

# Full Year 2012 Results



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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.”*

# Agenda

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|                            |       |
|----------------------------|-------|
| Key Highlights             | 4-5   |
| H2 and FY 2012 Performance | 6-21  |
| Delivering on Amplify 2015 | 22-32 |
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## 2012: A robust performance

### **Delivering operationally**

Record Licensing revenues

Robust performance in Entertainment Services

Connected Home turnaround on track

### **Improved Financial Profile**

Strong increase in profitability with Adj. EBITDA exceeding objectives at €512 million and net income from continuing operations at €13 million

Group Free Cash Flow exceeding objectives at €106 million in FY 2012 compared to €81 million in FY 2011

Significant Deleveraging with nominal net debt reduced by 26% vs. end 2011 and net debt (IFRS)/Adj. EBITDA ratio at 1.41x vs. 1.97x in 2011

### **On track to achieve Amplify 2015 goals**

## Q4 and H2 Highlights

Q4  
2012

- **Technology:** double digit revenue growth
- **Entertainment Services:** lower revenues in line with market trends
- **Connected Home:** strong revenue growth

H2  
2012

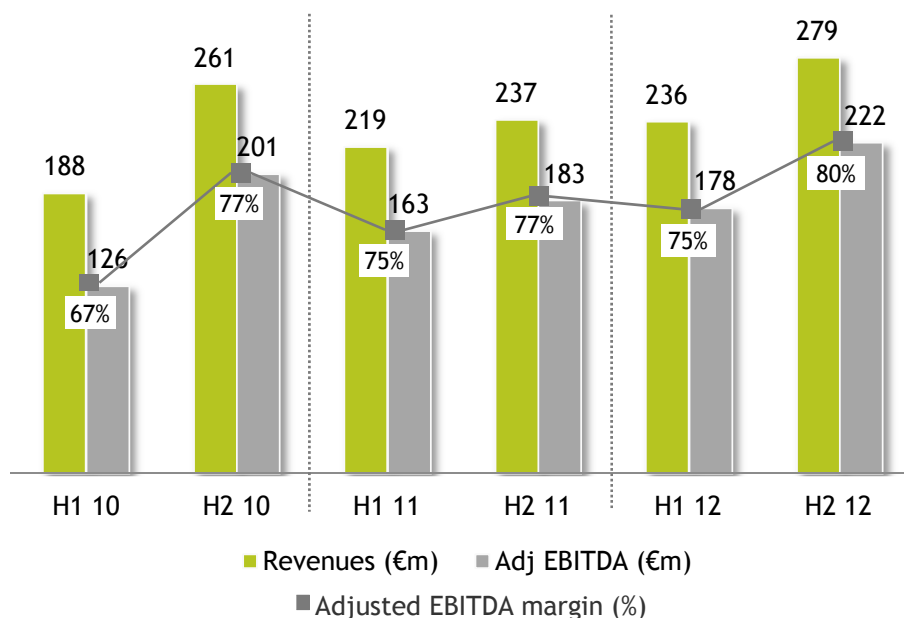
- **Revenues up 3.4% YoY\* at constant rate and scope\*\***
- **Adjusted EBITDA at €314 million**
- **Positive Net Result of €4 million, including €(38.6) million charge for EU antitrust fine**
- **Generation of positive Group Free Cash Flow: €104 million vs. € 49 million in H2 2011**

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# H2 AND FY 2012 PERFORMANCE

