



PRESS RELEASE

Third Quarter 2006 Revenues

- **Core Business revenues were €1,401 million**
- **Revenue growth of 11.5% at constant currency**
- **Operational programs performing well**
- **Full year objectives remain unchanged**

Paris, 12 October 2006 – The Board of Directors of Thomson (Euronext Paris: 18453, NYSE:TMS), chaired by Frank E. Dangeard, met on 10 October 2006 to review revenues for the quarter ending 30 September 2006.

Thomson's Core Business reported revenues for 3Q06 of €1,401 million, an increase of 10% on the 3Q05 core revenues of €1,274 million. Currency movements decreased Core Business revenues during the quarter by €20 million. Core Business revenues at constant currency were therefore €1,421 million, an increase of 11.5% year-on-year. Total reported revenues for the Group for the quarter including Non-Core revenues were €1,423 million.

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

"We grew 11.5% in the quarter, an acceleration on the first half. Our operational programs are performing in line with our expectations and are also being expanded. We have reiterated our full year financial objectives as we move into the fourth quarter."

Reported revenues for continuing operations are broken down for analysis purposes between the three Media & Entertainment divisions - Services, Systems and Technology, together with the associated Corporate costs, which are collectively termed "Core Business" - and Thomson's Displays & CE Partnerships activity ("Non-Core"). The table below sets out our revenues on a reported basis, as well as adjusted for currency movements.

Third Quarter 2006 Consolidated Revenues (unaudited)

<i>In € millions unless otherwise stated</i>	3Q 06 actual	3Q 06 constant currency	3Q 05	% change constant currency
Services	622	634	645	(2)%
Systems	654	662	504 ⁽¹⁾	31%
Technology	116	116	116	0%
Others	9	9	9	n/m
THOMSON CORE	1,401	1,421	1,274	11.5%
Non-Core - (Displays & CE Partnerships)	22	22	40 ⁽¹⁾	n/m
THOMSON GROUP	1,423	1,443	1,314 ⁽¹⁾	n/m

⁽¹⁾ Revenues are presented according to IFRS and therefore exclude activities treated as discontinued for the quarter, principally the Audio/Video and Accessories businesses, including the Group's retail terrestrial decoder activity, which are held for sale (together "AVA") and for 3Q05 also the exited Displays activities. Previously reported group revenues for Thomson for 3Q05 were €1,542 million of which €228 million was from activities since treated as discontinued.

Third Quarter 2006 Thomson Core Revenues Highlights

Overall reported Core Business revenues grew by €127 million. This reflected significant growth in Systems, particularly in our offerings for telecom and cable operators, while sales in the Services division fell slightly, reflecting Film and DVD performance. Technology division revenues were stable year-on-year.

Perimeter effects from acquisitions made after 1 July 2005 added €70 million to revenues during the quarter.

Outlook

Our business remains seasonally biased towards the fourth quarter of the year and the evolution of revenues by business in the third quarter was broadly in line with the seasonal trends expected when the Group set its financial objectives for 2006. Despite the challenging market conditions which have characterised our markets this year, we remain focused on achieving our full-year objectives, namely Core Business revenue growth in 2006 above 8.5% and an EBIT margin in the Core Business also above 8.5%.

Core Divisional Review

Services

Revenues for the Services division reached €622 million for 3Q06 (3Q05, €645 million). Currency movements decreased revenues during the quarter by €12 million. Revenues at constant currency thus decreased by 2% year-on-year.

The growth in revenues for the quarter from Network Services was offset by a decline in Film and DVD Services. Perimeter effects from acquisitions made after 1 July 2005 (PRN, VCF Thematiques and Convergent in Network Services) added €35 million net to revenues during the quarter.

- Physical media revenues for the quarter were lower year-on-year, reflecting the market conditions seen in DVD and Film throughout the year to date.

DVD volumes for the third quarter showed a 5% increase in units from 365 million units to 383 million units, with an increased proportion of kiosk volumes. Key studio titles in DVD for the quarter were *Over the Hedge*, *The Break-up*, and initial volumes for *Pirates of the Caribbean 2* and *Cars* and in TV content *Lost - Series 2* and *Grey's Anatomy*.

In Film, footage for the quarter was 1.29 billion feet, a decline year-on-year of 7%, reflecting a poorer film release slate. Key titles in the quarter included *Miami Vice*, *Lady in the Water* and *The Departed*.

- The revenues driven by digital and electronic media grew in 3Q06, through particularly strong growth in Network Services.

