

# Third Quarter 2012 Revenues



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Frederic Rose, CEO

Stéphane Rougeot, CFO and SEVP Strategy



# Agenda

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# Forward Looking Statements

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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 and include any statement which does 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".

# Key Takeaways

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Solid revenue growth in Q3 2012

Amplify 2015 on track

Continued debt reduction

FY 2012 objectives reconfirmed

# BUSINESS HIGHLIGHTS

# Q3 2012 Revenue Highlights

**Revenues of €928 million in Q3 2012 versus €837 million in Q3 2011:**  
**+11% at current rates and +6% at constant rates YoY\***  
**+10% at constant rates and perimeter (excl. Broadcast Services) YoY**

**Technology:** Licensing revenues up 21% at current rates and up 28% at constant rates YoY, driven by strong performance across the different programs

**Entertainment Services:** Revenues impacted YoY by Photochemical Film Activities. Stable DVD Services revenues, some softness in Creation Services

**Digital Delivery:** Connected Home revenues up 42% at constant rates YoY, with confirmed return to growth following already strong growth in Q2 2012

\* YoY: Year-on-Year

# Transforming Technology into Business

## Two Amplify 2015 initiatives commercially deployed

### Leveraging our Color Science for the benefit of prosumers/consumers

- Cinestyle: set of mobile/PC applications for advanced color management, targeting the prosumer market
- Color Certification trademark opportunity for consumer electronic
  - ❖ *Partnership with Portrait Displays for Desktop PC, Laptop and Tablet displays*

### Transforming our second screen expertise into business

- Leveraging past experience on Blu-ray™ second-screen interactivity
- Magic Ruby as the commercial brand of the dedicated venture on second-screen experience and advertising
- Commercial deployments of the “Sons of Anarchy” second-screen application for Fox



# Leading innovation in solutions for media creators and distributors

## Another key Amplify 2015 initiative

### Cineglass, a new added value service for content creators and distributors

- Launch of Technicolor's End-to-End Digital Solution platform in collaboration with Warner Bros. and its other major customers
- A unique solution connecting Technicolor's leading-edge technologies, industry experience and solutions with other best-in class partners. Key benefits:
  - ❖ *Enable efficient collaboration across creation workflow*
  - ❖ *Reduce time to market and free up resources to focus on creative innovation*
  - ❖ *Productive asset management for multiplying distribution channels and versions*
  - ❖ *Open up new revenue streams*



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# M-GO, Preparing for Launch



- **Signed up with most major Studios:** Agreements with NBC Universal, Paramount Pictures, Sony Pictures Home Entertainment, Twentieth Century Fox, Warner Brothers, DreamWorks Animation, Relativity Media
- **Premium content:** Deals enabling rentals or purchase the day of release of new home entertainment movies, catch up television and back catalog for movies & TV shows with UltraViolet compatibility, across an open device ecosystem
- **Launch roadmap:** Open Beta in Q4 2012



# SEGMENT REVIEW

# Q3 2012 Revenues by Division

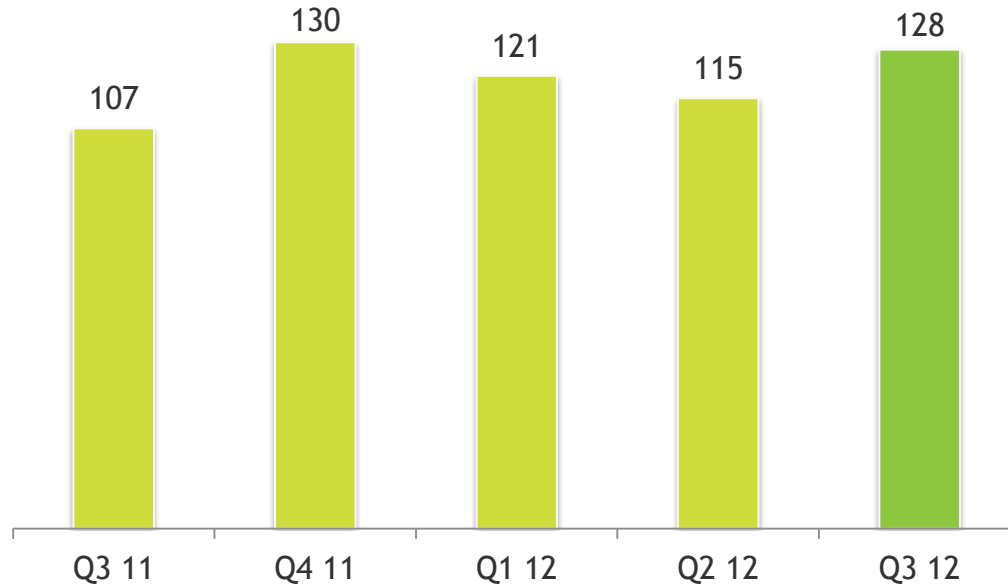
| (in € million)                          | Q3 2011    | Q3 2012    | Δ %<br>Current<br>Currency | Δ %<br>Constant<br>Currency |
|---|------------|------------|----------------------------|-----------------------------|
| Technology                              | 107        | 128        | +20.0%                     | +27.3%                      |
| Entertainment Services                  | 454        | 449        | (1.1)%                     | (8.8)%                      |
| Digital Delivery                        | 275        | 351        | +27.8%                     | +22.5%                      |
| <i>o/w Connected Home</i>               | 233        | 345        | +48.0%                     | +41.7%                      |
| Other                                   | 1          | 0          | -                          | -                           |
| <b>Total from continuing operations</b> | <b>837</b> | <b>928</b> | <b>+10.9%</b>              | <b>+6.0%</b>                |