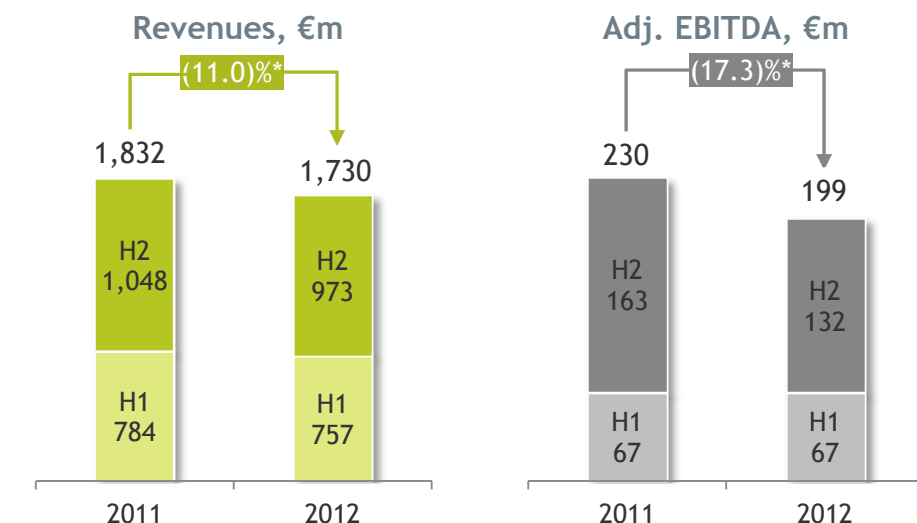
# Technology - FY 2012 Highlights: Record Licensing Revenues

## Revenues and Adjusted EBITDA

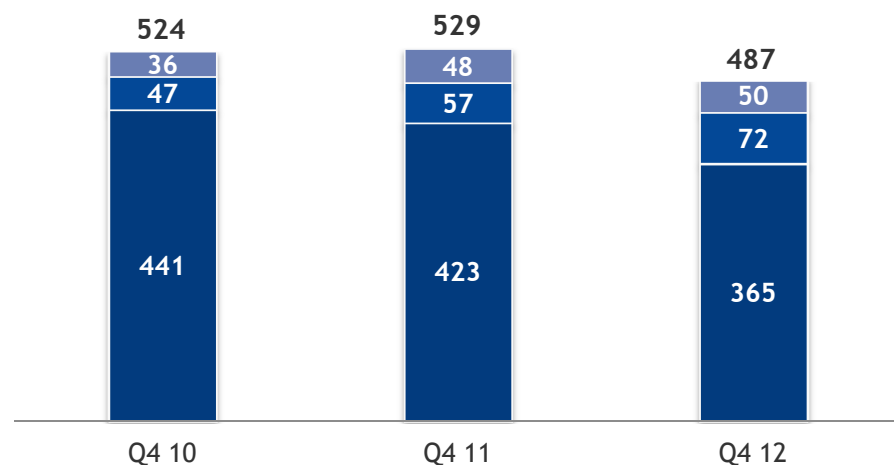


- Technology revenues at €279m in H2, resulting in an all-time high of €515 million in FY 2012
- Double digit revenue growth of non MPEG LA Patent Licensing programs
- Improvement in Adjusted EBITDA in H2 2012 (+2.6 points vs. H2 2011) driven by record revenue growth and continuing cost optimization
- Strong increase in IP portfolio and heightened contribution to standardization bodies

# Entertainment Services - FY 2012 Highlights: Robust Performance



YoY\* volume change for SD and BD, million units



■ SD (Standard Definition DVD) ■ BD (Blu-ray™ Disk) ■ Games/Software/ Kiosk

- 11.0% revenue decrease in FY 2012 at constant currency, largely driven by legacy\*\* activities:
  - Digital Creative Services growth of 2.5% despite some softness in H2
  - Continued reduction in exposure to legacy activities
  - Limited revenue decline in DVD Services, which outperformed the market in 2012
- Adjusted EBITDA margin of 11.5%, down 1.0 point vs. FY 2011
  - Cost actions implemented in H2 across activities



# Packaged Media - confirmed resiliency and continued focus on cash flow generation

## Industry trends

- Blu-ray™ and DVD movies still largest single revenue source for the movie industry, i.e. **2012 US spend on DVD/Blu-ray™ of \$12.8bn vs. total box office of \$10.8bn**
- **Blu-ray™ growth to continue in 2013**, partially offsetting continued decline in SD-DVD

## 2012 Key Figures

- 1.45 billion total DVD and Blu-ray™ units replicated
- Total DVD/Blu-ray™ volumes down 6% vs. total market estimated decline of 12% (Future Source)
- Double digit growth in Blu-ray™, up 19% YoY

