

# ***THOMSON***

Thomson opens discussions to improve its balance sheet

January 29, 2008



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# Safe Harbor Statement

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*Thomson is a company listed on NYSE and Euronext Paris stock-exchanges, and this presentation contains certain statements, including any discussion of management expectations for future periods, that constitute "forward-looking statements" within the meaning of the "safe harbor" of the U.S. Private Securities Litigation Reform Act of 1995. Such forward-looking statements are based on management's current expectations and beliefs and are subject to a number of factors and uncertainties that could cause actual results to differ materially from the future results expressed or implied by the forward-looking statements due to changes in global economic and business conditions as well as conditions specific to Thomson's business, and regulatory factors. More detailed information on the potential factors that could affect the financial results of Thomson is contained in Thomson's filings with the French Autorité des marchés financiers and U.S. Securities and Exchange Commission.*

# Current Group situation

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Leading market positions...	... but a tight situation
<p>Licensing</p> <p>Video content preparation &amp; management</p> <p>Direct-to-the-home video delivery &amp; management systems</p>	<p><b>Difficult financial situation</b></p> <ul style="list-style-type: none"><li>● High level of debt</li><li>● Insufficient financial flexibility</li></ul>
	<p><b>Weak operating performance</b></p> <ul style="list-style-type: none"><li>● Many activities are still not integrated</li><li>● Cash burn from loss-making activities</li><li>● Implementation of key operational processes lacking</li></ul>
	<p><b>Questions on the business portfolio</b></p> <ul style="list-style-type: none"><li>● Large portfolio of diverse activities with lack of focus</li><li>● Scope of businesses incompatible with Group's resources</li><li>● Unclear approach to businesses undergoing strategic change</li></ul>

# Immediate action taken starting September 2008

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## Focus on Margins

1. Focus on improving operations – departure of 20 activity heads
2. Exit of retail telephony activities – CNS in North America
3. Sale of digital film equipment product line to private investors
4. Capex frozen

## Management

1. Reduced size of Executive Committee and introduced new talent
2. Established a “Senior Leadership Team”
3. SLT incentivized on operating profitability & cash generation

## Organization

1. Number of P&Ls reduced from 52 to 12 so far
2. Business Division heads made accountable for operating profit & cash
3. Operational risk management processes in place
4. Implementing a culture of operational management