## Solid quarterly performance:

- Strong growth in Licensing revenues
- Entertainment Services revenues down, largely due to Photochemical Film activities. Stable DVD Services revenues and lower activity in Creation Services versus Q3 11
- Strong growth in Connected Home revenues, driven by volume growth across all regions and product categories

# Technology - Q3 2012 Highlights

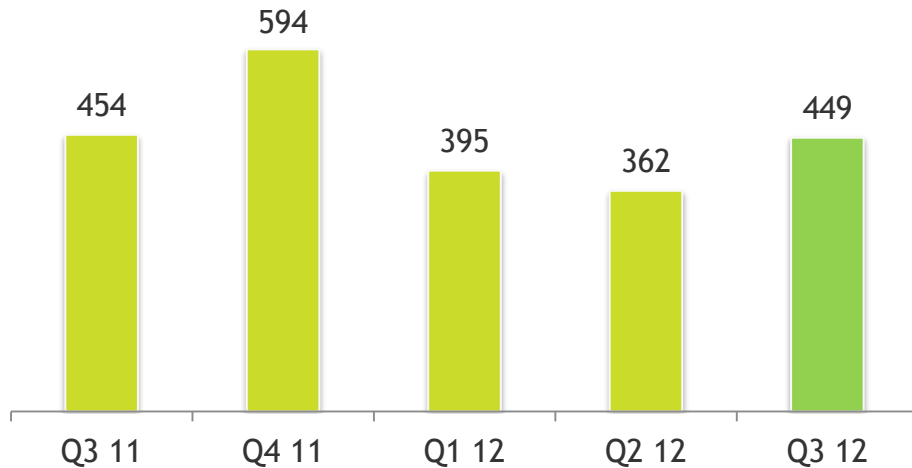
Technology Revenues, €m



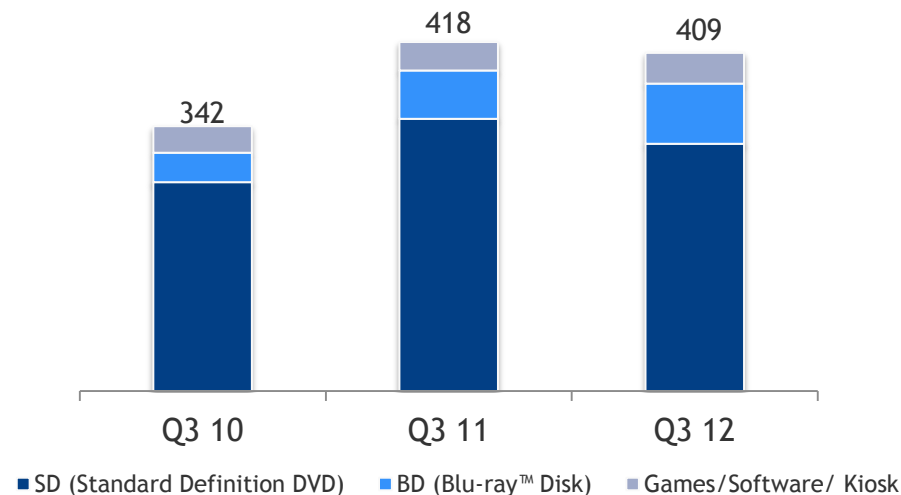
- MPEGLA representing 57% of total Licensing revenues in Q3 12, down from 59% in H1 12
- Positive impact of the contract renewals signed in Q2 12 in DTV and the audits completed in Q3 12
- Good volume performances of DTV program licensees, in an overall stable market

