THOMSON

Full Year 2008 Results

Frederic Rose, Chief Executive Officer
Stephane Rougeot, Chief Financial Officer

March 10, 2009

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Agenda

- 2008 Group Highlights
- 2008 Financial Review
- 2008 Divisional Review
- Group Business Assessment and Key Action Plan

2008 Group Highlights

Key 2008 financial metrics

	Reported	Adjusted	
Revenues from continuing operations	€4,840m	N/A	• Down 7.7% YoY at constant currency
EBIT+D&A	€(925)m	€526m	• Goodwill impairment and asset write-offs of €1.1bn and restructuring of €0.2bn
EBIT	€(1,303)m	€156m	• Cost control measures could not fully offset decline in revenues
Net Result	€(1,930)m	€(284)m	• Impacted by restructuring costs, write-offs of assets, impairment of goodwill, and other impairments
Net Debt	€2,116m	€2,116m	• Increased by €858m YoY
Free Cash Flow	€(591)m	€(591)m	• Working Capital from continuing impact of €(417)m largely due to a Group €(250)m change in factoring

Free cash flow is defined as net operating cash from / (used) in operating activities less purchases of property, plant & equipment (net of disposals) and intangible assets.

Adjusted EBIT + Depreciation and Amortization is defined as EBIT from continuing operations before depreciation & amortization, write-offs, capital gains/(losses) and other non-recurring items, goodwill impairments and restructuring charges.

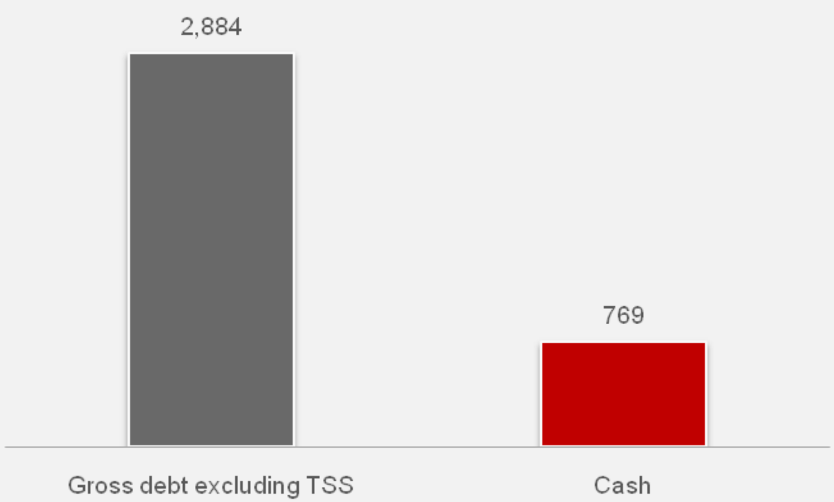
Adjusted EBIT is defined as EBIT from continuing operations before write-offs, capital gains/(losses) and other non-recurring items, goodwill impairments and restructuring charges.

Adjusted net income (Group share) is defined as net income (Group share) before write-offs, capital gains/(losses) and other non-recurring items, goodwill impairments, restructuring charges, non-cash financial costs.

Debt position

Net debt of €2.1bn at end 2008

Gross Debt and Cash at 31 Dec 2008
In €m



- No liquidity issue in current market and trading conditions
- Group estimates that the minimum cash level necessary to manage its operations is currently around €250m

Debt maturity

Debt amortization schedule
In €m

- Group believes it will be in covenant breach when its audited financial statements are available

- Group is engaging discussions with its principal creditors and potential equity investors regarding its balance sheet and the level of its indebtedness

What have we done so far ?

Date	Events
September 2008	• Frederic Rose appointed as new CEO • New Executive Committee established
October 2008	• Technicolor and Thomson Grass Valley reorganized • Exit from North America retail Telephony
November 2008	• Central functions streamlined • Stephane Rougeot appointed as new CFO
December 2008	• Strategic and operational review concluded
January 2009	• Board approves strategic framework and decision to divest non-core activities
February 2009	• Strategic framework rollout begins • Financial review completed with assistance from PwC
March 2009	• Disney contract renewal and post-production agreement with Paramount

Review of Thomson's situation covering commercial, financial, operational and strategic aspects

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Turnaround plan

	2009	2010	2011 & beyond
Financial flexibility & sustainability	Balance sheet improvement		
Business portfolio refocus	Divestments & closures **Process for divestment of Grass Valley and PRN already launched**		
Operational effectiveness	Standardization of offer processes and project management Standardization of operational and management tools Design to cost Specific costs reduction **Annual run-rate savings of €120m by 2011**		
Business Development	Selective geographical expansion Creative services Digital distribution Research and Licensing Programs		

Our business organization going forward

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Creative Services	Post-Production	Film	Physical Media Home Entertainment	Broadcast Playout	In-Home Delivery	Licensing
• Visual Effects • Animation • Gaming	• Master creation • Compression and authoring • Digital content management • Colour correction and finishing • Editing • Sound mixing	• Film processing • Film distribution	• Manufacturing: replication and packaging of DVD and Blu-Ray • Distribution of packaged media	• Managed services for global and regional content broadcasters / distributors	• Satellite, cable and hybrid set-top boxes • Gateways	• Patents licensing

Thomson moving forward

Vision	How will we create value?	Action plan
• World leader of services to content creators • Customer centric organization • Sustainable cash generation • Best in class business practices	• Refocused business portfolio • Cost optimization • Increased operating efficiency • Growth through transition to digital • Refocused Corporate Research Projects	• Reorganize the company around its Content Creator customer base • Continue operations improvement plan • Accelerate transition to digital content distribution • Capture growth of animation and visual effects market • Continue to develop new licensing programs

2008 Financial Review

2008 adjusted EBITDA margin of 11%

In € million	1H 2008	1H 2007	2H 2008	2H 2007	FY 2008	FY 2007
Revenues	**2,202**	**2,590**	**2,638**	**2,951**	**4,840**	**5,540**
Change at constant currency (%)	*(7.3%)*	-	*(8.1%)*	-	*(7.7%)*	-
Cost of goods sold	(1,739)	(2,016)	(2,165)	(2,236)	(3,904)	(4,252)
Operating expenses	(424)	(466)	(477)	(472)	(901)	(938)
Other Income/(Expenses)	(45)	21	(1,293)	8	(1,338)	29
EBIT from Continuing	**(6)**	**129**	**(1,297)**	**251**	**(1,303)**	**380**
Adjusted EBIT	**39**	**134**	**117**	**225**	**156**	**360**
As % of revenues	*1.8%*	*5.2%*	*4.4%*	*7.6%*	*3.2%*	*6.5%*
Adjusted EBIT+D&A	**208**	**323**	**318**	**413**	**526**	**736**
As % of revenues	*9.5%*	*12.5%*	*12.0%*	*14.0%*	*10.9%*	*13.3%*

