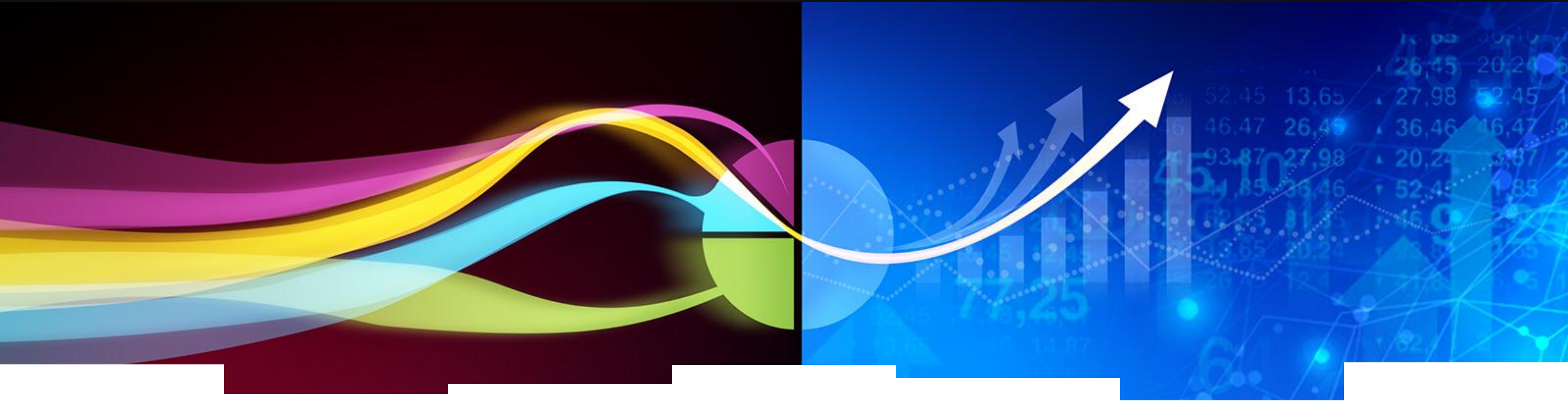
First Half 2014 Results

July 25, 2014



Frederic Rose, CEO

Stéphane Rougeot, CFO

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Agenda

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Forward Looking Statements

This presentation contains certain statements that constitute "forward-looking statements", including but not limited to statements that are predictions of or indicate future events, trends, plans or objectives, based on certain assumptions or which do not directly relate to historical or current facts.

Such forward-looking statements are based on management's current expectations and beliefs and are subject to a number of risks and uncertainties that could cause actual results to differ materially from the future results expressed, forecasted or implied by such forward-looking statements.

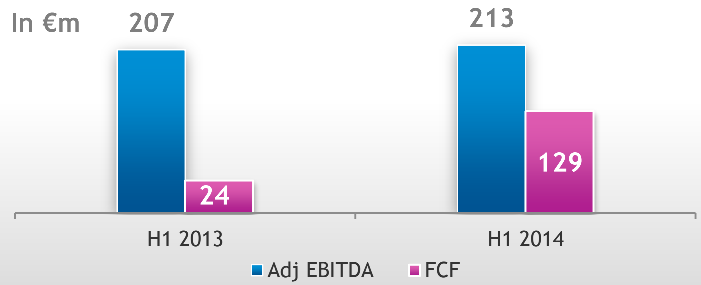
For a more complete list and description of such risks and uncertainties, refer to Technicolor’s filings with the French Autorité des marchés financiers.

H1 2014 Key Highlights

Operating margin increase

- **Adj. EBITDA margin:** +14.2%, up 1.2 pt
- **Adj. EBIT margin:** +8.4%, up 1.4 pt

Strong cash generation



Financial improvement

- **Positive net income:** €46m (excl. non cash costs related to debt prepayments)
- **Material** interest savings
- **Continued** deleveraging

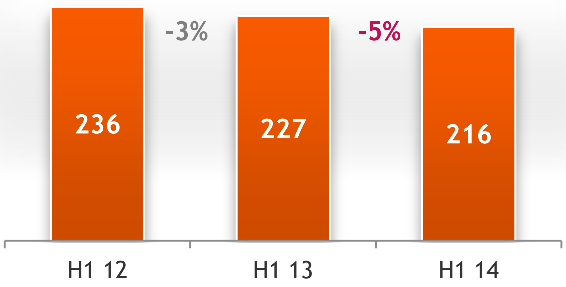
Business achievements

- **Signature** of new license agreements
- **Record level of activity** in VFX
- **Profitable growth** in Connected Home