# Entertainment Services - Q3 2012 Highlights

Entertainment Services Revenues, €m



DVD volumes  
In millions of units



- Resilient revenues YoY excluding Photochemical Film activities, which amounted to less than €35 million in Q3 12 revenues (down 45% vs. Q3 11 at constant rates)
- Weak slate versus Q3 11 affecting Creation Services and Digital Cinema Distribution activities
- Stable DVD Services revenues versus Q3 11, despite fewer number of new releases
- Solid performance in DVD Services, resulting from a 2% volume decline, fully offset by the improved mix

# Creation Services: Maintaining Market Share and Optimizing Cost Structure

## Cost structure optimization in a context of tougher market conditions

- Re-allocation of resources (artists and management) to the right locations to improve cost profile and follow customer demands
- Continued downsizing in legacy services
- C&A partnership with Sony DADC

## Growing creative talent pool/reinforcing presence in targeted activities

- Hiring award-winning colorists to further develop innovative approach to digital color grading and strengthen market position
- Establishing a dedicated game and animation team for Rockstar Games, leveraging Technicolor's state-of-the-art technology infrastructure in Bangalore, India

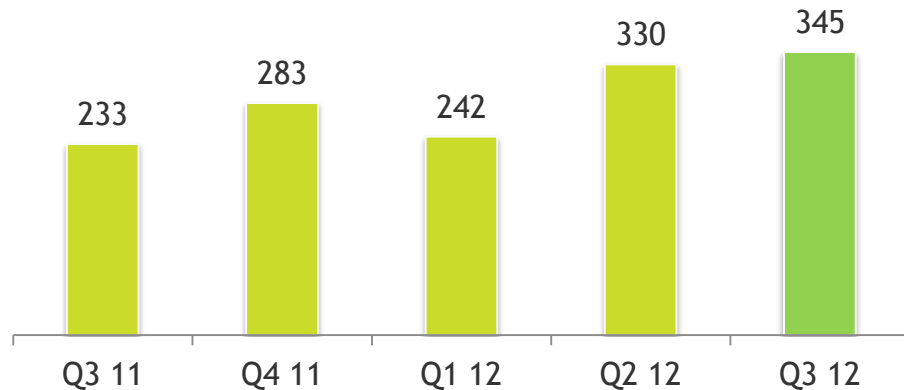
## Q3 activity in Creation Services



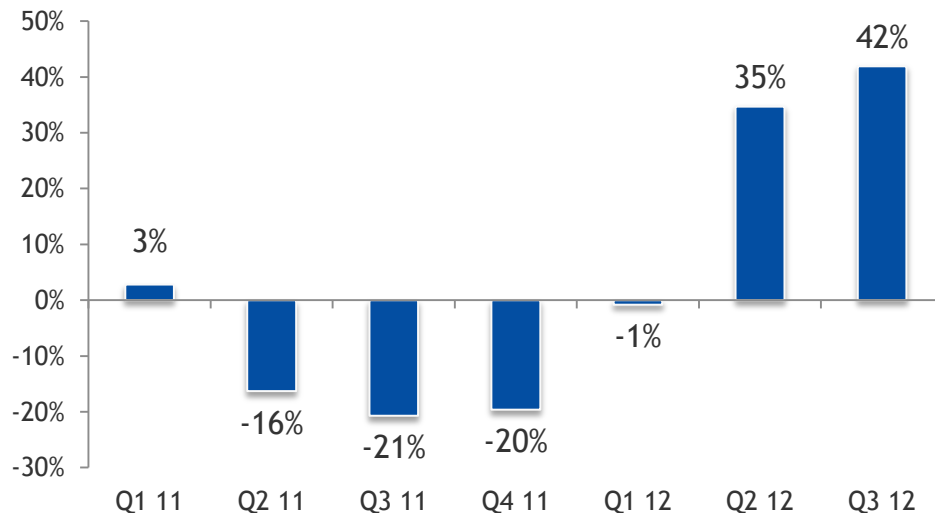
*Technicolor has successfully worked on Rockstar's Max Payne 3, L.A. Noire, Red Dead Redemption...*