- FY08 adjusted EBIT+D&A margin of 10.9%, down 2.4 percentage points YoY as a result of a decline in revenues partially offset by a reduction in cost of goods sold and operating expenses

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2008 EBIT significantly affected by non-cash items and restructuring

In € million	FY 2008	FY 2007
EBIT from Continuing	**(1,303)**	**380**
Impairments and write-offs included in COGS and OpEx	(120)	(9)
Restructuring charges, net	(204)	(82)
Impairment losses on non-current operating assets	(1,106)	(6)
Other income/(expense)	(29)	117
Total adjustments	**(1,459)**	**20**
Adjusted EBIT	**156**	**360**
Depreciation and amortization	370	376
Adjusted EBIT+D&A	**526**	**736**

Key Points

- Principal non-cash elements impacting 2008 EBIT are:
  - A charge of €(120)m on current assets included in COGS and OpEx (inventories, customer receivables)
  - A charge of €(367)m related to write-offs of assets, including tangible assets €(136)m and intangible assets €(219)m,
- Goodwill impairments of €(739)m
- Higher restructuring expenses in 2008, reflecting the Group's actions to:
  - Exit from several loss-making businesses (in particular, retail Telephony activities in North America)
  - Adjust its operating cost base for lower activity

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2008 net result impacted by non-cash items in financial costs

In € million	1H 2008	1H 2007	2H 2008	2H 2007	FY 2008	FY 2007
EBIT from Continuing	**(6)**	**129**	**(1,297)**	**251**	**(1,303)**	**380**
Finance costs, net	(82)	(42)	(314)	(62)	(396)	(103)
Income from associates	(0)	0	(4)	1	(4)	1
Income taxes	(20)	(15)	(85)	(12)	(106)	(26)
Group net income from Continuing	**(109)**	**72**	**(1,700)**	**179**	**(1,808)**	**251**
Losses from discontinued operations	(73)	(92)	(51)	(181)	(124)	(274)
Minority interests	0	(0)	3	0	3	(0)
Group net income	**(182)**	**(20)**	**(1,749)**	**(3)**	**(1,930)**	**(23)**
Total adjustements on EBIT	45	6	1,414	(26)	1,459	(20)
Non-cash adjustments on financial costs	-	(20)	187	(14)	187	(34)
Total adjustments	**45**	**(14)**	**1,601**	**(40)**	**1,646**	**(54)**
Adjusted Group Net Income	**(137)**	**(34)**	**(148)**	**(43)**	**(284)**	**(77)**

- Losses from discontinued operations of €(124)m in 2008 mainly include €(79)m related to Silicon and €(29)m related to AVA
- Non-cash adjustments on financial costs of €187m include €151m of impairment on the financial stake in Videocon, and €36m of reevaluation of US dollar borrowing hedge ineffectiveness

2008 Free Cash-Flow

In € million	FY 2008	FY 2007
Adjusted EBIT+D&A	**526**	**736**
o/w Technicolor	253	366
o/w Thomson Grass Valley	123	173
o/w Licensing	283	313
o/w Corporate & Other	(132)	(116)
Change in working capital and other assets and liabilities	**(417)***	**55**
Net capital expenditures	**(274)**	**(153)**
Tax, financial, restructuring and non-current items	**(265)**	**(308)**
FCF from continuing operations	**(430)**	**330**
FCF from discontinued operations	(161)	(216)
Group FCF	**(591)**	**114**

(*) before write-downs

Key Points

- A change of €(705)m in FY08 vs. FY07 in Group FCF reflecting:
  - Decline of €(210)m in adjusted EBIT+D&A compared to 2007 due to lower revenues partially offset by reduced operating costs
  - Variation of €(472)m in change in working capital and other assets and liabilities before write-downs mainly due to lower factoring (€ (250)m) and reduced gross payables (€(192)m)
  - Variation of €(121)m in net capital expenditures due to stable gross CapEx and lower impact of asset disposals
  - Variation of €(43)m in other cash items
  - Lower free cash outflow from discontinued operations (positive impact of €55m)

Working capital and capex analysis

Working Capital

In € million	FY 2008	FY 2007	FY Change
Gross Inventory	**340**	**377**	***(37)***
Gross Receivables	**1,052**	**971**	***81***
Gross Payables	**968**	**1,160**	***(192)***
Gross Working Capital	**424**	**188**	***236***
As % of revenues	*8.8%*	*3.4%*	*-*
Other Assets and Liabilities	**(70)**	**(116)**	***46***

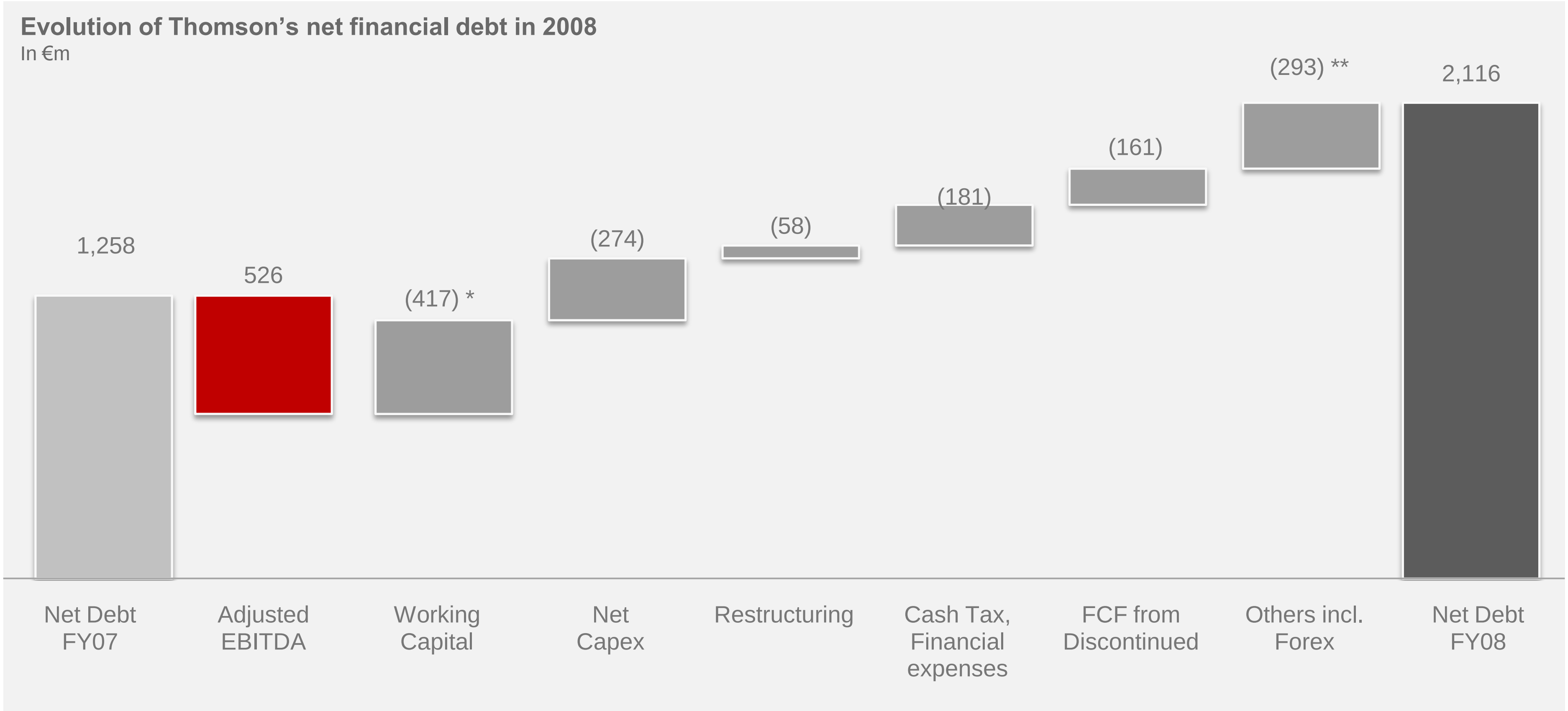
- Gross receivables increase due to reduced use of customer advances and reduced use of factoring (€40m at year-end 2008 vs. €290m at year-end 2007)
- Gross payables decrease due to the gradual alignment of the supplier payment cycle of the Group with contractual terms