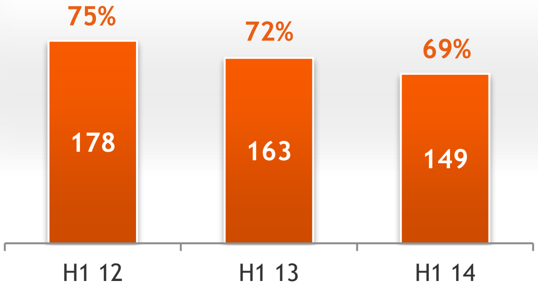
H1 2014 Segment Review

Technology – H1 2014

Revenues, €m
Change at constant rates



Adj. EBITDA, €m
& Margin



Weaker contribution of MPEG LA (MPEG2) resulting from:

- A one-off adjustment in Q1 2014
- Overall weakness in optical disc drive demand for PC

Adj. EBITDA down €14 million vs. H1 2013, mainly reflecting lower Licensing revenues

Adj. EBITDA margin decrease due to lower Licensing revenues and startup costs for Virdata

Key Highlights

Strong performance in direct licensing programs, driven by several new contracts and renewals signed in H1 2014

Significant progress in smartphone licensing program

- **LG** licensing agreement signed in February 2014

Renewed digital TV programs, with two major manufacturers in the second quarter

Reinforcing and Enforcing IP

Reinforcing IP organically and through selected IP acquisitions

- Expansion of patents related to standards portfolio, specifically in Blu-ray™ and HDMI standards
- Acquisition of more than 120 patents and applications relevant to LTE standard

Enforcing IP

- Initiated two legal actions seeking to recover unpaid royalties pursuant to existing licensing agreements

Strong progress around Immersive Media Technologies

Promoting immersive media technologies*

- **Ongoing discussions around HEVC pool**
- **Additional standardization proposals** delivered to key standard bodies
- **Algorithms running now on real-life content**

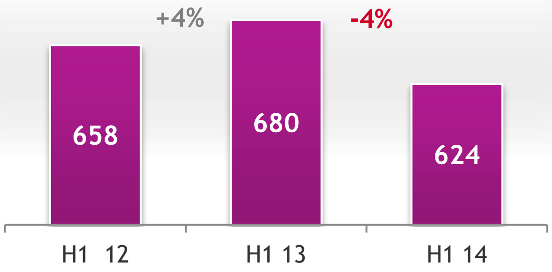
Producing and delivering immersive content

- **HP Envy and HP Pavilion Series, world's 1st PC monitors Color Certified by Technicolor** (available in Q3 2014)
- **Production Services working on an increasing number of 4K TV shows**
- **4K streaming on M-GO platform on Samsung TV** available in Q3 2014
- **World's 1st volume 4K set-top box deal with Tata Sky**, with first shipment early 2015

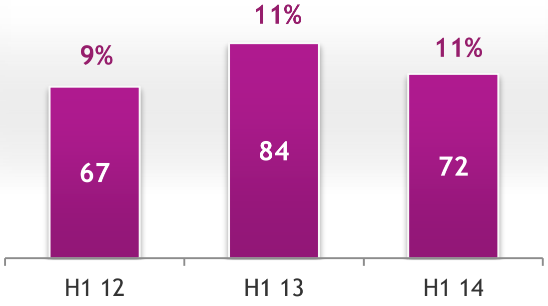
*4K, Wide Color Gamut, High Dynamic Range, Framing, Upscaling, Ambisonics…

Entertainment Services – H1 2014

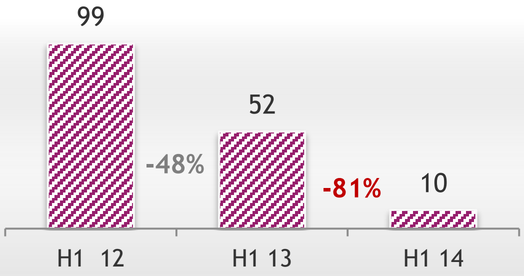
Revenues (excl. legacy), **€m**
Change at constant rates



Adj. EBITDA, €m
& Margin



Exit of legacy
Revenues, €m



YoY Adj. EBITDA decrease entirely due to legacy activities

Stable Adj. EBITDA margin reflecting:

- Mix improvement in Production Services with higher VFX contribution
- Solid operational delivery and cost savings initiatives across businesses

