results of operations.

29. SUBSEQUENT EVENTS

Following the agreement signed in 2002 for the purchase from the Canal+ Group of its 89% interest in Canal+ Technologies for a gross amount of € 190 million in 2003, of which a € 90 million advance was paid in 2002, a further amount of € 80 million was paid in 2003 and the balance of € 20 million will be paid subject to certain post-closing adjustments.

Thomson had an obligation to purchase from Alcatel its 50% interest in the ATLINKS joint venture. Agreement was reached in January 2003 involving a cash payment by Thomson of € 68 million in return for inter alia the 50% stake.
Subsequent events giving rise to material financial commitments are disclosed in note 25.

in millions of euro, unless otherwise stated

30. LIST OF CONSOLIDATED SUBSIDIARIES

	% share held by Thomson S.A. *(1)*		
COMPANY - (Country)	**December 31, 2000**	**December 31, 2001**	**December 31, 2002**
1) Fully consolidated			
Thomson (France) (formerly Thomson multimedia*)*		Parent company	
ATLINKS S.A.S. (France)	50.0	50.0	50.0
ATLINKS Australia Pty Ltd. (Australia)	50.0	50.0	50.0
ATLINKS Communications Canada, Inc. (Canada)	50.0	50.0	50.0
ATLINKS Espana S.A. (Spain)	50.0	50.0	50.0
ATKINKS Telecommunication (Guangzhou) Cie Ltd. (People's Republic of China)	50.0	50.0	50.0
ATKINKS Hong Kong Ltd. (Hong Kong)	50.0	50.0	50.0
ATKINKS Mexico, S.A. de C.V. (Mexico)	50.0	50.0	50.0
ATLINKS USA, Inc. (United States)	50.0	50.0	50.0
Comercializadora de Productos Electronicos del Norte, S.A. de C.V. (Mexico)	100.0	100.0	100.0
Deutsche Thomson-Brandt GmbH (Germany)	99.9	99.9	99.9
European Audio Products (HK) Ltd. (Hong Kong)	100.0	100.0	100.0
Homefront DSL, Inc. (United States)	-	100.0	100.0
J2T Holding GmbH (Germany)	-	-	100.0
Manufacturas Avanzadas S.A. de C.V. (Mexico)	100.0	100.0	100.0
Nextream S.A. (France)	-	75.0	75.0
Nextream France S.A. (France)	-	75.0	75.0
Productos Electronicos de la Laguna, S.A. de C.V. (Mexico)	100.0	100.0	100.0
RCA Componentes, S.A. de C.V. (Mexico)	100.0	100.0	100.0
RCA Trademark Management SA (France)	100.0	100.0	100.0
S.A. Immobilière Cesson (France)	100.0	100.0	100.0
S.A. Immobilière LE GALLO (France)	100.0	100.0	100.0
Singingfish.com, Inc. (United States)	100.0	100.0	100.0
Société Tonnerroise d'Electronique Industrielle - STELI (France)	100.0	100.0	100.0
Société Française d'Investissement et d'Arbitrage - Sofia (France)	100.0	100.0	100.0
TAK S.A.S. (France)	-	-	80.6
