



THOMSON
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First Half 2008 Results

July 24, 2008

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1H 08 Overview

- CEO announcement
- 2Q revenues ahead of expectations
- Significant new contracts secured
- Cash generation and debt levels
- Operating expenses for 1H08 reduced by €43 million y-o-y.
Improvement programs to be intensified in 2H08
- We expect similar revenue decline year-on-year in 3Q08 as in 2Q08 (at constant currency)

CEO Appointment

- **Frédéric Rose joins as CEO on September 1st**
- **Will join the Board of Directors**
- **French-American national**
- **Experience in our sector, of our clients, of both Systems and Services**

Key Financial Metrics – 1H08

Net revenues	▶	€2,202m	2Q08 revenue (4.3)% at constant currency. 1H08 revenue (7.3)% at constant currency
Group EBIT	▶	€(6)m	EBIT pre restructuring of €40 million
Net result	▶	€(182)m	Losses from discontinued of €(73) million
Net financial debt	▶	€1,315m	Seasonal rise in 1H08 limited to €64 million
Cash flow	▶	€5m / €19m	Continuing free cash flow and net cash from operations improved

Key Figures

in €m	1Q08 growth at cst cur.	2Q08 growth at cst cur.	1H08 actual revenues	1H08 growth at cst cur.	1H08 reported EBIT	1H07 reported EBIT
Services	(8.4)%	(5.6)%	906	(7)%	(34)	13
Systems	(12.8)%	(0.9)%	1,109	(6.2)%	(27)	(6)
Technology	(7.0)%	(16.7)%	181	(12.4)%	116	152
Corporate	nm	nm	2	nm	(40)	(41)
Other	nm	nm	4	nm	(21)	10
Thomson continuing	(10.6)%	(4.3)%	2,202	(7.3)%	(6)	128

1H08 Profit & Loss

In € millions	1H08	1H07
Revenues	2,202	2,589
Gross margin	462	573
EBIT from continuing operations	(6)	128
Net finance costs	(42)	(50)
Other	(41)	8
Tax	(20)	(15)
Profit/ (loss) from continuing operations	(109)	71
Discontinued operations	(73)	(91)
Net income (loss)	(182)	(20)

Services – Physical Media

- Key indicators

In million units	2Q08	2Q07	1H08	1H07
DVD	285	263	597	582
Change (%)	8%		3%	
Film footage	1,072	1,441	1,803	2,549
Change (%)	(26%)		(29%)	

- Higher DVD replication volumes
- Growth in distribution activity
- Slight growth in DVD revenues in 2Q08 at constant currency
- Film Services decline for the semester affected by previously announced loss of one film contract (0.4 billion feet)
- Major film titles: *Kung Fu Panda*, *The Chronicles of Narnia – Prince Caspian*, *The Incredible Hulk* and *Speedracer*

Services – Electronic Media

- **Content Services**

- Effect of Hollywood writers' strike, mainly in 1Q08 with some recovery in 2Q08
- Visual Effects (VFX) – key titles: *Chronicles of Narnia - Prince Caspian*, *Harry Potter 6*, *Hancock*, *The Changeling*

- **Network Services**

- Growth in broadcast activities
- Signature of NBC Universal contract in playout/management of channels in 2H08 supports continuing growth
- Soft advertising market affecting retail media networks and cinema advertising

Systems – 1H08 Business Review – Access Products

● Key indicators

In million units	2Q08	2Q07	1H08	1H07
Satellite set-top box	2.8	2.5	5.0	4.7
<i>Change (%)</i>	13%		8%	
Cable device shipments	1.5	1.2	2.5	2.5
<i>Change (%)</i>	24%		1%	
Telecom device shipments	2.9	2.6	5.1	5.3
<i>Change (%)</i>	11%		(2%)	
Total Access Products	7.3	6.4	12.7	12.4
<i>Change (%)</i>	14.2%		2%	

● Revenue drivers of the first half

- Increased volumes were offset by price declines and an adverse mix
- Success in the delivery of integrated triple play boxes (TV Cabo) and the shipment of eMTAs (Comcast)
- Telephony and Home Networking affected by a weak retail conditions in the US

