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First Quarter Revenues and Near-term Priorities

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Overview

- François de Carbonnel appointed Chairman of Board on 9 April
- Action plans proposed by management team to reduce costs across businesses and improve Group profitability
- Board will no longer propose a dividend in order to increase operational and financial flexibility
- Group remains cautious on outlook, although 2Q08 trends expected to show some improvement on 1Q07
- 1Q08 revenues were €1,016m : down 11% at constant currency

Divisional Performance

in €m	1Q07 Actual	1Q08 Actual	1Q08 (constant currency)	Revenue growth (constant currency)
Services	548	450	502	(8.4)%
Systems	565	465	493	(12.8)%
Technology	124	98	108	(12.5)%
Thomson Group	1,243	1,016	1,106	(11)%
Technical Aspects	€US\$ 1:1.31	€US\$ 1:1.51		

Services – Physical media

- Key indicators

In million units	Q1 08	Q1 07
DVD	312	319
Change (%)	(2%)	
Film footage	731	1,108
Change (%)	(34%)	

- Major DVD titles: *Enchanted, 101 Dalmatians, National Treasure 2, No Country For Old Men, Bee Movie*
- Film decline resulted from :
 - Slate
 - Some ongoing impact from the writers' strike
 - Previously announced loss of one film contract

Services – Electronic media

- **Content Services**

- Continuing growth in Visual Effects (VFX) – key titles: *Chronicles of Narnia: Prince Caspian*, initial work on *Harry Potter 6*
- Declines in other areas, affected by the delays and cancellations caused by the writers' strike
 - Some ongoing effect through rest of 2008

- **Network Services**

- Growth in Broadcast activities
- Advertising side of business held back by soft advertising market

- **Offering in electronic distribution services to the home continued to develop**

Services – 1Q08 Business Review

- Operational programs focused on cost reduction programs
- Outlook
 - Revenues from physical media are expected to continue to decline over the next two quarters
 - Resolution of the format war in DVD in favor of BluRay is expected to boost the demand for new format discs, notably from 2009 onwards

Technology – 1Q08 Business Review

- Division revenues at constant currency decreased by 12.5% year-on-year
- Licensing revenues at constant currency decreased by 7.3% year-on-year
 - Quarterly fluctuations
 - No major new contracts signed in the quarter compared to a year ago
 - Stable revenues from MPEG-LA program
- Continuing discussions on combination of Tuners' activity with NXP
- Decision on Silicon activities

Systems – 1Q08 Business Review – Access Products

- Key indicators

In million units	Q1 08	Q1 07
Satellite Set-Top Box	2.2	2.1
Change (%)	2%	
Cable Set-Top Box	0.4	0.6
Change (%)	(30%)	
Telecom Access Products	2.3	2.6
Change (%)	(15%)	
Total Access Products	4.8	5.3
Change (%)	(10%)	

- Revenue drivers in the quarter

- Clients reduced orders in the light of increased economic uncertainty
- Satellite mix was largely unchanged and prices declined
- Volume declines in access products for telecom operators reflected lower volumes in Europe

Systems – 1Q08 Business Review – Broadcast & Networks

- Revenues were slightly up at constant currency compared to 1Q07
- Network products and integration activities declined year-on-year
- Broadcast products grew strongly
 - LDK8000 high-definition camera sold well
 - Progress in editing software and systems,
 - Recently-introduced version of the Aurora news software

Systems – 1Q08 Business Review – Systems

- **Operational programs**

- Systems division focused on reduction and process optimisation programs
- Reorganisation of sales force in January
- IT upgrades to supply chain
- R&D simplification and quality

- **Outlook**

- Overall cautious after Q407 and Q108
- Improvements in activity in the Access Products during the last weeks of March, indicating renewed investments by the Group's customers
- Positive reaction to the Group's products and services at NAB

Thomson's key announcements at NAB

- **Outside Broadcast OB vans for Prisma (Systems)**
- **Transmitters for Saudi Arabia (Systems)**
- **Archiving for Saudi Arabia (Systems & Services)**
- **HD News platform for NBC, affiliate of KHQ (Systems)**
- **Partnership with CinemaNow to offer retailers digital movie solutions (Services)**
- **New high-definition (HD) channel launch for Eurosport (Systems)**
- **New HD Facilities for France 2 (Systems)**

2008 Action plans

- Near-term actions intended to simplify Group and improve profitability
- Targeted reduction in operating costs of approximately €50m. Including wide range of process improvements, IT upgrades and restructuring measures
- The Group has reviewed loss-making silicon activities within technology division:
 - Take out approximately €30m of costs (on an annualised basis) within next 6 months
 - Costs of these actions expected to be in region of €35m

Dividend

- The Board supports the new management team's recommendation that financial resources should be directed in the near-term towards actions to simplify the Group and to improve its profitability
- Given this, and the uncertain economic and financial environment, the Board reviewed the Group's dividend policy and will no longer propose a dividend of €0.33
- The Board believes that shareholder value is being compromised by external speculation regarding the Group's credit position
- Dividends expected to play a key part in remunerating shareholders in the future

Debt and Financing

- As previously announced, the Group raised €70 million of new long-term debt during the quarter
- Significant reduction in net interest expense expected in 2008 (debt financed largely in US\$ and at floating rates)

Outlook

- In current climate of economic uncertainty the Group remains cautious
- Currently expect revenues for 2Q08 to decline year-on-year, by 6-8% in constant currency terms
- Group expects to report a loss from continuing activities before interest and taxation for the 1H08, given management decision to take further restructuring actions in H1, but to be profitable at operating profit level (i.e. prior to restructuring costs)
- Seasonal weighting towards in H2 as in previous years
- Comment further on expectations for the first half and full year at AGM on 22 May 2008.



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