## 2012 Achievements

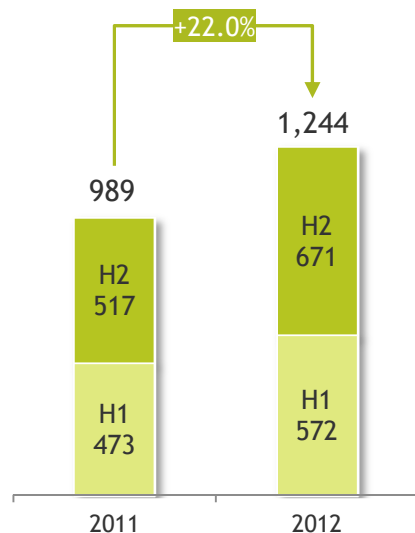
- Expansion of the customer base with Village Roadshow agreement
- Continued Blu-ray™ capex in 2012 but at a lower pace than previous years
- Ongoing cost reductions realized
- Solid free cash flow generation driven by cost reduction focus and tight working capital management

## 2013 Priorities

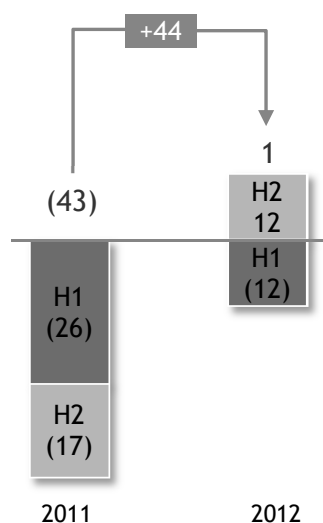
- Increased use of low cost platforms (e.g. Mexicali facility)
- Continue expand logistics business revenue and customer base
- Seize cost reduction opportunities
- Further expansion of back-office service support for selected studio customers

# Connected Home - FY 2012 Highlights: Turnaround on track

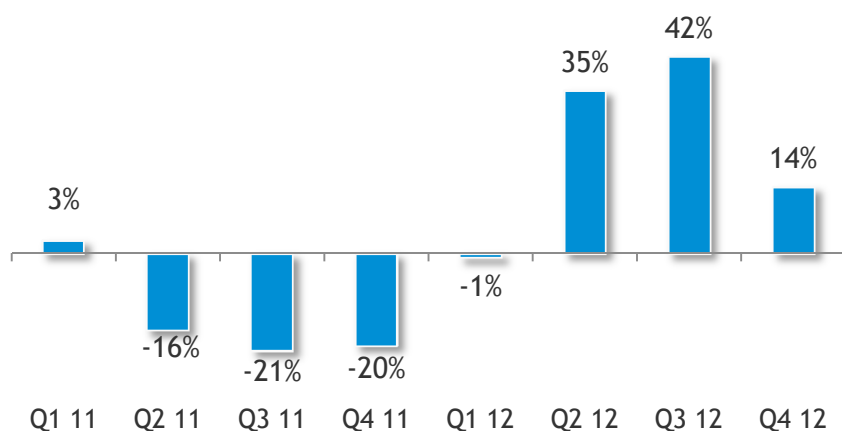
Revenues, €m



Adj. EBITDA, €m



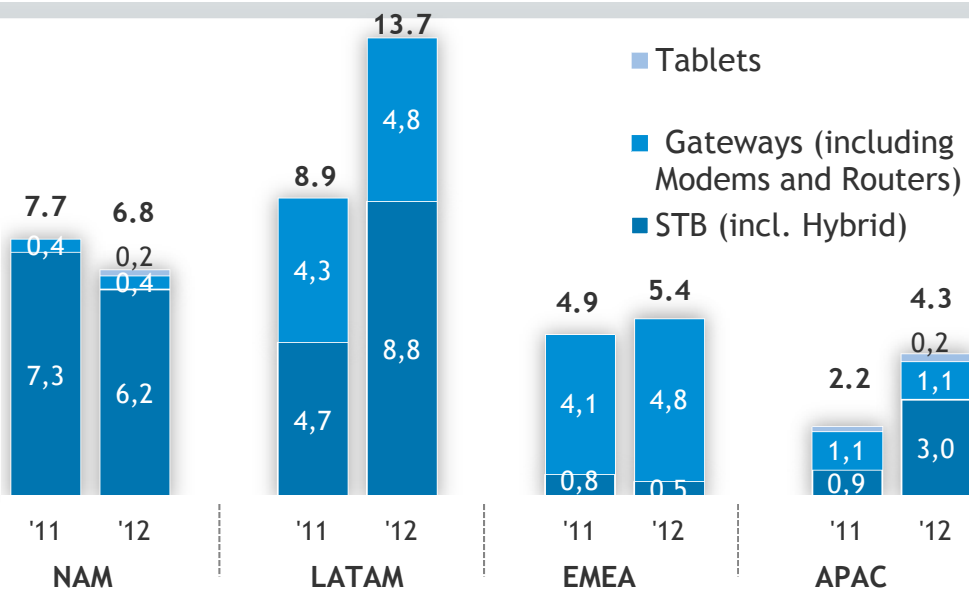
YoY change in Revenues, at constant rate