Capital Expenditures

In € million	FY 2008	FY 2007	FY Change
Tangibles	**(182)**	**(175)**	***(7)***
Intangibles	**(98)**	**(89)**	***(9)***
Gross CapEx	**(280)**	**(264)**	***(16)***
As % of revenues	*5.8%*	*4.8%*	*-*
Disposals of tangible assets	**6**	**111**	***(105)***
Net CapEx	**(274)**	**(153)**	***(121)***

- 2008 gross capital expenditures in line with 2007 levels
- Gain on disposal of real estate assets at Technicolor in 2007 (notably Camarillo)

Net debt evolution



(*) working capital and other assets and liabilities before write-downs
(**) of which €(173)m of Forex impact on debt and M-to-M adjustments associated with derivative instruments; and cash collateral, write-downs, and others of €(120)m

- Net financial debt position as of December 31, 2008 of €2.1bn, including a net cash position of €0.8bn

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Balance sheet

Assets

In € million	FY 2008	FY 2007
Non-current assets	**2,907**	**4,444**
o/w Goodwill	926	1,645
o/w Patents / Trademarks / other	492	577
o/w Customer relationships	181	361
o/w PP&E	541	693
Current assets	**2,684**	**2,326**
ASSETS	**5,591**	**6,770**

- Impact of adjustments €(1.6)bn on net assets
- Increased Trade Accounts with less factoring
- Increased cash balance (+€197m)

Equity & Liabilities

	FY 2008	FY 2007
Equity incl. Minorities	**(134)**	**2,055**
Non-current liabilities	**803**	**1,779**
Current liabilities	**4,922**	**2,936**
o/w short term debt	2,862	745
TOTAL LIABILITIES	**5,725**	**4,715**
EQUITY & LIABILITIES	**5,591**	**6,770**

- Equity impacted by Group loss of €(1,930)m and €(216)m non-cash adjustments recognized in equity (Videocon and currency translation)
- All debt reclassified in short term

Portfolio refocus: update on disposals and closures

Key Disposals

Activities	Mandated Advisors	1st Round Bids	Expected Signing
Grass Valley	✓	Early April	Q2/Q3 2009
PRN	✓	Q2 2009	Q2/Q3 2009
Screenvision	Underway	Q2 2009	Q2/Q3 2009

Other Disposals / Closures

Activities	Expected timing
Residential Telephony Europe + ROW	Q3 2009
Digital Cinema Systems	H1 2009
Others	H1 2009

Portfolio refocus: impact of asset disposals / discontinuations

2008 revenues
In €m

2008 EBIT+D&A
In €m

2008 Operating cash flow *
In €m

**EBIT+D&A – Capex – restructuring cash costs*

Key Points – Portfolio refocus

- Focus on smaller perimeter of strategic assets
- €1.1bn reduction in revenue
- €38m reduction in EBIT+D&A
- Improved Operating Cash Flow following disposals and closures

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Operational improvement and cost efficiencies

Operational Improvement

- Optimization of organization (legal entities and real estate)
- IT Infrastructure (reduce # of global data centers)
- Address cost of non-quality (penalties, recalls)
- Address poorly performing contracts
- Revamp sales organisation

Cost saving initiatives on new perimeter

- Headcount / support function optimization
- Site closures

~ € 120 million run rate in 2011

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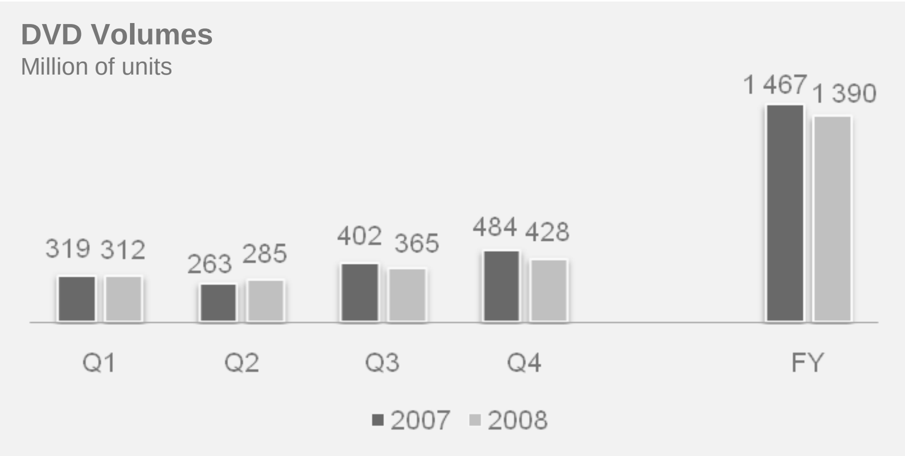
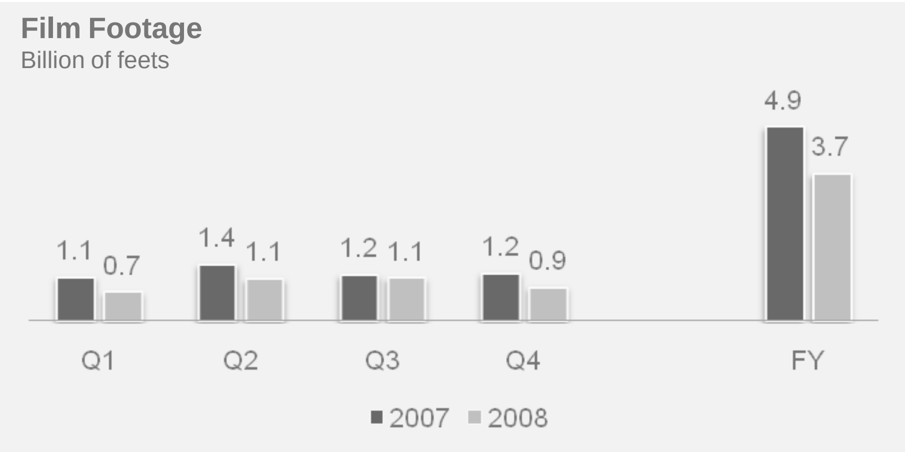
2008 Divisional Review