Key Highlights

DVD Services

- Significant resiliency in H1 2014
- Overall disc volumes affected by a challenging YoY comparison due to a much weaker slate of releases

Production Services

- Significant revenue increase YoY, driven by **a record level of activity in VFX**
- **Solid pipeline** in US postproduction Services
- Market weakness in Media Services and competitive pressure in Digital Cinema

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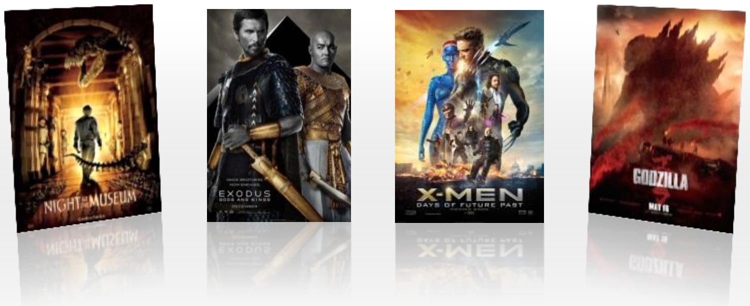
Entertainment Services

Strengthening market position in VFX

Complete work and pipeline of VFX



Acquisition of Mr.X

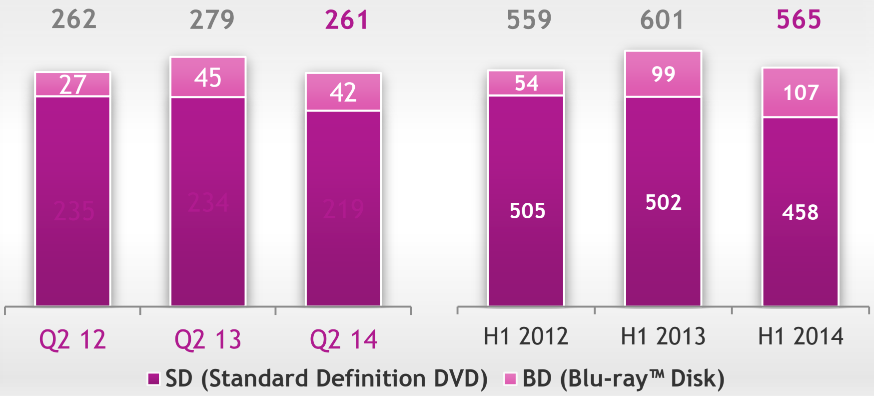
- Mr.X, leading North American provider of VFX based in Toronto
- Expanding Technicolor's VFX services to high-end television and international film markets

Continued resiliency in DVD Services

- H1 2014 overall volumes above 2012 levels
- **Continued growth in Blu-ray™** despite tough YoY comparison
- **Solid growth in Games**

XBOX ONE

YoY volume change for SD and BD, million units



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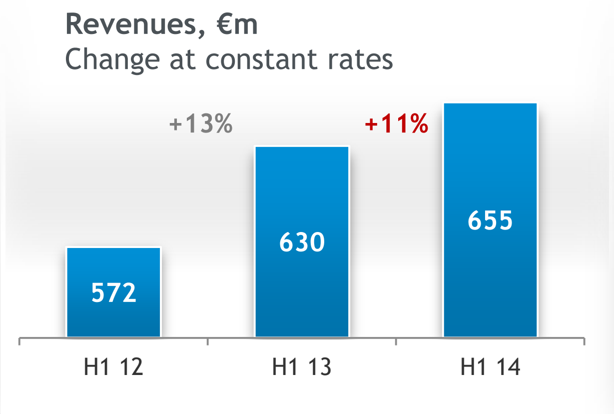
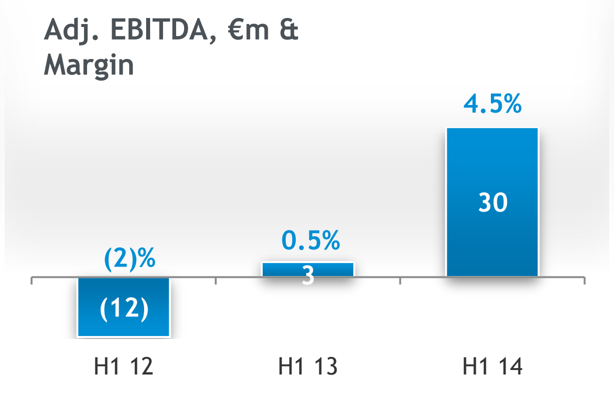
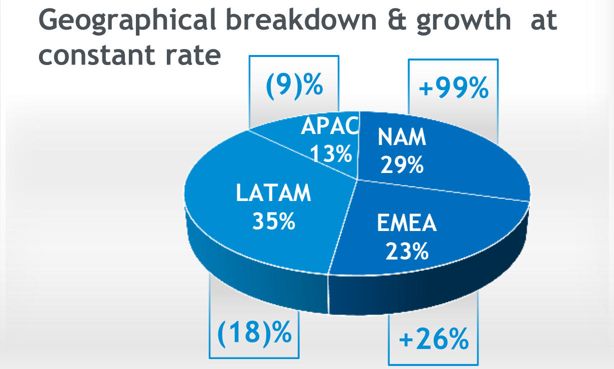
Connected Home – H1 2014