Systems – 1H08 Business Review – Broadcast & Networks

- **Growth over the half at constant currency:**
 - Stronger market conditions ahead of the Beijing Olympics
 - Good performance particularly in Cameras and Servers
 - Revenues from recent products, such as the LDK8000 HD broadcast camera and the LDK8300 Super Slo-Mo performed well
 - Continuing slowness in Mobile TV networks rollouts
 - Initial revenues of new products such as ViBE MPEG-4 encoder
 - Profitability and working capital both improved year-on-year
 - ERP upgrade launched

Technology – 1H08 Business Review

- **Licensing revenues in 1H08 decreased by 13.1%, at constant currency**
 - Strong 2Q07 comparison - lower past-period income (2Q07 was up significantly on 2Q06)
 - Activity slow as a whole in 1H08, notably in older programs
 - No major agreements signed in 1Q08, whereas LCD and Digital TV rollout continued in 2Q08
 - Stable revenues from MPEG-LA program in dollar terms (41% of the Technology division vs 38% in 1H07)
- **DRM license with Nokia through Contentguard signed in July 08**
- **Decision on silicon activities was implemented. The activity is now treated as discontinued**
- **Reorganisation of divisional management structure**

Discontinued Operations

- **Discontinued operations perimeter**
 - Silicon activities for €(47) million
 - Other discontinued activities for €(26) million
- **Losses from the current discontinued perimeter are estimated to be below €(30) million for 2H08 (including the final costs related to the exit from the Silicon operations)**
- **Net cash outflow from discontinued operations amounted to €(127) million vs €(118) million last year**
- **Further cash outflow of the current discontinued perimeter is expected to be in the region of €(75) million**

Free Cash Flow from Continuing Operations by Activity

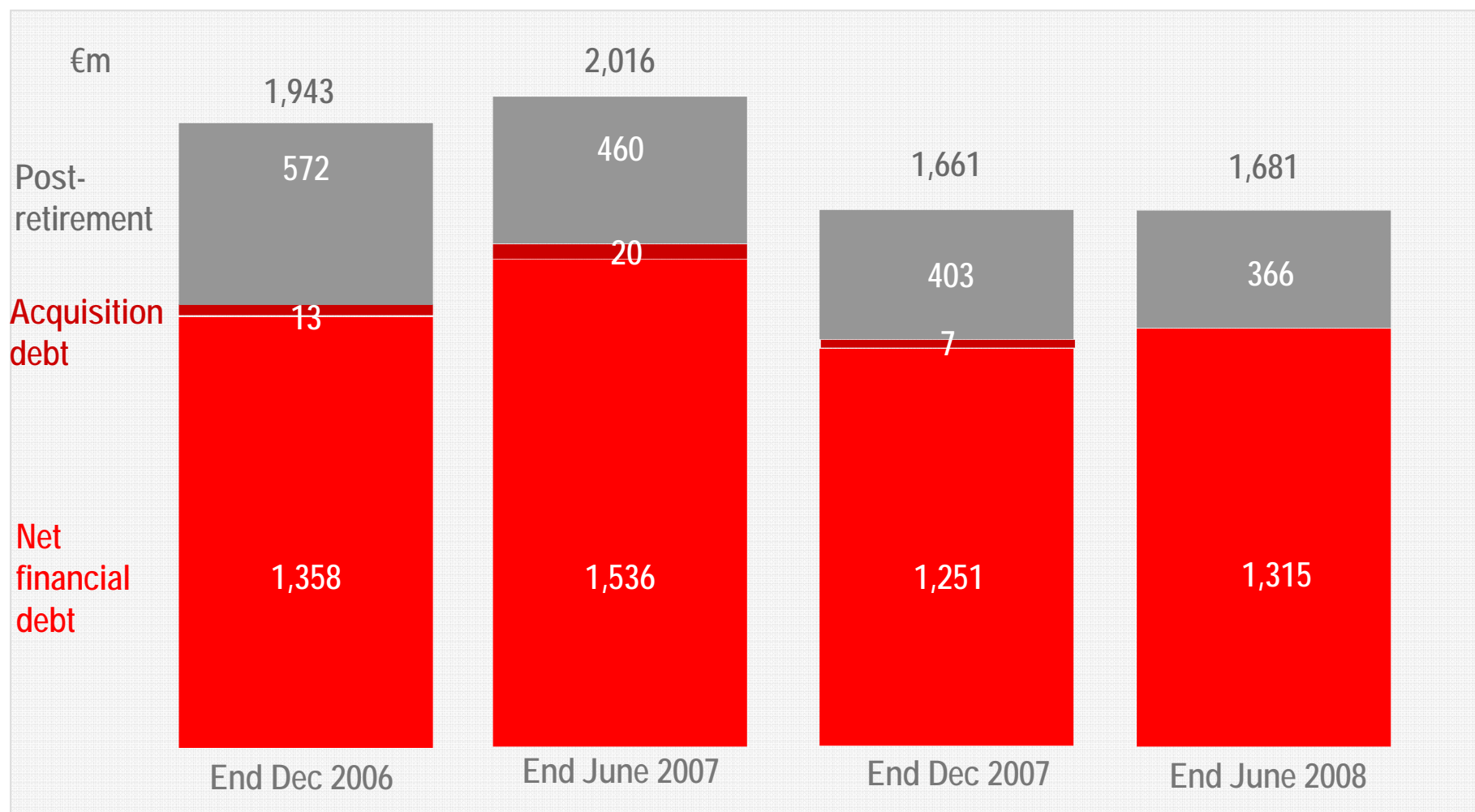
In €m	1H08	1H07
Services	9	26
Systems	5	(81)
Technology	112	125
Corporate and Other	(72)	(114)
Tax	(4)	(27)
Financial charges	(45)	(45)
FCF from continuing operations	5	(115)

