

PRESS RELEASE

**Thomson: Third Quarter 2007 Revenues**

- **Core third-quarter revenues grew just over 2% at constant currency, and 4.7% for the first nine months of 2007, in line with our 2007-9 revenue objectives**
- **Resilient performance from physical media**
- **Improved performance from Broadcast & Networks, which returned to growth**
- **AVA exit announced**

**Paris, 18 October 2007** – The Board of Directors of Thomson (Euronext Paris: 18453, NYSE:TMS), chaired by Frank E. Dangeard, met in New York on 17 October 2007 to review revenues for the quarter ending 30 September 2007.

- Thomson reported total revenues of €1,375 million for the quarter. Core Business reported revenues were €1,370 million (3Q06, €1,401 million). Currency movements were significant and decreased Core Business revenues during the quarter by €60 million. Core Business revenues at constant currency were therefore €1,430 million, an increase of just over 2% year-on-year. Perimeter effects were minimal in the quarter.
- Third-quarter revenues for the Services Division were up 1% at constant currency, despite few blockbusters in Film and DVD.
- The Systems Division grew 3% at constant currency. Access Products grew modestly compared to a strong 3Q06 and Broadcast & Networks recorded constant currency revenues slightly above 3Q06.
- Within the Technology Division, our Licensing business performed strongly.
- Revenues for the first nine months of 2007 grew 4.7% at constant currency, in line with our 2007-9 revenue objectives.

Commenting on the third-quarter revenues, Frank E. Dangeard, Chairman & CEO of Thomson, said:

*“We met our key strategic and operational objectives in the third quarter. In particular we began to improve performance in Broadcast & Networks and launched key initiatives in online content distribution. Our focus for the remainder of the year and in 2008 will continue to be on driving profitable growth and operational efficiencies across the Group to deliver shareholder value.”*

### Third Quarter 2007 Consolidated Revenues (unaudited)

<i>In € millions unless otherwise stated</i>	<b>3Q 07 actual</b>	<b>3Q 07 constant currency</b>	<b>3Q 06</b>	<b>% change constant currency</b>
<b>Services</b>	<b>598</b>	<b>627</b>	<b>622</b>	<b>0.7%</b>
<b>Systems</b>	<b>651</b>	<b>673</b>	<b>654</b>	<b>3.0%</b>
<b>Technology</b>	<b>120</b>	<b>129</b>	<b>116</b>	<b>11.9%</b>
<b>Others</b>	<b>1</b>	<b>1</b>	<b>9</b>	<b>n/m</b>
<b>THOMSON CORE</b>	<b>1,370</b>	<b>1,430</b>	<b>1,401</b>	<b>2.1%</b>
<b>Non-Core</b>	<b>5</b>	<b>5</b>	<b>22 <sup>(1)</sup></b>	<b>n/m</b>
<b>THOMSON GROUP</b>	<b>1,375</b>	<b>1,435</b>	<b>1,423 <sup>(1)</sup></b>	<b>0.8%</b>

<sup>(1)</sup> Revenues are presented according to IFRS and therefore exclude activities treated as discontinued for the quarter, principally the remaining Audio/Video and Accessories businesses.

#### **Exit from AVA Businesses and Outlook**

- Thomson announced earlier this week that it had signed a definitive agreement to sell its Audio-Video activities outside Europe (AV US/ROW) and will progress with closing all European Audio/Video and Accessories (AVA Europe) activities except for Germany where discussions continue with potential interested parties.
- The cash proceeds of the AV US/ROW sale (net of related restructuring costs and including expected trademark payments and liquidation of working capital) are expected to be just over €40 million. The cash costs of shutting the European activities and the expected costs of exiting the German operation, net of liquidation of working capital, are estimated to be just over €30 million, resulting in an expected net inflow from these exits of €10 million. In addition the cash outflow in 2H07 from operating losses and other costs from discontinued operations for the second half of 2007 are expected to be about €45 million. From 2008 net cash effects relating to these activities are expected to be immaterial.
- With regard to the expected loss from discontinued operations for 2H07, in addition to the operating losses and other costs of about €45 million, the AVA exits will give rise to one-off asset write-offs and charges of the order of €90 million. From 2008 any remaining charges relating to these activities are expected to be immaterial.
- These charges will be taken in 2H07 and will impact the Group's net result after discontinued operations for 2007. This is expected to be lower than last year as a result.

- The Group expects to have a profitable and cash generative fourth quarter across all three core divisions. With regard to revenues, growth at constant currency in 4Q07 is expected to be slightly higher than in 3Q07. Most of the Group's markets appear robust, as reflected for example in a good DVD release slate, the reception of new products in Broadcast & Networks and significant new clients.
- As announced at the time of our 2006 results, the Group retains an objective of higher sales growth at constant currency in 2008 and 2009, in line with or ahead of market growth, following this more modest growth in 2007. We maintain an objective of significant increases in Group net profit in 2008 and 2009.

## **Divisional Review**

### **Services**

Revenues for the Services division reached €598 million for 3Q07 (3Q06, €622 million). Currency movements decreased revenues during the quarter by €29 million. Revenues at constant currency thus increased by 0.7% year-on-year. Perimeter effects were minimal in the quarter (€13 million of revenues from NOB in Network Services).

We continued to grow strongly overall in our digital and electronic services activities (Network Services, Content Services and digital cinema). This growth was offset as expected by a decline in physical media (Film and DVD Services).

- There were few blockbusters in either Film or DVD. Despite this, volumes held up well.