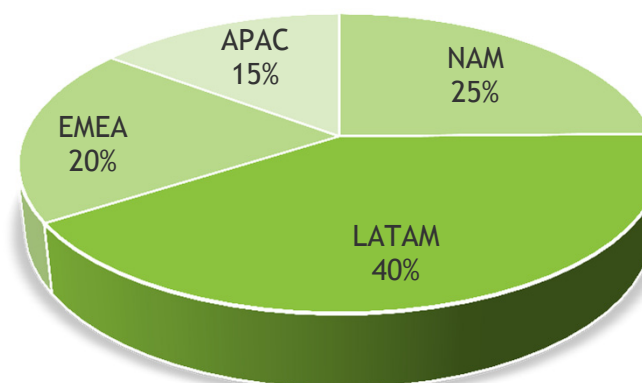
- Volume exceeding 30m units, an all-time high
- Several quarters of double digit growth in LATAM and APAC
- Delivering the turnaround plan of December 2011
  - Positive Adj. EBITDA in H2 2012 and breakeven in FY 2012
- FCF negatively impacted by increased WC needs to support business growth

# Connected Home - FY 2012 Highlights: Strong performance in emerging markets

| Region | Volume Trends 2012 |     | Market Structure                              | TCH opportunities  |
|--------|--------------------|-----|---|--|
|        | Market             | TCH |   |  |
| NAM    | ↗                  | ↘   | 50% cable STBs                                | <ul style="list-style-type: none"> <li>Wins in Broadband thanks to technology leadership</li> <li>New markets such as Home Security tablets</li> </ul> |
| LATAM  | ↗                  | ↗↗  | 45% satellite STBs                            | <ul style="list-style-type: none"> <li>Full product range</li> <li>Strong relationship with local players</li> </ul>                                   |
| EMEA   | ↘                  | ↗   | 30% cable STBs                                | <ul style="list-style-type: none"> <li>New awards in 2012</li> <li>Recognized capability in software</li> </ul>  |
| APAC   | ↗↗                 | ↗↗  | largest segments are cable STBs and Telco GWs | <ul style="list-style-type: none"> <li>Recognized reliability of Hardware</li> <li>Software opportunity</li> </ul>                                     |



FY 2012 revenues by region



# Connected Home - FY 2012 Highlights: Delivering the turnaround plan

| EBITDA drivers to return to breakeven      | Actions   | FY 2012 achievements   |
|--|---|--|
| Additional Revenues                        | Top line growth and product roadmap                     | <ul style="list-style-type: none"><li>▪ A YoY top line growth of 22% at constant rate with strong momentum in H2 2012</li><li>▪ Strong growth in emerging markets and overall favorable product mix</li></ul>  |
| Gross Margin improvement                   | Product cost improvement<br>Improvement in operations   | <ul style="list-style-type: none"><li>▪ Significant improvement at Gross Margin level (+2.7 points in FY and +3.6 points in H2 compared to 2011)</li><li>▪ Improvement in Operations with higher efficiency in Manaus, Brazil</li><li>▪ Headcount reductions in R&amp;D and support functions completed in Q3</li><li>▪ Cost savings of €27 million achieved in 2012, a €5 million gap vs. FY target due to the delay of restructuring in Europe</li></ul> |
| Other operating cost reduction initiatives | R&D rationalization<br>Streamlining of global functions |  |