Technicolor – KPIs



Key Points – Q4 08 Performance

- DVD volumes down 12% YoY, due to lower demand for SD-DVD, partially offset by strong growth in Blu-ray discs
- Film footage down 30% YoY, reflecting the impact of the previously announced loss of a film printing contract in North America, and lower volumes from key customers



Key Points – FY 08 Performance

- DVD volumes down 5% YoY, as the slowdown in SD-DVD demand over H2 08 was not yet fully-compensated by the continuing growth in high-definition discs (Blu-ray)
- Film footage down 24% YoY, due to the impact of the loss of a film printing contract in North America and weaker release slate from key customers

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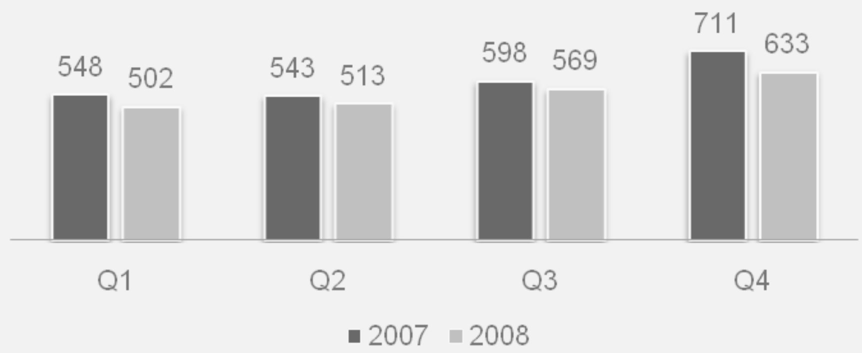
Technicolor – Revenues

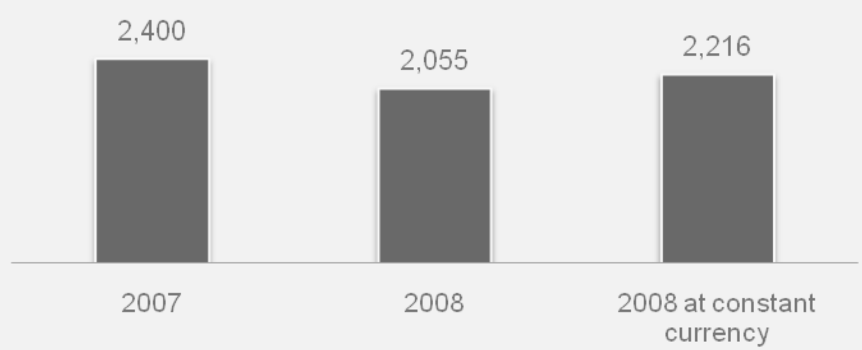
Quarterly Revenues
In €m. At constant currency



Key Points – Q4 08 Revenues

- Revenues down 11.0% YoY at constant currency, reflecting:
  - The strong impact of the weak economic environment on the Group's out-of-home advertising businesses (PRN and Screenvision)
  - Lower revenues from Physical Medias, mainly due to a decline in worldwide volumes and pricing pressure

FY Revenues
In €m



Key Points – FY 08 Revenues

- Revenues down 7.7% YoY at constant currency, reflecting:
  - A more difficult market environment, with a slowdown in the advertising market – especially over H2 08
  - The negative impact of non-recurring elements, with the Writers Guild strike and a film printing contract loss
  - Continuing growth in Blu-ray disc volumes

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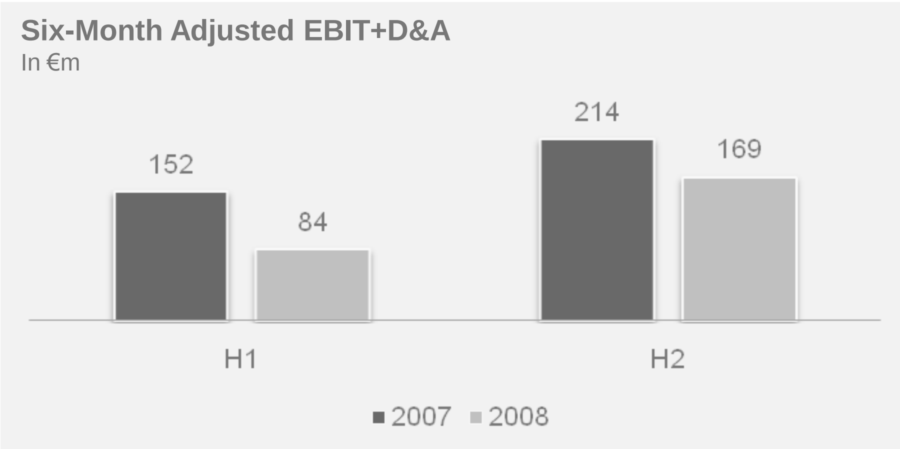
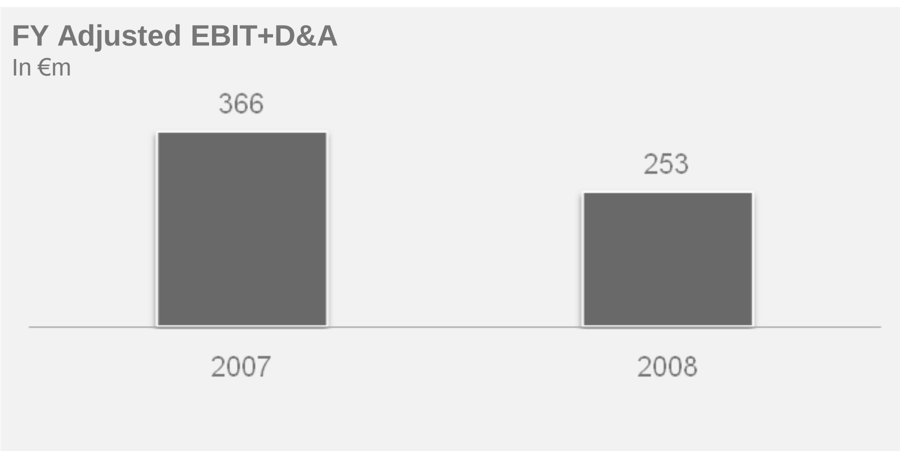
Technicolor – Adjusted EBIT+D&A