Content Services had a quiet quarter overall with mixed revenue development across its business lines, but stronger performances in areas such as Digital Intermediates (DI), which will be strengthened further going forward by the recent opening of our DI facility on the Sony Pictures Studios lot in Hollywood at the start of the fourth quarter. The third quarter included DI work on Clint Eastwood's *Flags of Our Fathers* (his first film to use the DI process) and initial visual effects (VFX) work on the next film in the Harry Potter series. VFX had a strong order intake this quarter. Our content preparation offering for online distribution is expanding.

Network Services grew significantly in the quarter, with good contributions from the US retail media operations and from broadcast playout in Europe. In retail media, we ran pilots of major network upgrades for a number of major US retailers and progressed plans for rollouts in Europe. Our network installation and maintenance operations continued to develop well, including for internal needs. The new TV5 platform, the VCF operations in France and our UK operations will be strengthened going forward by the recently announced NOB expansion in the Netherlands. This deal enhances Thomson's ability to offer its

customers an end-to-end solution from systems design, including proprietary and open-standard architecture and applications, to content preparation and management, and distribution of live, pre-recorded and on-demand digital content. We have broadened our digital media ingest and content preparation offering in the UK.

Systems

Revenues for the division reached €654 million for 3Q06 (3Q05, €504 million), an increase of 30%. Currency movements decreased sales during the quarter by €8 million. Revenues excluding currency movements therefore grew by 31% year-on-year.

Perimeter effects from the 1Q06 acquisitions in Broadcast & Networks added €35 million to net sales during the quarter.

Within our Access Products activities, there was significant growth in the business serving satellite, cable and particularly telecom customers.

- Broadcast & Networks (Grass Valley) had successes with new products which were showcased at the IBC trade show in September, such as the recently launched HD MPEG4 encoders and with the digital news production offering and products for mobile video services. Considerable focus is being put on the integrations of the TBM and Canopus acquisitions, which are well underway, and on leveraging the enhanced product range.
- In Access Products, Thomson shipped 3.7 million satellite set-top boxes in 3Q06 (vs. 2.3 million in 3Q05), 0.4 million cable set-top boxes (vs. 0.1 million in 3Q05), and 2.3 million access products for telecom operators (vs. 1.7 million in 3Q05) – making a total of 6.4 million access products in the quarter. A significantly increased proportion of the access products for telecom operators were Advanced Service Gateways which are generally triple play enabled and command a higher ASP than traditional DSL modems.

In satellite, volumes in the US grew vs. a weak 3Q05, although still with a high proportion of standard devices. We started shipping a new standard definition PVR in the quarter. In Europe we continued to roll out the HD PVR which was launched in the UK at the end of the second quarter.

Sales of cable access products grew well, following previous customer wins, and are showing good momentum going forward.

Thomson's business with telecom customers grew strongly during 3Q06. Growth in triple and quadruple-play enabled Advanced Service Gateways continued to be the principal driver of growth in this area. As well as the continuing roll out of the France Telecom Livebox, we made the initial shipments of the BT Hub quadruple-play enabled gateway in the UK. Thomson aims to leverage its strength in developing and launching Advanced Service Gateways,

in which we currently have a very high global market share, as telecom operators rollout their triple and quadruple play offerings.

Technology

Revenues of the division reached €116 million for 3Q06 (3Q05, €116 million). Currency movements during the quarter had no significant effect on sales.

Licensing revenues were €92 million for 3Q06 (3Q05, €95 million). Revenues continued to be robust, thanks to a continuing strong performance in digital programs, particularly MPEG-2 and the newer licensing programs, particularly LCD. There was a lower impact from one-offs as compared to 3Q05. At the end of the quarter Thomson had around 940 licensing contracts outstanding, generated from its portfolio of around 50,000 patents across 23 licensing programs. Around 85% of licensing revenues for the quarter were generated from digital licensing programs.

Non-Core and Discontinued Activities

Revenues of the Non-Core, Displays & CE Partnerships, activity were €22 million for 3Q06 (3Q05 revenues €40 million). The revenues relate mainly to the Group's residual sub-contract manufacturing/assembly operations (principally at Angers, which assembles products for TCL/TTE, among others, and Genlis in France). Thomson has remained in close contact with TCL following their announcements in July regarding the weak performance of their European operations.

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Operational Programs

The Group put in place operational programs at the start of the year designed to integrate our new businesses, improve our cost base and cashflow, and better serve our customers. At the half year, we commented on the impacts of these programs. We have continued to implement these programs in the second half and have also expanded their scope further into key areas around supply chain standardisation, real estate optimisation, R&D processes, HR policies, and benefits and IT harmonisation.

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 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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