TCE Television Taiwan Ltd. (Taiwan)	100.0	100.0	100.0
Thomson Audio Muar Sdn Bhd (Malaysia)	100.0	100.0	100.0
Thomson Broadcast Ltd (United Kingdom)	100.0	100.0	100.0
Thomson Broadcast Systems S.A. (France)	100.0	100.0	100.0
Thomson Consumer Electronics International S.A. (France)	100.0	100.0	100.0
Thomson Crown Wood Products Company (United States)	100.0	100.0	100.0
Thomson Displays Mexicana, S.A. de C.V. (Mexico)	100.0	100.0	100.0
Thomson Foshan Colour Picture Tube Company Ltd (People's Republic of China)	55.0	55.0	55.0
Thomson Licensing S.A. (France)	100.0	100.0	100.0
Thomson multimedia Asia Pacific Pte Ltd. (Singapore) (formerly Thomson multimedia Marketing Asia Pte Ltd)	100.0	100.0	100.0
Thomson multimedia Asia Pte Ltd (Singapore)	100.0	100.0	100.0
Thomson multimedia Chile S.A. (Chile)	100.0	100.0	100.0
Thomson multimedia Czech, s.r.o (Czech Republic)	100.0	100.0	100.0
Thomson multimedia Digital France (France)	100.0	100.0	100.0
Thomson multimedia Displays & Components Singapore Pte Ltd. (Singapore) (formerly Thomson Television Singapore Pte Ltd.)	100.0	100.0	100.0
Thomson multimedia Hong Kong Ltd. (Hong Kong)	100.0	100.0	100.0
Thomson multimedia Hungary K.f.t. (Hungary)	100.0	100.0	100.0
Thomson, Inc. (United States) (formerly Thomson Consumer Electronics, Inc. & Thomson multimedia, Inc.)	100.0	100.0	100.0
Thomson multimedia India Private Ltd (India)	86.0	86.0	89.0
Thomson multimedia Kulim Sdn Bhd (Malaysia)	(*)	100.0	100.0
Thomson multimedia Licensing, Inc. (United States)	100.0	100.0	100.0
Thomson multimedia Ltd (Canada) (formerly Thomson Consumer Electronics Canada, Inc).	100.0	100.0	100.0
Thomson multimedia (Dongguan) Ltd (People's Republic of China)	100.0	100.0	100.0
Thomson multimedia Operations Co, Ltd (Thailand) (formerly Thomson Television Thailand Co Ltd)	100.0	100.0	100.0
Thomson multimedia Pensionverwaltungs GmbH (Germany)	99.0	99.9	99.9
Thomson multimedia Polska sp.zo.o.(Poland) (formerly Thomson Polkolor sp.zo.o.)	100.0	100.0	100.0
Thomson multimedia R&D France S.N.C. (France)	100.0	100.0	100.0
Thomson multimedia Sales Europe (France) (formerly Thomson multimedia Marketing France)	100.0	100.0	100.0
Thomson multimedia Sales France (France)	100.0	100.0	100.0
Thomson multimedia Sales Germany and Austria GmbH (Germany)	99.0	99.9	99.9
Thomson multimedia Sales Germany GmbH & Co O.H.G. (Germany)	99.0	99.9	99.9
Thomson multimedia Sales International SAS (France)	-	100.0	100.0