# Connected Home Turnaround: Further improvements targeted in 2013

## 2013 Objectives

- **Grow the business**
  - Over €1 billion revenues secured in 2013 from contracts closed in 2012 and before
  - Maintain momentum in customer wins
- **Gross Margin improvement**
- **Generate positive free cash flow**
  - Tighter control of working capital
  - Further Capex containment
- **NPI deliveries and R&D efficiency**
- **Participate in industry consolidation opportunities**

# FY 2012 Results Highlights

| (€ million)                                      | 2011                   | 2012                 |  |
|--|------------------------|----------------------|--|
| Revenues from continuing operations              | €3,450m                | €3,580m              | <ul style="list-style-type: none"> <li>Group revenues up 3.8% at current currency and down 0.2% at constant currency</li> <li>Group revenues up 2.2% at constant currency and perimeter</li> </ul>           |
| Adjusted EBITDA* from continuing operations      | €475m<br>13.8% sales   | €512m<br>14.3% sales | <ul style="list-style-type: none"> <li>Adjusted EBITDA above guidance, margin up 0.5 points</li> </ul>   |
| EBIT from continuing operations                  | €(33)m<br>(0.9)% sales | €264m<br>7.4% sales  | <ul style="list-style-type: none"> <li>EBIT from continuing operations up €297m vs. 2011, reflecting higher profitability, lower D&amp;A, restructuring and impairments</li> </ul>                           |
| Net income from continuing operations            | €(303)m                | €13m                 | <ul style="list-style-type: none"> <li>Net income from continuing operations at €13m</li> <li>Loss from discontinued activity reflecting €38.6 million EU fine</li> </ul>                                    |
| Consolidated net result                          | €(324)m                | €(22)m               |  |
| Operating Cash Flow** from continuing operations | €261m                  | €312m                | <ul style="list-style-type: none"> <li>Operating Cash Flow reaching 8.7% of revenue, a 1.1 point increase compared to FY 2011</li> <li>Continued optimization of Net Capex reduced by €19 million</li> </ul> |
| Group Free Cash Flow                             | €81m                   | €106m                | <ul style="list-style-type: none"> <li>Strong Free Cash Flow generation resulting from higher profitability and despite sustained level of restructuring</li> </ul>  |
| Net debt at end December (as per IFRS)           | €957m                  | €718m                | <ul style="list-style-type: none"> <li>Net debt IFRS down €239 million at €718 million. Financial profile of the Group strongly improved</li> </ul>  |

## FY 2012 Revenues by segment: Growth in Technology and Connected Home

| (€ million)                      | Q4 2011 | Q4 2012 | Δ %<br>Constant<br>Currency | H2 2011 | H2 2012 | Δ %<br>Constant<br>Currency | FY 2011 | FY 2012 | Δ %<br>Constant<br>Currency |
|----------------------------------|---------|---------|-----------------------------|---------|---------|-----------------------------|---------|---------|-----------------------------|
| Technology                       | 130     | 150     | +20.0%                      | 237     | 279     | +23.3%                      | 456     | 515     | +13.5%                      |
| Entertainment Services           | 594     | 524     | (15.1)%                     | 1,048   | 973     | (12.4)%                     | 1,832   | 1,730   | (11.0)%                     |
| Digital Delivery                 | 329     | 330     | (0.4)%                      | 604     | 681     | +10.0%                      | 1,157   | 1,334   | +12.0%                      |
| <i>o/w Connected Home</i>        | 283     | 326     | +14.2%                      | 517     | 671     | +26.6%                      | 989     | 1,244   | +22.0%                      |
| Other                            | 1       | 1       | -                           | 2       | 1       | -                           | 5       | 1       | -                           |
| Total from continuing operations | 1,054   | 1,005   | (6.2)%                      | 1,891   | 1,933   | (0.8)%                      | 3,450   | 3,580   | (0.2)%                      |

### Comments on FY 2012 revenues:

- **Technology** revenues up 13.5% YoY at constant currency, reaching an all-time high of €515 million, driven by the strong performance of patent licensing programs
- **Entertainment Services** revenues down 11% YoY, mainly driven by sharp decrease in legacy activities, which represented around 5% of the Group's total revenues compared to 8% in FY 2011
- **Connected Home:** revenues up 22% YoY at €1,244 million, driven by record high volume (30 million units in 2012 vs. 24 million units in 2011)