# Connected Home - Q3 2012 Highlights

Connected Home Revenues, €m



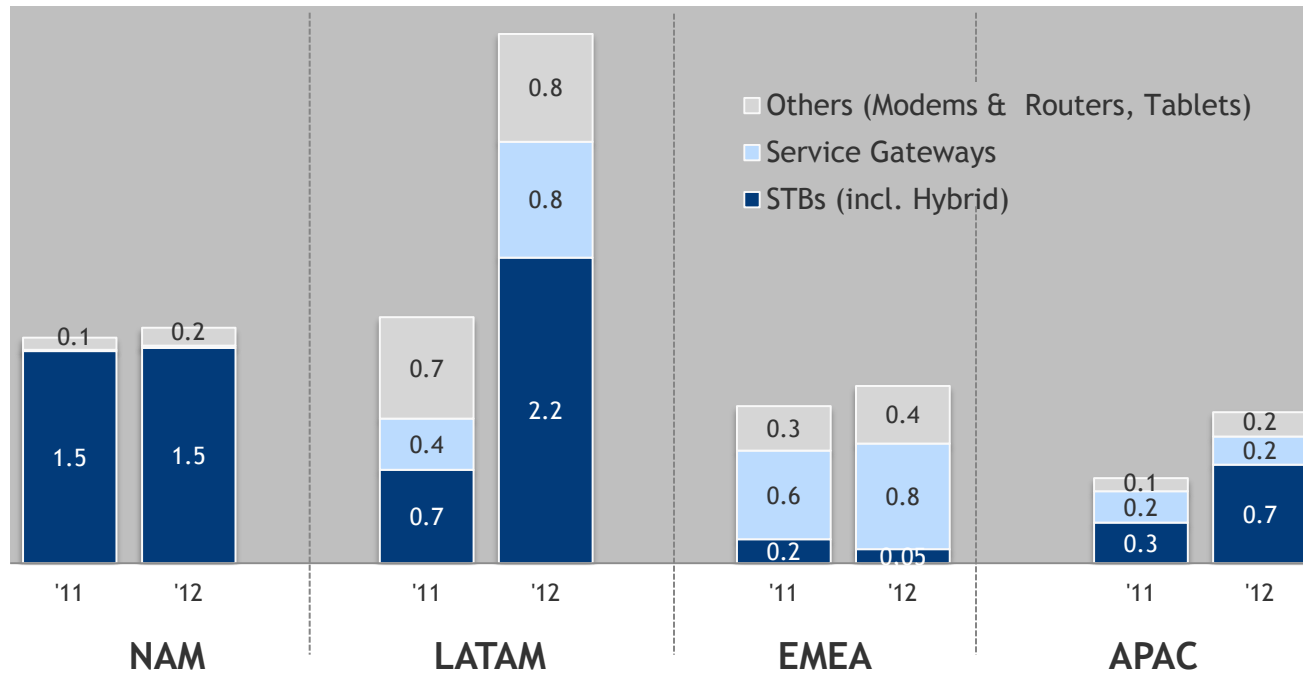
YoY change in Revenues, at constant rate



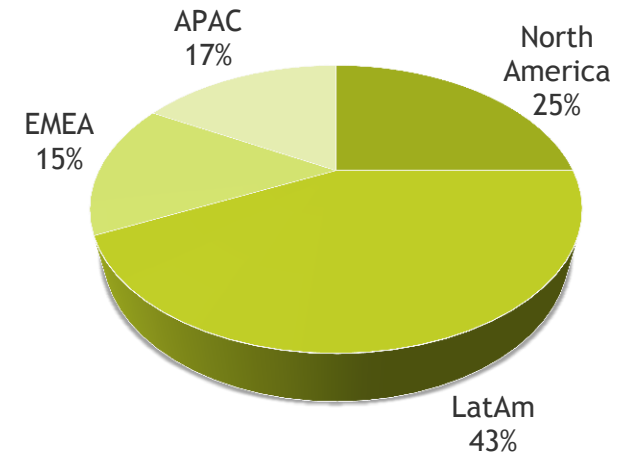
- Sharp growth following an already strong Q2 12
- Growth across all regions and all product categories
- Volumes more than doubling in **Latin America** compared to Q3 11
- Gaining significant traction in **APAC**