Significant Adj. EBITDA and margin increase YoY:

- Driven by sustained revenue performance and improved gross margin
- Solid operational execution, supply chain efficiency and product cost improvement

Key Highlights

Solid top line growth

- **Revenue up 11%** at constant rate vs. H1 2013
- **Double-digit growth** in North America and EMEA
- **Improved product mix** in LATAM with positive impact on margin

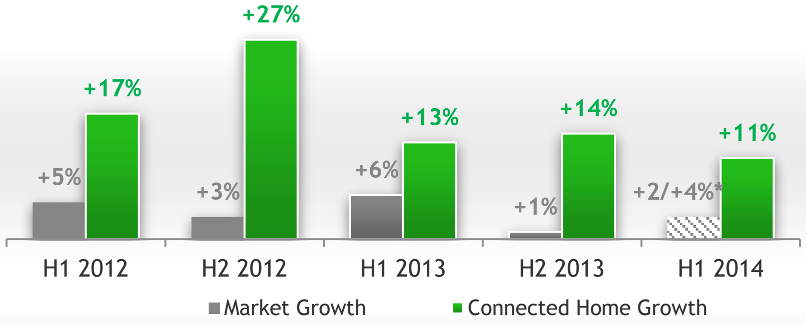
Profitable growth

- **Adj. EBITDA margin up 4 points** vs. H1 2013
- **Significant free cash flow generation** resulting from profitability increase and working capital extraction

Market Share Gains and Leading Innovation

Restoring market share gains

Outperforming the market (value based)



Key H1 2014 Achievements

- **Major deployments in North America** with volumes doubling in H1 2014
- **New customers wins with Cable and Telecom operators in EMEA**
- **Rebalancing exposure in emerging markets** with new awards with Cable operators in APAC and STB deals outside LATAM

*Estimated market growth

Innovation and Value Added

- **New software applications:** Mytribe to be deployed in H2 2014 and smart home apps in H1 2015
- **Wi-Fi full holistic offering being** developed across the portfolio incl. Wi-Fi Dr., Wi-Fi controller, Wi-Fi repeaters, etc

Leveraging IoT

- **Ensure widespread use of Qeo** by supporting industry convergence efforts
- **Qeo, premier member of the AllSeen Alliance**
- AllSeen Alliance: **62 members**, o/w 19 have revenues over $1bn, covering a **wide range of industries and technologies** with an **exceptional global reach around the world**

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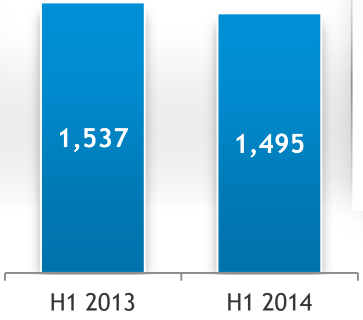
H1 2014 Financial Performance

H1 2014 – Financial Performance Highlights

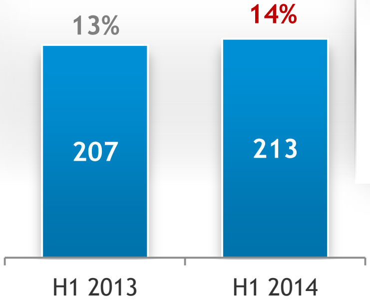
Revenues* (€m)



Forex impact
€(69)m

Change at constant rate
+1.7%

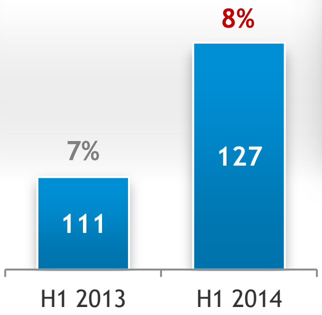
Adj. EBITDA** (€m) & Margin (%)