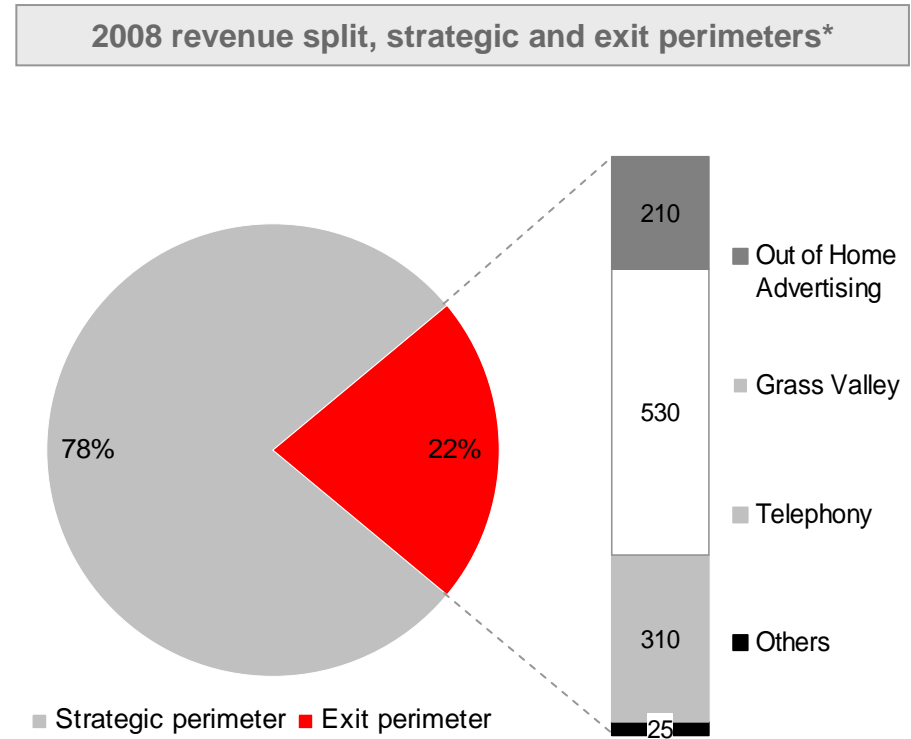
# Strategic Orientation

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- **Refocus on core customer base of content creators**
  - World leading positions with film and TV studios
  - Strength of the Technicolor brand
  - Leverage on technological edge
- **Support content creators' shift towards dematerialized distribution**
  - Leverage global market leader positions in set-top boxes and gateways, as well as technological and industrial capabilities
  - Leverage Thomson's relationships with network operators
- **Refocus research programs to support the strategic framework and strengthen the patents & licensing business**
- **Divest or close non-core and poor performing activities**

# Divestment program

- **Exit perimeter represents around €1bn of 2008 revenues**
  - Out-of-Home Advertising (mainly PRN and ScreenVision)
  - Grass Valley (Broadcast & Networks)
  - Residential Telephony
  - Others (mainly Digital Cinema and Software & Technology Solutions)



\*Estimated and unaudited

# Debt situation

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- Estimated net debt of €2.1bn at end-2008 (credit facility fully drawn)
- Cash position of €775m at end-2008

## Key components of change in net debt in H2 2008

### Working capital

- Rise in working capital needs of c. €350m
- Shorter supplier payment cycle and reduced recourse to factoring and customer advances
- Reduction of costs related to supplier payments, factoring and customer discounts

### Restruct.

- Restructuring costs: €80m

### “Other”

- Total of €300m
- Of which on-cash impacts of €220m related in particular to the impact of unfavourable currency fluctuations on debt

# Q4 08 revenue trends

	Q4 08	Change at constant FX rates	FY 08	Change at constant FX rates
Group revenues*	€1,468m	-8.2%	€4,839m	-7.7%

Q4 divisional trends	YoY change in group revenue, constant FX rates
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### Technology

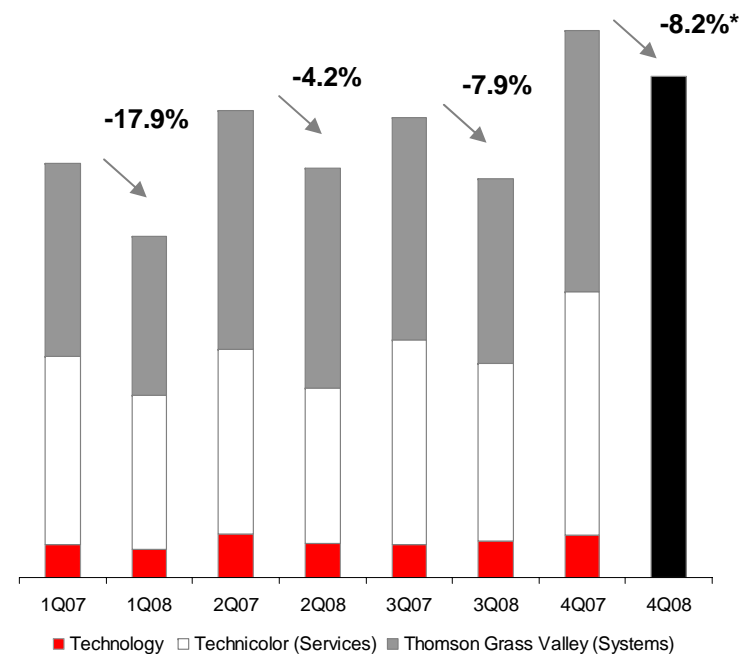
Q4 08 sales slightly higher than previous quarter, but lower than Q4 07, which benefited from non-recurring revenues

### Technicolor

As in Q3 08, revenues declined at Technicolor, specifically in the film and DVD businesses despite increased penetration of Blu-Ray

### Thomson Grass Valley

Positive point of inflexion for Access products. Grass Valley businesses continue to suffer from capex reductions by operators



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