# Connected Home - Q3 2012 Regional Highlights

Volume by region in Q3 12 and Q3 11 (in millions of units)



Revenues by region in Q3 12





# Connected Home: A Quarter of Business Achievements

## Proven Technology leadership:

- Advanced Wifi for Comcast's flagship broadband gateway, exceeding the Wifi performance of comparable products deployed by US ISPs
- DSL Vectoring technology (bandwidth increase) for Belgacom

## Strong development in the North American Cable market:

- Introduction of new products and material volume increase at Comcast
- New contracts with Time Warner Cable (Digital Terminal Adapters, Home Security Tablets)

## New customers signed:

- Telecom Italia: start of the roll-out of Hybrid Set Top Box and Home Gateways
- Home Gateways for Belgacom to be deployed in 2013

## Additional volumes with current customer base:

- Satellite Set Top Boxes for Astro (Malaysia) and Tata Sky (India)
- Volume roll-out for Telstra T-Hub Tablets and Home Gateways



# Connected Home: Turnaround Plan on Track

| EBITDA drivers to return to breakeven      | Actions   | Q3 2012 achievements   |
|--|---|--|
| Additional Revenues                        | Top line growth and product roadmap                     | <ul style="list-style-type: none"><li>• A year-to-date top line growth of 25% at constant rates</li><li>• Volume growth in all regions, in particular LATAM &amp; APAC</li><li>• Successful launch of Revolution-based set top box with Telecom Italia</li></ul> |
| Gross Margin improvement                   | Product cost improvement<br>Improvement in operations   | <ul style="list-style-type: none"><li>• Programs of product cost reduction and non quality costs improvement on track</li><li>• Increased efficiency in Manaus operations</li></ul>  |
| Other operating cost reduction initiatives | R&D rationalization<br>Streamlining of global functions | <ul style="list-style-type: none"><li>• All headcount reduction actions in R&amp;D and support function finalized in Europe</li><li>• Higher efficiency and costs optimization driven by regional organization</li></ul>   |

# FINANCIAL STRUCTURE UPDATE

# A Strengthened Financial Structure in Q3 2012

As of June 30, 2012

**Gross debt  
(at nominal value)  
€1,466 million**

**Net debt  
(at nominal value)  
€1,161 million**

**Net debt (IFRS)  
€1,020 million**

**Reduced by €217 million**

Prepayments of €162 million  
(capital increase + Broadcast)  
+ Normal repayments of €38 million  
+ Positive FX impact of €17 million

**Reduced by €226 million**

Gross debt reduced by €217 million  
+ Cash increase of €9 million

**Reduced by €215 million**

IFRS Gross debt reduction of €206 million  
+ Cash increase of €9 million

As of September 2012

**Gross debt  
(at nominal value)  
€1,249 million**

**Net debt  
(at nominal value)  
€935 million**

**Net debt (IFRS)  
€805 million**

# Improvement of Technicolor's Ratings in Q3 2012

Following capital increases and strong H1 results, both agencies reviewed Technicolor's ratings:

## S&P

Upgrade on Aug. 23 from  
B-/Stable to **B/Stable**

### ■ The Rating upgrade reflects:

- 1) Reduction in debt following the capital increases and the Broadcast disposal
- 2) Greater ability to comply with financial covenants
- 3) S&P confidence in the Group's 2012 and 2013 prospects following good H1 performance
- 4) EBITDA and Free Operating Cash Flow (FCOF)\* expected to improve over 2012 and 2013

## Moody's

Outlook on B3 rating  
upgraded on Sept. 26 from  
Negative to **Stable**

### ■ The Outlook upgrade reflects:

- 1) Expectation that the Group will generate positive and meaningful free cash flow over the next 2 to 3 years
- 2) Meaningful reduction in the Company's debt following the capital increases and the Broadcast disposal

\* FCOF = Net operating cash generated from continuing activities - Purchases of property, plant and equipment (PPE) - Purchases of intangible assets including capitalization of development costs

# OUTLOOK

# FY 2012 Objectives Reconfirmed

Adjusted EBITDA in the range of €475-500M, reflecting:

- Continued strength in Technology and Entertainment Services
- A return to Adjusted EBITDA breakeven in Connected Home
- An increase in operating expenses to support growth businesses
- An uncertain macro environment

Positive Free Cash Flow despite higher restructuring cash out and investments in growth businesses

The group will operate well within its covenants and maintain its focus on debt reduction

# APPENDIX



# Current nomenclature