in millions of euro, unless otherwise stated

Thomson multimedia Sales Italy S.p.A. (Italy)	100.0	100.0	100.0
Thomson multimedia Sales Spain S.A. (Spain)	100.0	100.0	100.0
Thomson multimedia Sales UK Ltd (United Kingdom)	100.0	100.0	100.0
Thomson multimedia Scandinavia A.B. (Sweden)	100.0	100.0	100.0
Thomson multimedia Switzerland AG (Switzerland)	100.0	100.0	100.0
Thomson multimidia do Brazil LTDA (Brazil)	100.0	100.0	100.0
Thomson OKMCO (Shenzen) Co Ltd (People's Republic of China)	-	100.0	100.0
Thomson Plasma S.A.S. (France)	100.0	100.0	100.0
Thomson Polska sp.zo.o (Poland) (formerly TCE Poland)	100.0	100.0	100.0
Thomson Receivables Corporation (United States)	100.0	100.0	100.0
Thomson Television Angers (France)	100.0	100.0	100.0
Thomson Television Components France (France)	100.0	100.0	100.0
Thomson Television España S.A. (Spain)	100.0	100.0	100.0
Thomson Television Germany GmbH (Germany)	99.0	99.9	99.9
Thomson Televisiones de Mexico S.A. de C.V. (Mexico)	100.0	100.0	100.0
Thomson Tube Components Belo Horizonte Ltda. (Brazil)	100.0	100.0	100.0
Thomson Tube Components de Mexico S.A. de C.V. (Mexico)	100.0	100.0	100.0
Thomson multimedia Tubes & Displays Ltd. (Hong Kong)	-	100.0	100.0
Thomson Tubes & Displays S.A. (France)	100.0	100.0	100.0
Thomson Videoglass (France)	100.0	100.0	100.0
Total Technology Company Ltd (Hong Kong)	75.0	75.0	75.0
Videocolor S.p.A. (Italy)	100.0	100.0	100.0
Technicolor affiliates			
Colorado International Corporation (United States)	-	100.0	100.0
CD Manufacturing (UK) Ltd. (United Kingdom)	-	100.0	100.0
Technicolor Home Entertainment Services de Mexico, S.A de R.L. de C.V. (Mexico)	-	100.0	100.0
Central Video, Inc. (United States)	-	100.0	100.0
Consolidated Independent Television (USA), Inc. (United States)	-	100.0	100.0
Claymont Investments, Inc. (United States)	-	100.0	100.0
Complete Post Production Center, Inc. (United States)	-	100.0	100.0
Consolidated Film Industries, LLC (United States)	-	100.0	100.0
Consumer Products Sales Company, Inc. (United States)	-	100.0	100.0
Covitec, Inc. (Canada)	-	100.0	100.0
Direct Home Entertainment Ltd. (United Kingdom)	-	100.0	100.0
Euronimbus Deutschland GmbH (Germany)	-	100.0	100.0
EuroNimbus SA (Luxembourg)	-	100.0	100.0
EuroNimbus S.A.R.L. (France)	-	100.0	100.0
Gallo 8 S.A.S. (***) (France)	-	100.0	100.0
Metrocolor Laboratories (UK) Ltd. (United Kingdom)	-	100.0	100.0
Miles O'Fun, Inc (United States)	-	100.0	100.0
Naamans Finance Corporation (United States)	-	100.0	100.0
New CCI, Inc. (United States)	-	100.0	100.0
Nimbus CD International, Inc. (United States)	-	100.0	100.0
Nimbus International Sales Corporation (Barbados)	-	100.0	100.0
Nimbus Manufacturing, Inc. (United States)	-	100.0	100.0
Nimbus Manufacturing (UK) Ltd. (United Kingdom)	-	100.0	100.0
Nimbus Software Services, Inc (United States)	-	100.0	100.0
Primacor BV (Netherlands)	-	100.0	100.0
Real image Digital, LLC (United Kingdom)	-	100.0	100.0
Technicolor Acquisition, Inc. (United States)	-	100.0	100.0
Technicolor Audio Visual Systems (Rentals) Ltd. (United Kingdom)	-	100.0	100.0
Technicolor Audio Visual Systems Ltd. (United Kingdom)	-	100.0	100.0
Technicolor Australia Investments Ltd. (United Kingdom)	-	100.0	100.0
Technicolor Canada Acquisition Corp. (Canada)	-	100.0	100.0
Technicolor Canada, Inc. (Canada)	-	100.0	100.0
Technicolor Digital Cinema LLC (United States)	-	100.0	100.0
Technicolor East Cost, Inc. (United States)	-	100.0	100.0
Technicolor Holdings BV (Netherlands)	-	100.0	100.0
Technicolor Holdings of Canada, Inc. (Canada)	-	100.0	100.0
Technicolor Holdings, Inc. (United States)	-	100.0	100.0
Technicolor Holdings Ltd. (United Kingdom)	-	100.0	100.0
Technicolor Holdings SA de CV (Mexico)	-	100.0	100.0
Technicolor Imaging Ltd. (United Kingdom)	-	100.0	100.0
Technicolor Investments Co., Inc. (United States)	-	100.0	100.0
Technicolor Laboratory Canada, Inc. (Canada)	-	100.0	100.0
Technicolor Mexico Acquisition SA de CV (Mexico)	-	100.0	100.0
Technicolor Milan SpA (Italy)	-	100.0	100.0
Technicolor One Hour Photo, Inc. (United States)	-	100.0	100.0
Technicolor Pty Ltd (Australia)	-	-	100.0
Technicolor Scandinavia A/S (Denmark)	-	100.0	100.0
Technicolor Spain, SA (Spain)	-	100.0	100.0
Technicolor USA Holdings, Inc. (United States)	-	100.0	100.0