Key Points – H2 08 Adjusted EBIT+D&A

- Adjusted EBITDA down 21% YoY or €(45)m, reflecting:
  - The decrease in revenues of the out-of-home advertising businesses
  - A delay in adapting the cost structure to lower volumes, in particular in the Film business



Key Points – FY 08 Adjusted EBIT+D&A

- Adjusted EBIT+D&A down 30.9% YoY or €(113)m, reflecting:
  - A slowdown in Advertising market
  - Lower worldwide volumes and price declines in Physical Medias, not offset by growth in Blu-ray and distribution
  - Impact of the Writers Guild strike on Film and post-production/creative businesses

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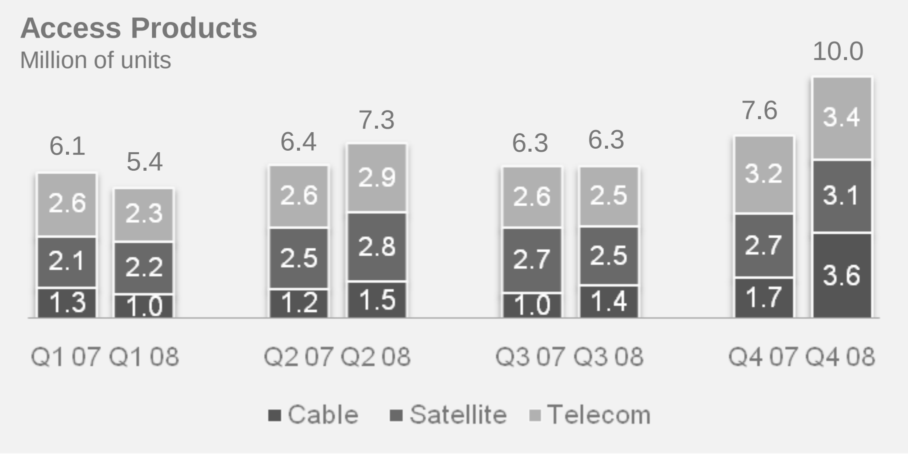
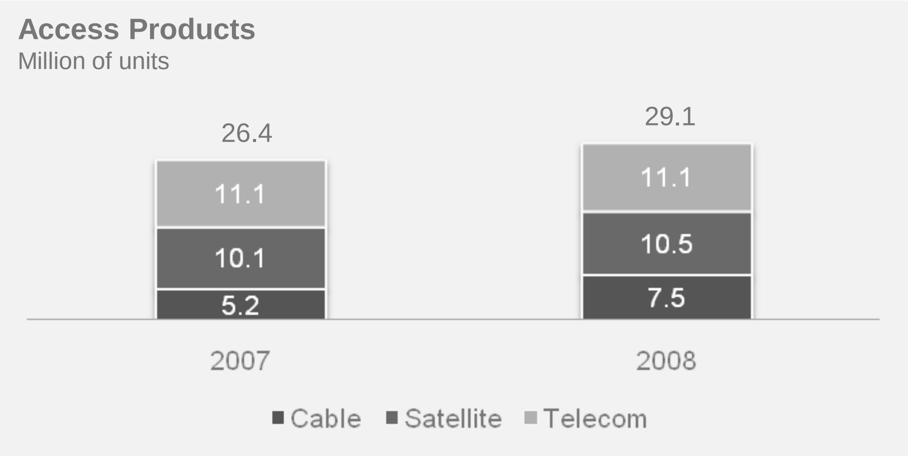
Thomson Grass Valley – KPIs



Key Points – Q4 08 Performance

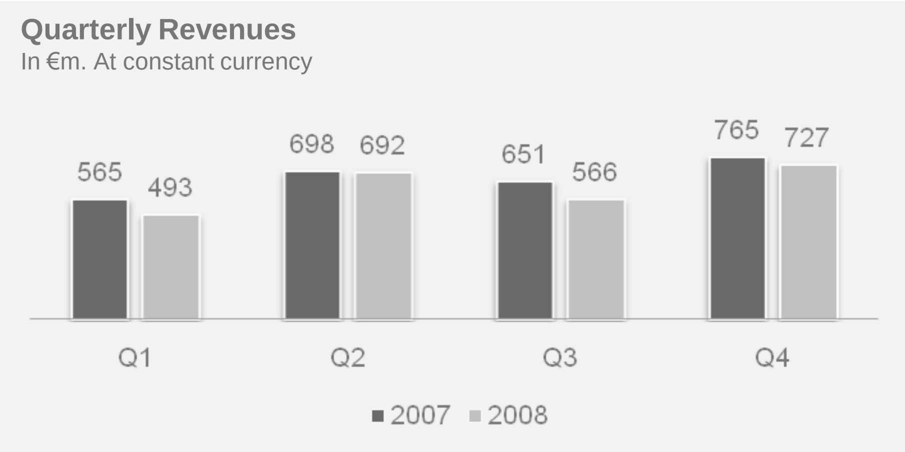
- Total of 10.0m access products shipped (+32% YoY), with:
  - 3.1m Satellite set-top boxes (+14% YoY) – reflecting higher shipments to DirecTV (HD-PVRs)
  - 3.6m Cable set-top boxes and modems (+111% YoY) – driven by strong shipments to Comcast (DTAs)
  - 3.4m Telecom modems and IP/gateways (+6% YoY)



Key Points – FY 08 Performance

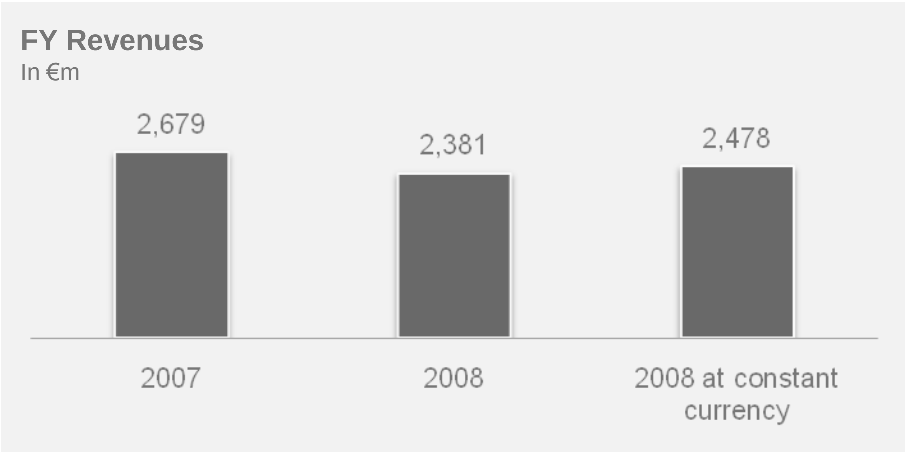
- Total of 29.1m access products shipped (+10% YoY), with:
  - 10.5m Satellite set-top boxes (+5% YoY) – a good achievement despite lower volumes to a key customer
  - 7.5m Cable set-top boxes and modems (+42% YoY) – driven by strong growth in the US cable video market
  - 11.1m Telecom modems and IP/gateways (stable YoY)