DVD volumes for the third quarter showed a 4.8% increase in units from 383 million units to 402 million units. Key studio titles in DVD for the quarter were *Ratatouille*, *Jungle Book* and initial volumes of *Transformers* and *Shrek the Third*. The mix between studio and kiosk volumes improved relative to 3Q06.

In Film, footage for the quarter was 1.17 billion feet (3Q06, 1.29 billion feet). Titles in the quarter included *The Bourne Ultimatum* and, outside North America, *Harry Potter - the Order of the Phoenix* and *Ratatouille*.

- The revenues driven by digital and electronic media continued to grow strongly in 3Q07, particularly in Network Services.

Content Services showed good growth. In higher-end services Visual Effects (VFX) in particular led the way. Titles included VFX work on *Fred Claus*, *10,000 B.C.*, and continuation of the *Narnia* project.

Network Services again grew significantly in the quarter. We increased the number of channels managed, notably with the successful start of the BBC Worldwide contract, announced in July. We expect a continuing increase in channel launches for blue chip broadcasters over the next six months. Our retail media services continued to grow steadily in North America and we

progressed our plans for international expansion of this offering in Latin America.

Our offering in electronic distribution services to the home was significantly strengthened in the quarter by the acquisition of SyncCast, a key-provider of complete end-to-end solutions in the delivery of digital content over IP networks. Although this market is currently small, we expect it to be an area of growth going forward to complement our other electronic content services and network services.

## Systems

Revenues for the division reached €651 million for 3Q07 (3Q06, €654 million). Currency movements decreased sales during the quarter by €22 million. Revenues at constant currency therefore grew by 3.0% year-on-year, compared to a particularly strong 3Q06 and with Broadcast & Networks returning to growth.

- In Access Products, Thomson shipped 2.7 million satellite set-top boxes in 3Q07 (vs. 3.7 million in 3Q06), 0.6 million cable set-top boxes (vs. 0.4 million in 3Q06), and 2.6 million access products for telecom operators (vs. 2.3 million in 3Q06) – making a total of 5.8 million access products in the quarter (vs. 6.4 million in 3Q06).

For satellite customers, an increase in average selling prices from the continuing improvement in product mix balanced lower unit volumes.

Access products for telecom operators grew year-on-year during 3Q07, with continuing roll outs of the France Telecom Livebox and the BT Hub quadruple-play enabled gateway in the UK again the most significant contributors.

Sales to cable customers grew well. Sales of eMTA devices to Comcast, the North American cable operator, started at the end of the quarter.

- Broadcast & Networks showed an increase in revenues at constant currency in the quarter compared to 3Q06. After delays in the first half, the LDK8000 high-definition camera sold well in 3Q07 and a number of other broadcast product lines, including servers, switchers and most notably news & desktop editing systems, performed well. We showcased a beta version of the Infinity professional camcorder in September at the IBC show in Amsterdam, where we registered a good reaction across our service and product range.

Network product sales also rose, notably with the introduction of the new NetProcessor product range, as well as successes in servers for Video-on-demand applications. The ViBE MPEG-4 encoder with the Mustang chip was demonstrated live at IBC and will be launched this quarter. Key systems orders include transmission equipment for Arqiva and high-definition outside broadcast units for the Abu Dhabi Media Company.

Operational programs have begun and will realise some cost savings in 2H07, and we will conclude in the fourth quarter a comprehensive review of the consequences for existing products and programs of the current wave of new

product introductions. This is expected to lead to a small one-off non-cash charge in 2H07.

## **Technology**

Revenues of the division were €120 million for 3Q07 (3Q06, €116 million). Currency movements during the quarter decreased sales by €9 million. Revenues at constant currency therefore increased by 11.9% year-on-year

Reported licensing revenues were €93 million for 3Q07 (3Q06, €92 million). Currency movements were significant and decreased licensing revenues for the quarter by €9 million. Licensing revenues at constant currency thus increased by 10.6% year-on-year. There was no change to the major trends in programs from 1H07. Thomson had over 1,000 licensing contracts outstanding across its 23 licensing programs.

## **Non-Core and Discontinued Activities**

Revenues of Non-Core activities were €5 million for 3Q07 (3Q06 revenues €22 million), reflecting the lower levels of external revenues at our Angers and Genlis operations.

Group reported revenues are presented according to IFRS and therefore exclude activities treated as discontinued for the quarter.

## **Other**

The Group recently signed a private debt placement to refinance €150 million of short-term debt to maturities of 7 years (for €100 million) and 5 years (€50 million), in line with our policy of maintaining a prudent average debt maturity profile. The terms of the notes meet Thomson's criteria for long-term borrowing in terms of costs, while the covenants are identical to its outstanding US private debt placements. This extends the Group's current average net debt maturity to around 5 years.

The sale of the Camarillo property in California which gave rise to a €36 million profit in 1H07 was completed as expected in the quarter.

The Board has decided to cancel 1,481,268 of the treasury shares held. Following this there will be 269,890,028 shares in issue

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*Certain statements in this press release, including any discussion of management expectations for future periods, 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, consumer electronics markets, 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 U.S. Securities and Exchange Commission.*

**About Thomson — World leader in digital video technologies**

Thomson (Euronext Paris: 18453; NYSE: TMS) provides technology, services, and systems to help its Media, Entertainment & Communications clients – content creators, content distributors and users of its technology – realize their business goals and optimize their performance in a rapidly changing technology environment. The Group is the preferred partner to the Media & Entertainment Industries through its Technicolor, Grass Valley, RCA, and Thomson brands. For more information: <http://www.thomson.net>.

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