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Immediate Priorities and Third Quarter Revenues

October 16, 2008

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Overview

- **Cash generation and debt reduction set as key objectives**
- **Group expects to satisfy covenants at year end**
- **Third-quarter revenues fell 7.9% at constant currency**
- **Actions taken to:**
  - Accelerate cost reduction programs
  - Eliminate unprofitable revenues and business lines

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Q3 Revenues - Divisional Performance

in €m	3Q07 Actual	3Q08 Actual	3Q08 (constant currency)	Revenue growth (constant currency)
Technology	97	105	105	7.9%
Services (Technicolor)	598	522	569	(4.9)%
Systems (Thomson Grass Valley)	650	541	566	(13.0)%
Thomson Group	1,348	1,170	1,242	(7.9)%
Technical Aspects	€:US$ 1:1.38	€:US$ 1:1.51		

Technology – 3Q08 Business Review

- Technology revenues at constant currency increased by 7.9% year-on-year, with Licensing revenues increasing by 6.9% year-on-year

- New licensing agreements signed, including between Nokia and Contentguard for DRM for mobiles

- Combination of Tuners’ activity with NXP completed

- Exit from silicon chip operations on track

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Services – Physical media

- **Key indicators:**

	3Q08	3Q07
DVD *(in million units)*	365	402
Change (%)	*(9)%*	
Film footage *(in billion feet)*	1.09	1.17
Change (%)	*(7)%*	

- **Major DVD titles:** *Iron Man, Sleeping Beauty,* and initial volumes of *Indiana Jones and the Kingdom of the Crystal Skull, Kung Fu Panda* and *Wall-e*
- **High-Definition discs exceeded 10m units**
- **Significant increase in distribution and freight revenues**
- **Film footage decline linked to previously announced loss of one film contract**

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Services – Electronic media

- **Content Services**
  - Some effect from threatened Screen Actors Guild strike

- **Network Services**
  - Growth in Broadcast activities with contribution from new contracts
  - Advertising activities held back by soft advertising market

Systems – 3Q08 Business Review – Access Products

- **Key indicators:**

In million units	3Q08	3Q07
Satellite Set-Top box	2.5	2.7
Change (%)	*(10)%*	
Cable Set-Top box and modem (eMTA)	1.4	1.0
Change (%)	*32%*	
Telecom Access Products	2.5	2.6
Change (%)	*(2)%*	
Total Access Products	6.3	6.3
Change (%)	*0%*	

- **Residential telephony weak in US retail**
- **Supplies to Comcast increased cable volumes and revenues**
- **Improved mix in products for telcos compensated for price declines**
  - e.g. rollout of VDSL2 gateways for KPN
- **Satellite volumes and revenues weak in the quarter**

Systems – 3Q08 Business Review – Broadcast & Networks

- **Progress on new products, notably head-ends**

- **Exit from loss-making digital film transfer products completed**
  - €6m revenue in 3Q07
  - Significantly loss-making
  - Exit cost €20m

- **Order intake more volatile at quarter end (impacting both product orders and major systems integration projects)**

- **Cost reduction initiatives intensified**

Cost reduction, financing, other

- **Cost reduction to the end of September in operating expenses on track to deliver €50 million reduction by year-end at constant currency**
  - Cost reduction programs now being expanded across the Group

- **During September the Group drew down $500 million on its syndicated bank facility to repay the Silver Lake convertible bond**

- **The Group paid the coupon on its €500 million perpetual bond in September 2008**

Initial 7 weeks' program

- Customers
- Intensive review of all businesses - with no preconceptions
- Focus on those businesses losing money and consuming cash flow
- Organisation and Management team assessment

Set a clear management agenda

Initial Operational Actions

- **Changes to Executive Committee**
- **Simplification programs for Services and Systems divisions**
- **Accelerated cost reduction programs**
- **Elimination of unprofitable revenues and business lines - restructured or exited**
  - e.g. Genlis and Digital Film Transfer products

Conclusion

- Thomson has great potential to create value for stakeholders
- Near-term priority is to focus on operational improvements
- Cash generation and debt reduction set as key objectives
- Financial position is sound - strong banking line (€1.75 bn at LIBOR + 35 bp) – we expect to satisfy our covenants at the year end
- As our operational actions increase value, we will be well placed to make strategic choices

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