Forex impact
€(7m)

Change at constant rate
+6.3%

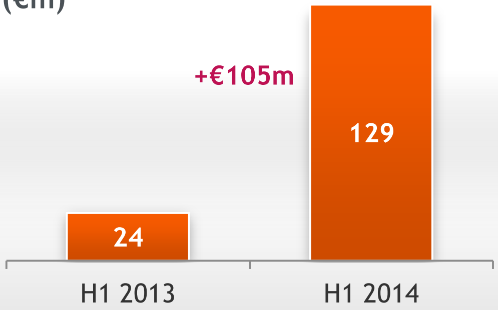
Adj. EBIT** (€m) & Margin (%)



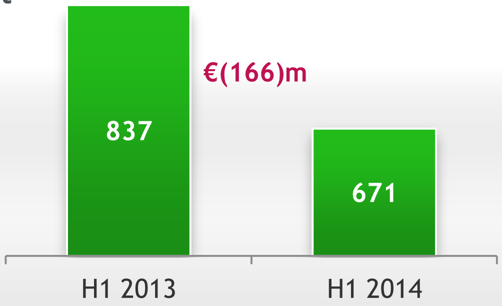
Forex impact
€(3m)

Change at constant rate
+17.3%

Group FCF (€m)



Nominal Net Debt (€m)



*At constant scope excluding legacy activities
**At constant scope

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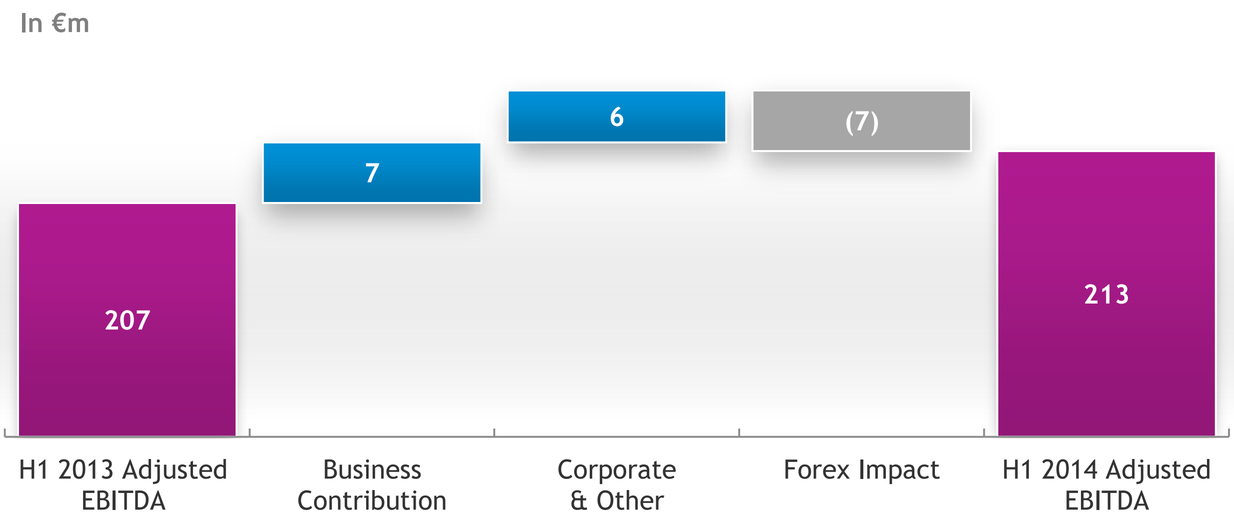
H1 2014 – Adjusted EBITDA



Net profit excl. costs related to debt repayments increased by €40m vs. H1 2013

(in € million)	1H 2013	1H 2014	*Change*
EBIT	**87**	**122**	***+35***
Financial Costs	(72)	(74)	*(2)*
Share of profit/(loss) from associates	(5)	1	*+6*
Income Tax	(20)	(22)	*(2)*
Profit/Loss from Continuing Operations	**(10)**	**27**	***+37***
Discontinued Operations	16	0	*(16)*
Net Result	**6**	**27**	***+21***
Adjusted Net Result, excl. costs due to debt prepayments	**6**	**46**	***+40***