Thomson Grass Valley – Revenues



Key Points – Q4 08 Revenues

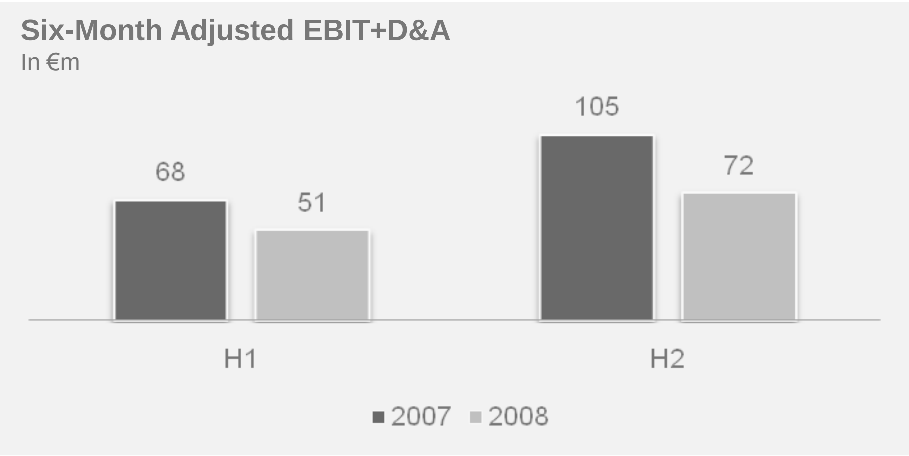
- Revenues down 5% YoY at constant currency, reflecting:
  - Strong growth in Access Products revenues, driven by higher volumes (DirecTV, Comcast) and improved mix, and despite price reductions weighting on ASP
  - Exit from the retail Telephony activities in North America
  - Material decline in Grass Valley revenues due to tough market conditions



Key Points – FY 08 Revenues

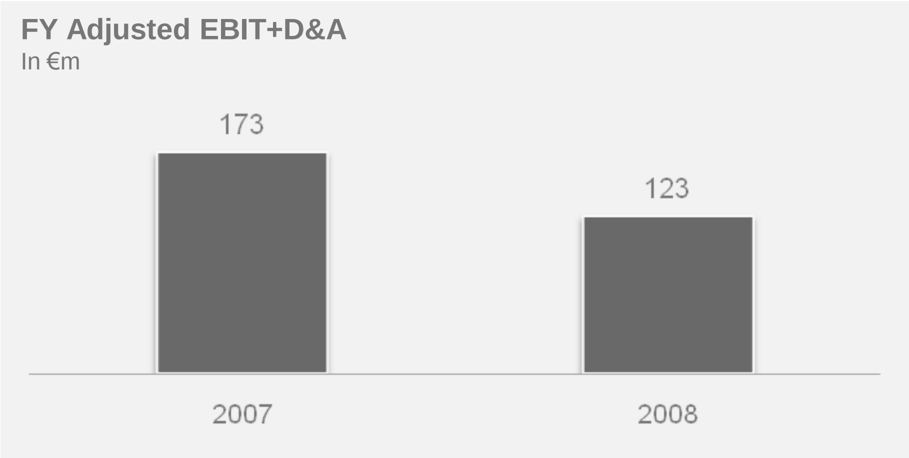
- Revenues down 7.5% YoY at constant currency, reflecting:
  - Resilient Access Products activities, despite challenging economic environment – driven by US cable market
  - Exit from the retail Telephony activities in North America
  - Lower revenues from Grass Valley, as difficult market conditions weighted on customer spending and volumes

Thomson Grass Valley – Adjusted EBIT+D&A



Key Points – H2 08 Adjusted EBIT+D&A

- Adjusted EBITDA down 31.4% YoY or €(33)m, reflecting:
  - Resilience in Access Products activities
  - Offset by lower revenues in Telephony and broadcast equipment businesses weighed on profitability

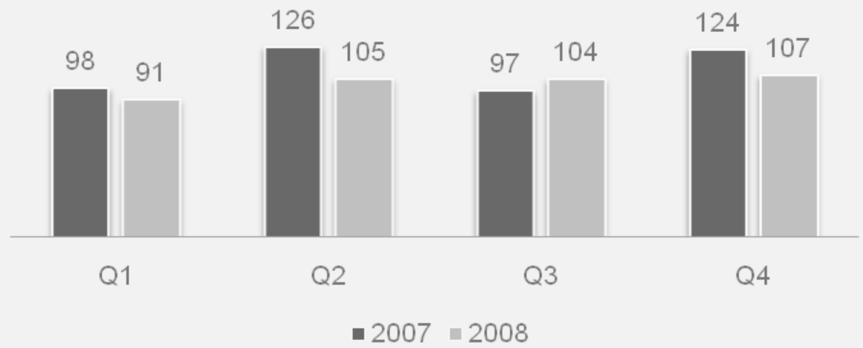


Key points – FY 08 Adjusted EBIT+D&A

- Adjusted EBIT+D&A down 28.9% YoY or €(50)m, reflecting:
  - Growth in Access Products volumes,
  - Exit from retail Telephony in North America
  - More difficult market conditions in H2 08 for Grass Valley, with a slowdown in customer spending

Licensing – Revenues

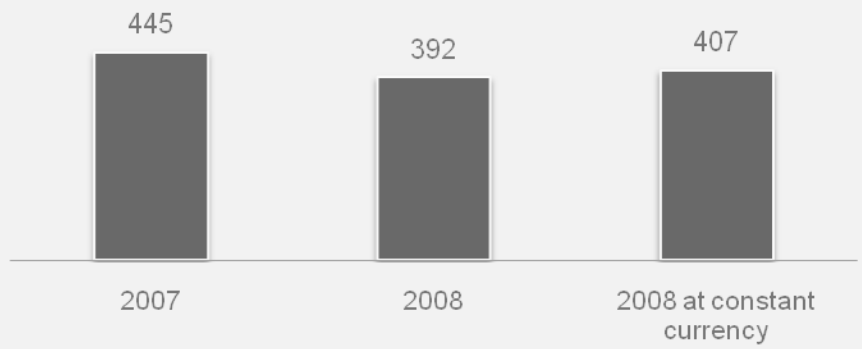
Quarterly Revenues
In €m. At constant currency



Key Points – Q4 08 Revenues

- Revenues down 13.7% YoY at constant currency, reflecting:
  - Decision to delay the signature of some new Digital TV contracts to extract better value from related patents
  - Lower level of one-off revenues vs. 2007