Reminder of our Covenants

In €m	FY07	1H08 (LTM)
Debt	1,251	1,315
Equity	2,055	1,541
Debt / Equity	0.61x	0.85x
EBIT pre restructuring (LTM)	460	312
Interest adjusted (LTM)	(92)	(85)
Interest cover	5.0x	3.7x

- Both covenants are satisfied as of June 2008

Financial Liabilities



New Contracts

- Telenor has selected Thomson's end-to-end IPTV systems (Systems)
- Contract with Comcast for Digital-to-Analog Adapters (Systems)
- BT Home Hub wireless passed the three million shipment Mark and first shipments of the second generation BT Home Hub (Systems)
- Thomson reached the milestone of 1.5 million Digital Cable Set-top Boxes to Net Serviços (Systems)
- Thomson chosen to manage International Network Distribution for NBC Universal (Services)
- La Chaine Parlementaire, Assemblée Nationale, has selected Thomson to create news production system (Services)

New Products

- **HD/SD MPEG 4 Encoders - Eurosport, Foxtel and Reliance**
- **LDK 8300 High-Speed Super Slo-Mo Camera (used for Euro 2008)**
- **DIRECTV and Thomson have launched new version of unique Multi-Family Housing Triple-Play MFH3 Distribution System**
- **Launch of second generation broadband gateways eg: BT Hub**

OPEX Reductions

- **2 Cost reduction targets totaling ~~€~~80 million**
 - General OPEX : ~~€~~50 million
 - Silicon : ~~€~~30 million
- **~~€~~43 million reduction in continuing operating expenses in the half in P&L terms**
- **Underlying OPEX from continuing and discontinued operations at constant currency down ~~€~~45 million**
- **The Group confirms it is on target to reduce operating expenses at least in line with its targets for the year**

Back up

Financial Result and Tax

in €m	1H08	1H07	Comments
Interest expense	(42)	(50)	<ul style="list-style-type: none"> Lower dollar and dollar interest rates
Other Financials	(40)	9	<ul style="list-style-type: none"> Includes charges for various mark-to-market revaluations of swaps and options: 1H07 included SLP convertible option gain
Tax	(20)	(15)	<ul style="list-style-type: none"> Withholding taxes on licensing income Profits in regions where the Group does not have tax losses