in millions of euro, unless otherwise stated

Technicolor Video Services (UK) Ltd. (United Kingdom)	-	100.0	100.0
Technicolor Video Servicios de Mexico, SA de CV (Mexico)	-	100.0	100.0
Technicolor Videocassette Holdings Ltd (UK) (United Kingdom)	-	100.0	100.0
Technicolor Videocassette of Michigan, Inc. (United States)	-	100.0	100.0
Technicolor Videocassette BV (Netherlands)	-	100.0	100.0
Technicolor Videocassette, Inc. (United States)	-	100.0	100.0
Technicolor Vidtronics Ltd. (United Kingdom)	-	100.0	100.0
Technicolor BV (Netherlands)	-	100.0	100.0
Technicolor, Inc. (United States)	-	100.0	100.0
Technicolor Ltd (UK) (United Kingdom)	-	100.0	100.0
Technicolor SpA (Italy)	-	100.0	100.0
Technique, LLC (United States)	-	100.0	100.0
Technivision Ltd (UK) (United Kingdom)	-	100.0	100.0
VCA Technicolor, Inc. (United States)	-	-	100.0
VidFilm International Digital Ltd (United Kingdom)	-	-	100.0
Vidfilm Services, Inc. (United States)	-	-	100.0
Broadcast affiliates			
Thomson Broadcast Solutions Netherlands BV (Netherlands)	-	66.7	100.0
Broadcast Television Systems HK Ltd (Hong Kong)	-	66.7	100.0
Broadcast Television Systems Ltd. (United Kingdom)	-	66.7	100.0
Broadcast Television Systems Australia Pty Ltd. (Australia)	-	66.7	100.0
Broadcast Television Systems Nederland BV (Netherlands)	-	66.7	(**)
Broadcast Television Systems (S), Pty Ltd. (Singapore)	-	66.7	100.0
Thomson multimedia Broadcast Solutions NV (Belgium)	-	66.7	100.0
BTS Deutschland Holding GmbH (Germany)	-	66.7	(**)
BTS Deutschland Vertriebs GmbH (Germany)	-	66.7	(**)
BTS France S.A.S. (France)	-	66.7	100.0
Thomson multimedia Distribution (Netherlands) BV (Netherlands)	-	66.7	100.0
BTS Media Solutions GmbH (Germany)	-	66.7	100.0
MN&C Australia Pty Ltd. (Australia)	-	66.7	100.0
Thomson multimedia Broadcast Solutions Iberica, SA (Spain)	-	66.7	100.0
Thomson multimedia Broadcast Solutions, Inc. (United States)	-	66.7	100.0
Thomson multimedia Broadcast Solutions Italy Srl (Italy)	-	66.7	100.0
Grass Valley affiliates			
Grass Valley GmbH (Germany)	-	-	100.0
Grass Valley Group, Inc. (United States)	-	-	100.0
Grass Valley Group Japan, Ltd. (Japan)	-	-	100.0
Grass Valley Limited (Hong Kong)	-	-	100.0
Grass Valley (US), Inc. (United States)	-	-	100.0
Grass Valley Ltd. (United Kingdom)	-	-	100.0
Grass Valley Pte Ltd. (Singapore)	-	-	100.0
Grass Valley SARL (France)	-	-	100.0
GVG Pty Limited (Australia)	-	-	100.0
PDSC affiliates			
Technicolor Export de Mexico, S. de R.I. de C.V. (Mexico)	-	-	100.0
Technicolor Mexicana, S. De R.I. de C.V. (Mexico)	-	-	100.0
Technicolor Home Entertainment Services Ireland Limited (Ireland)	-	-	100.0
Technicolor Home Entertainment Services of America (United States)	-	-	100.0
Technicolor Universal Media services LLC of America (United States)	-	-	60.0
Technicolor Disc Services International Ltd (United Kingdom)	-	-	100.0
Technicolor Disc Services Corp. (United States)	-	-	100.0
DSL affiliates			
Thomson multimedia Broadband SAS (France)	-	-	100.0
Thomson multimedia Broadband Belgium N.V. (Belgium)	-	-	100.0
Thomson multimedia Broadband France S.A. (France)	-	-	100.0
Digital Intermedia System affiliates			
Thomson Broadband UK Ltd (United Kingdom)	-	-	100.0
Thomson Broadband, Inc (United States) (formerly GDS, Inc)	-	-	93.5