FY Revenues
In €m

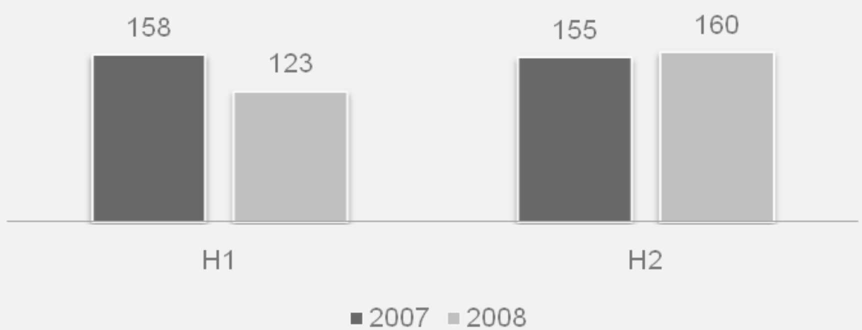


Key Points – FY 08 Revenues

- Revenues down 8.5% YoY at constant currency, reflecting:
  - Delays in signing some new Digital TV contracts
  - Longer patent talks on some newly launched programs

Licensing – Adjusted EBIT+D&A

Six-Month Adjusted EBIT+D&A
In €m



FY Adjusted EBIT+D&A
In €m

Key Points – H2 08 Adjusted EBIT+D&A

- Adjusted EBIT+D&A down 3.2% YoY or €(5)m, reflecting:
  - Reduced OpEx, driven by a continuing optimization of the operating cost structure
  - Adjusted EBIT+D&A margin of 75.8% (vs. 70.1% in 2007)

Key Points – FY 08 Adjusted EBIT+D&A

- Adjusted EBIT+D&A down 9.6% YoY or €(30)m:
  - Reduced OpEx, driven by an active patent portfolio management
  - Adjusted EBIT+D&A margin of 72.2% (vs. 70.3% in 2007)

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Group business assessment and key action plan

Thomson serves the key players in content creation

Walt Disney Company

Disney Studios

Disney Television

NBC-Universal

Universal Studios

NBCU Television

Viacom

Paramount Studios

Viacom Television

Vivendi

Canal+ (Television & Films)

Vivendi Games

BBC

Time Warner

Warner Bros. Content Creators

Time Warner Television

What Do Content Creators Do?

CREATE	MANAGE	DELIVER

CREATE

- Green light features
- Fund / Co-fund projects
- Feature film acquisition
- Schedule
- Production

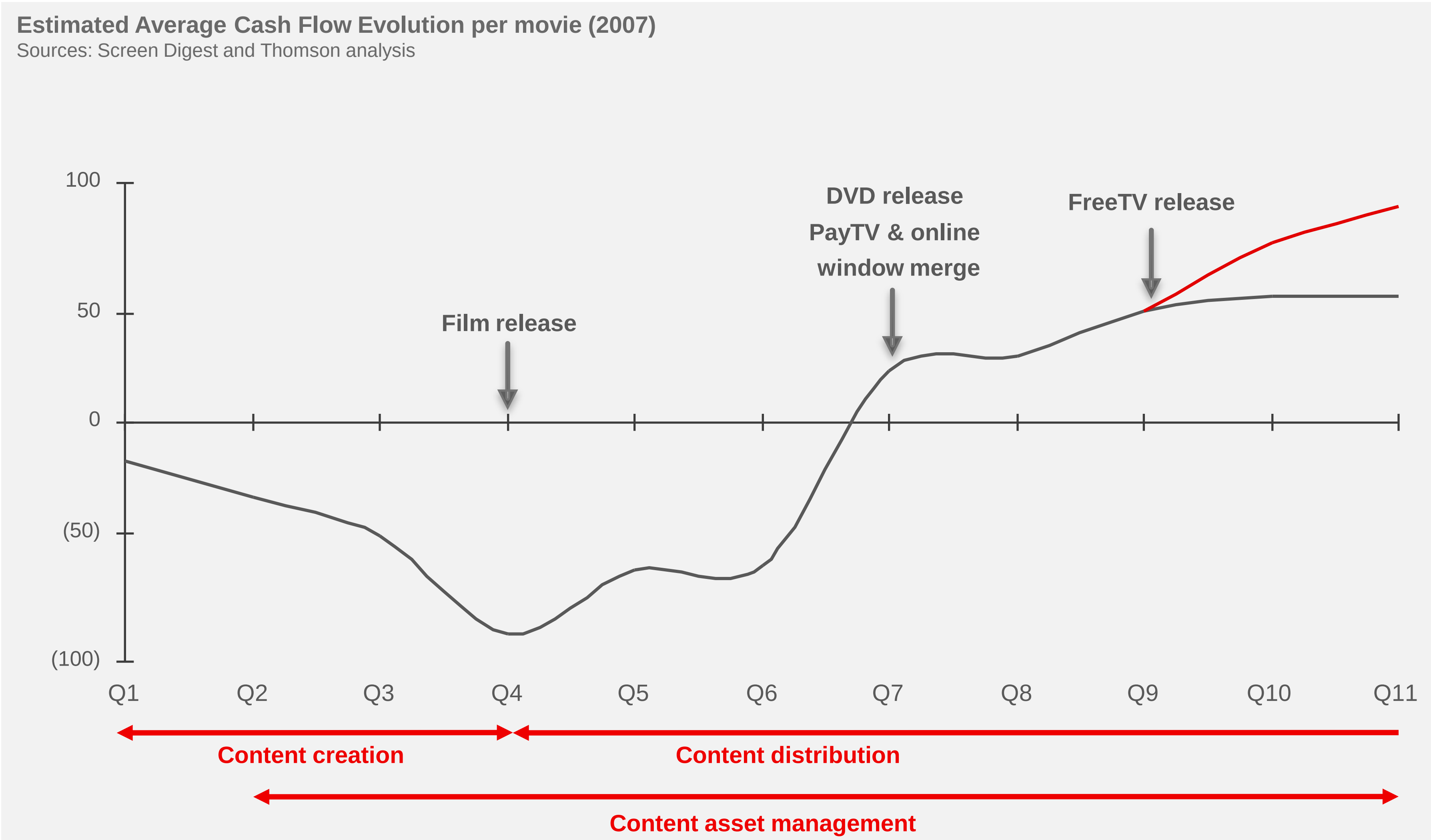
MANAGE

- Post production
- Content management
- Library Management / Archive

DELIVER

- Monetization of Assets
  - All version mastering (Theatrical and Home Video)
  - Distribution (Physical and Electronic)

Economics of film making



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Shifting market dynamics in the content creation industry