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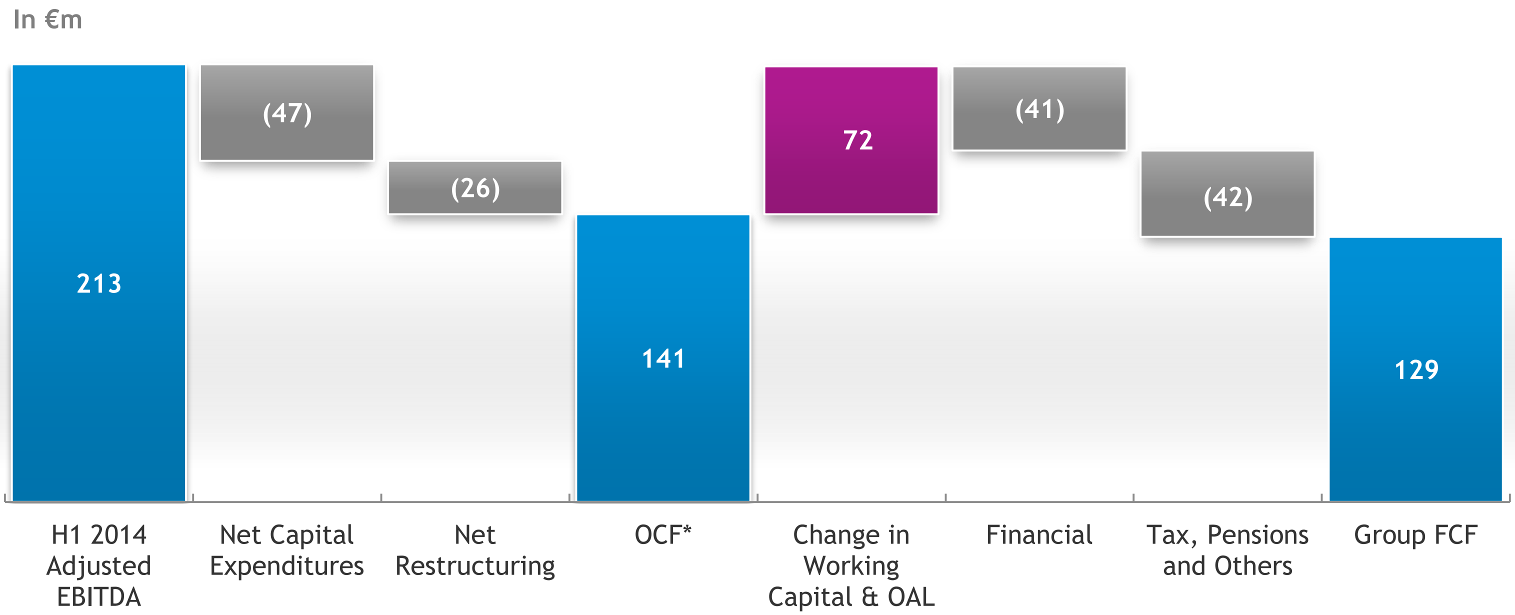
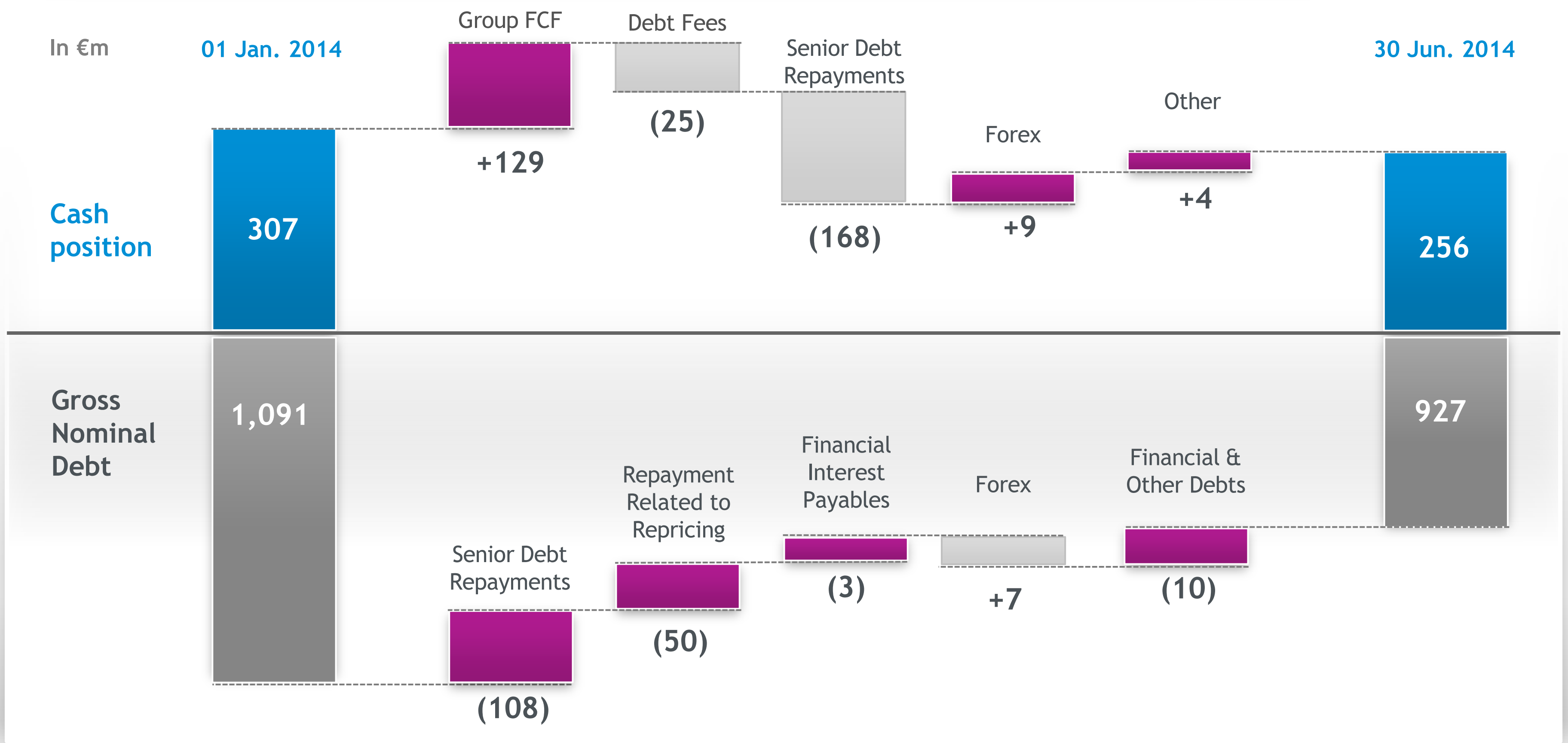
€129m of free cash flow generation in H1 2014, up €105m vs. H1 2013