2) Consolidated by pro rata method

3DCD LLC (United Kingdom)	-	50.0	50.0
Cinema Billboard Network, L.L.C. (United States)	-	50.0	50.0
Easyplug S.A.S. (France)	-	50.0	50.0
Easyplug, Inc. (United States)	-	50.0	50.0
ScreenVision Cinema Network, L.L.C. (United States)	-	50.0	50.0
TAK S.A.S. (France)	70.0	80.6	-
Technicolor Cinema Advertising LLC. (United States)	-	50.0	50.0

in millions of euro, unless otherwise stated

Technicolor Cinema Billboard, Inc. (United States)	-	50.0	50.0
ScreenVision Cinema Network, LLC (United States)	-	80.0	80.0
Technicolor Screen Advertising, Inc. (United States)	-	50.0	50.0
Technicolor Screen Services, Inc. (United States)	-	50.0	50.0
Thomson Zhao Wei Multimedia Co Ltd (People's Republic of China)	-	-	55.0
Val Morgan Cinema Advertising, Inc (United States)	-	-	50.0
ScreenVision Europe affiliates			
Cinema publicitaire Belgium (Belgium)	-	-	50.0
Cinespot (Spain)	-	-	50.0
Circuit A SAS (France)	-	-	50.0
SreenVision Holdings SAS (France)	-	-	50.0
Gallo 11 SAS (France)	-	-	50.0
RMBI II (United Kingdom)	-	-	50.0
RMB Cinema (Belgium)	-	-	50.0
RMB Contractors (Czech Republic)	-	-	50.0
RMB Czech Arcona (Czech Republic)	-	-	50.0
RMB Entertainment (Belgium)	-	-	25.0
RMB Italia Srl (Italy)	-	-	50,0
RMB Espana Multimedia SA (Spain)	-	-	50.0
RMB Netherlands (Netherlands)	-	-	50.0
RMB Portugal (Portugal)	-	-	50.0
ScreenVision Finance SAS (France)	-	-	50.0
SreenVision Holdings (Europe) Ltd (United Kingdom)	-	-	50.0
Twice (Belgium)	-	-	35.5
Vandam KH (Belgium)	-	-	50.0
3) Consolidated by equity method			
A Novo Comlink Espana, S.L. (Spain)	-	33.3	-
CTE El Athir (Tunisia)	30.0	30.0	30.0
J2T Holding GmbH (Germany)	50.0	50.0	-
J2T Video (Tonnerre) SA (France)	50.0	50.0	(**)
Thomson Pacific Consumer Electronics Co. Ltd. (Taiwan)	50.0	50.0	50.0

(1) Percentage rounded to one decimal.
(*) Thomson multimedia Kulim was accounted for under the equity method in 2000 and is fully consolidated since 2001.
(**) Entities merged into others
(***) Holding companies of Technicolor affiliates