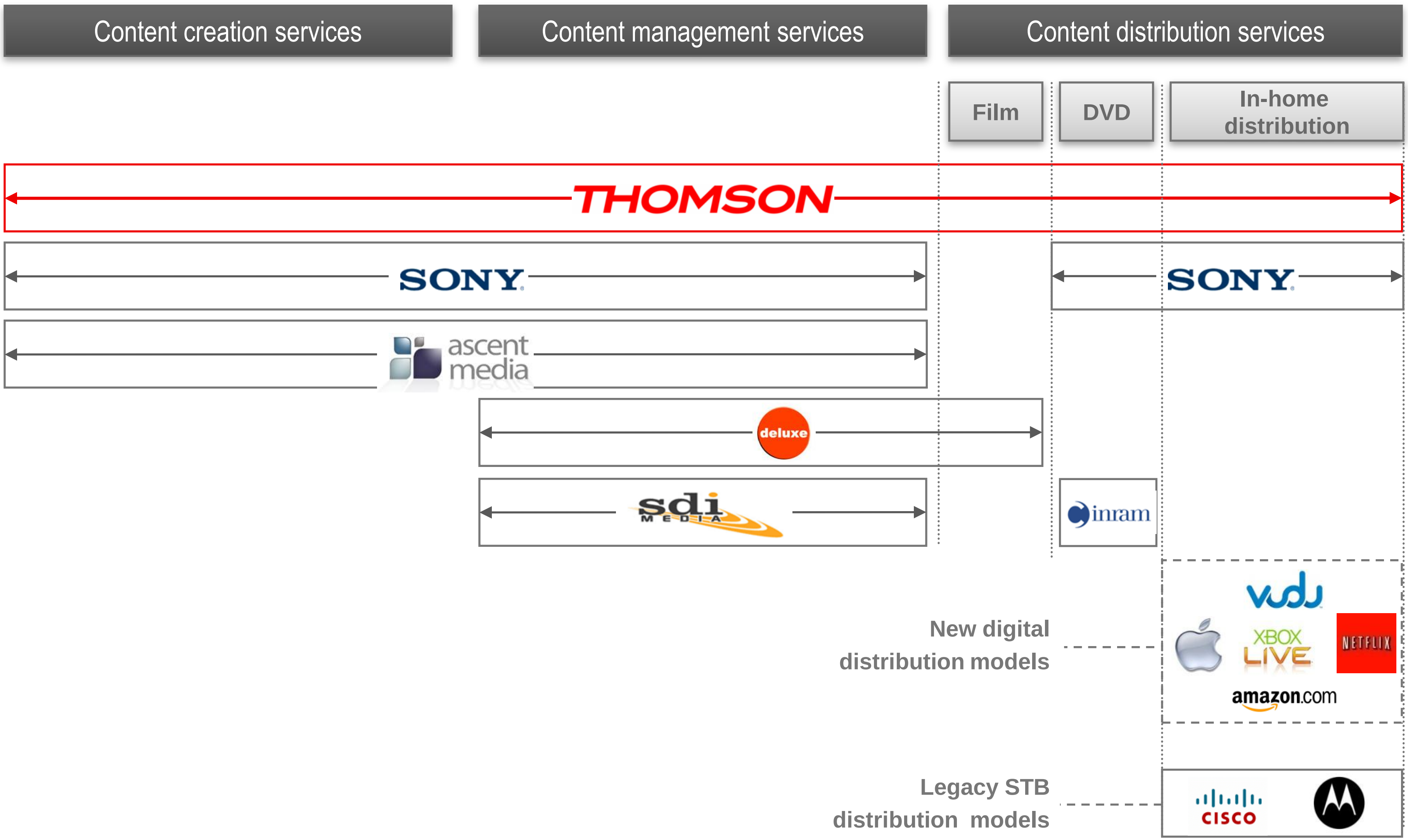
Key industry trend	Implication
New entrants	Need for increased differentiation amongst Content Creators

Key market trend	Implication
Acceleration in shift to digital consumption	Need for Content Creators to adopt new digital distribution business models

Consequences & Opportunities

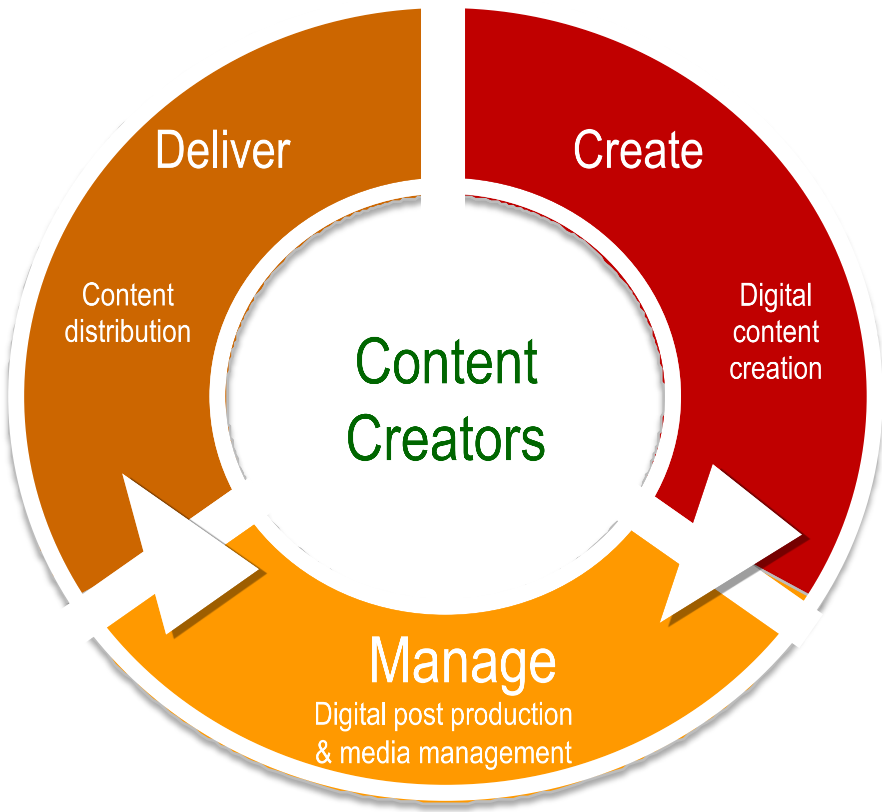
- Major Content Creators increasing investment per movie
- Increasing presence of minor-major /independent Content Creators
- Content Creators increasing focus on animation, visual effects, games & 3D
- Increased focus on "exploiting the assets" – re-use of content
- Digital distribution provides a new source of revenue and margin

Thomson focus on its customers



Thomson tomorrow

Film
Packaged media
In-Home digital distribution
Broadcast playout



Animation
Visual effects
Gaming

Color correction & finishing
Editing
Sound mixing

Master creation
Compression & authoring
Digital content management

TECHNOLOGY & LICENSING

THOMSON