- **Operating cash flow improvement and cash financial charge decrease**
- **Particularly strong working capital performance** related to favorable phasing of licensing programs and working capital improvement in Connected Home

*From continuing operations

Gross Nominal Debt



2014 Objectives

2014 Guidance

Adj. EBITDA between €550m-€575m in 2014

Technicolor confirms its objective to reach an Adj. EBITDA between €550 million and €575 million

Free Cash Flow > €200m in 2014

Technicolor expects its Free Cash Flow objective to exceed the upper range of its initial objective despite the impact of higher cash restructuring charges compared with 2013

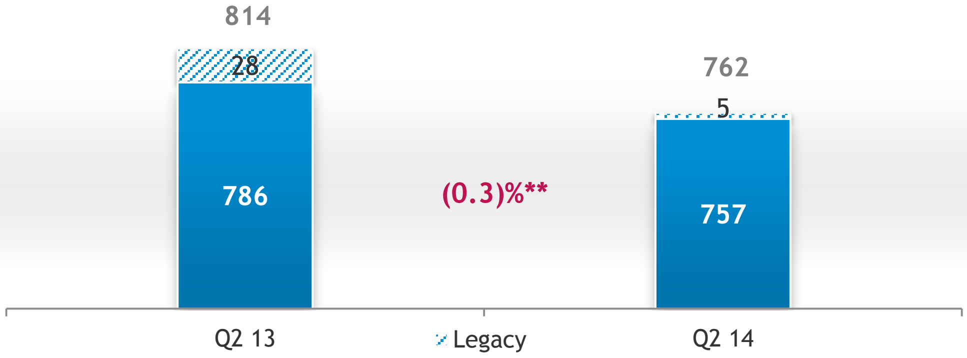
Net debt/Adj. EBITDA below 1.2x at end 2014

Technicolor confirms its objective to reach a Net Debt to Adj. EBITDA ratio well below 1.2x at end December 2014

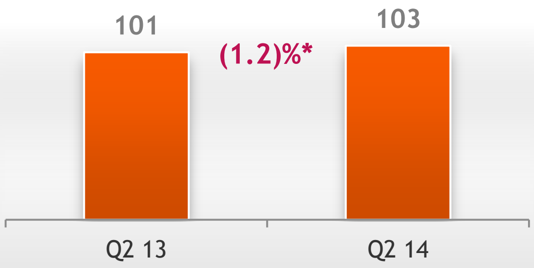
Appendix

Q2 2014 – Highlights

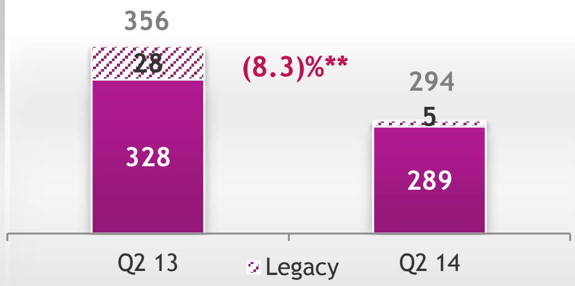
Q2 2014 Revenues, €m



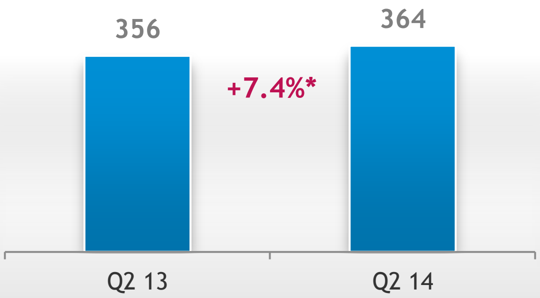
Technology Revenues, €m



Entertainment Services Revenues, €m



Connected Home Revenues, €m



*Change at constant rate
**Change at constant rate excluding legacy activities

Semester Revenues by Division at Constant Scope and Rate

(in € million)	H1 2013	H1 2014	*Change*	*Δ % Constant Currency*
Technology	227	216	*(11)*	*(4.7)%*
Entertainment Services excl. legacy *legacy activities*	680 *52*	624 *10*	*(56)* *(42)*	*(4.4)%* *(79.9)%*
Connected Home	630	655	*+25*	*+10.8%*
Total from continuing operations *excluding legacy activities*	**1,589** *1,537*	**1,505** *1,495*	***(84)*** *(42)*	*(0.9)%* *+1.7%*

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Semester Adjusted EBITDA by Division at Constant Scope and Rate

(in € million)	H1 2013	H1 2014	*Change*	*Δ % Constant Currency*
Technology	163	149	*(14)*	*(8.6)%*
Entertainment Services	84	72	*(12)*	*(11.5)%*
Connected Home	3	30	*+27*	*ns*
Total from continuing operations	**207**	**213**	***+6***	*+6.3%*

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Reconciliation of Adjusted Indicators

(in € million)	1H 2013	1H 2014	*Change*
Adjusted EBITDA from continuing operations	**207**	**213**	**+6**
As a % of revenues	*13.0%*	*14.2%*	*+1.2pt*
Depreciation and amortization (D&A)*	96	86	*(10)*
Adjusted EBIT from continuing operations	**111**	**127**	***+16***
As a % of revenues	*7.0%*	*8.4%*	*+1.4pt*
Restructuring costs, net	(19)	(11)	+8
Net impairment losses on non-current operating assets	(2)	0	+2
Other income/(expense)	(3)	6	+9
EBIT from continuing operations	**87**	**122**	***+35***

*Including impact of provisions for risks, litigations and warranties

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Consolidated Statement of Financial Position

(in € million)	June 30, 2014	December 31, 2013
Total non-current assets	**1,604**	**1,624**
o/w Goodwill	458	450
o/w Other intangible assets	384	375
o/w Property, plant and equipment	275	293
Total current assets	**1,162**	**1,338**
o/w Inventories	102	104
o/w Trade accounts and notes receivable	486	545
o/w Cash and cash equivalents	256	307
Total assets	**2,766**	**2,962**

(in € million)	June 30, 2014	December 31, 2013
Total equity	**143**	**119**
Total non-current liabilities	**1,484**	**1,606**
o/w Borrowings	807	936
o/w Retirement benefits obligations	345	322
Total current liabilities	**1,139**	**1,237**
o/w Borrowings	57	86
o/w Trade accounts and notes payable	442	450
o/w Retirement benefits obligations	32	34
Total equity and liabilities	**2,766**	**2,962**

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THANK YOU