## FY 2012 Gross Margin: Increase driven by Technology and Connected Home

| (€ million)  | H2 2011              | H2 2012              | Change               | FY 2011              | FY 2012              | Change                |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|-----------------------|
| Technology<br>% Revenues                                   | 216<br>91.0%         | 259<br>93.0%         | +43<br>+2.0pts       | 403<br>88.4%         | 469<br>91.1%         | +66<br>+2.7pts        |
| Entertainment Services<br>% Revenues                       | 140<br>13.4%         | 112<br>11.5%         | (28)<br>(1.9)pts     | 194<br>10.6%         | 171<br>9.9%          | (23)<br>(0.7)pts      |
| Digital Delivery   | 78                   | 104                  | +26                  | 136                  | 191                  | +55                   |
| o/w Connected Home<br>% Revenues                           | 57<br>11.0%          | 97<br>14.5%          | +40<br>+3.5pts       | 103<br>10.4%         | 161<br>13.0%         | +58<br>+2.6pts        |
| Other  | 3                    | 1                    | (2)                  | 3                    | (1)                  | (4)                   |
| <b>Total from<br/>continuing operations<br/>% Revenues</b> | <b>436<br/>23.1%</b> | <b>476<br/>24.6%</b> | <b>+40<br/>1.5pt</b> | <b>736<br/>21.3%</b> | <b>830<br/>23.2%</b> | <b>+94<br/>1.9pts</b> |

### Comments on FY 2012 gross margin:

- Group Gross margin up 1.9 points at 23.2% of revenues
- Technology: gross margin up 2.7 points at 91.1% of revenues reflecting Licensing revenue growth fully offsetting higher expenses for M-GO vs. 2011
- Entertainment Services: gross margin down 0.7 points at 9.9% of revenues driven by revenue softness in Digital Creative Services and continued decline in legacy activities
- Connected Home: improvement in gross margin at €161 million, or 13% of revenues, an increase of 2.6 points compared to 2011



## FY 2012 Adj. EBITDA: Exceeding objectives and up vs. 2011

| (€ million)  | H2 2011              | H2 2012              | Change                 | FY 2011              | FY 2012              | Change                |
|--|----------------------|----------------------|------------------------|----------------------|----------------------|-----------------------|
| Technology<br>% Revenues                                   | 183<br>77.2%         | 222<br>79.8%         | +39<br>+2.6pts         | 346<br>75.9%         | 400<br>77.8%         | +54<br>+1.9pt         |
| Entertainment Services<br>% Revenues                       | 163<br>15.6%         | 132<br>13.6%         | (31)<br>(2)Pts         | 230<br>12.5%         | 199<br>11.5%         | (31)<br>(1.0)pt       |
| Digital Delivery   | (2)                  | 15                   | +17                    | (20)                 | 14                   | +34                   |
| o/w Connected Home<br>% Revenues                           | (17)<br>(3.4%)       | 12<br>1.8%           | +30<br>+5.2pts         | (43)<br>(4.4%)       | 1<br>0.1%            | +44<br>+4.5pts        |
| Other  | (36)                 | (55)                 | (19)                   | (81)                 | (101)                | (20)                  |
| <b>Total from<br/>continuing operations<br/>% Revenues</b> | <b>308<br/>16.3%</b> | <b>314<br/>16.2%</b> | <b>+6<br/>(0.1)pts</b> | <b>475<br/>13.8%</b> | <b>512<br/>14.3%</b> | <b>+37<br/>+0.5pt</b> |

### Comments on FY 2012 Adj. EBITDA:

- **Technology:** profitability benefitting from a record level of revenues, as well as continuing cost optimization
- **Entertainment Services:** lower performance in Creative Services due to continued weakness in legacy activities; broadly stable DVD Services
- **Connected Home:** return to positive Adjusted EBITDA, as targeted in the turnaround plan launched in December 2011
- **Other:** higher corporate costs due to an increase in incentive program costs resulting from the operational improvement YoY, some expenses related to growth initiatives and negative comparison basis as 2011 included positive non-recurring impacts

## FY 2012 Net Result: Net profit from continuing operations

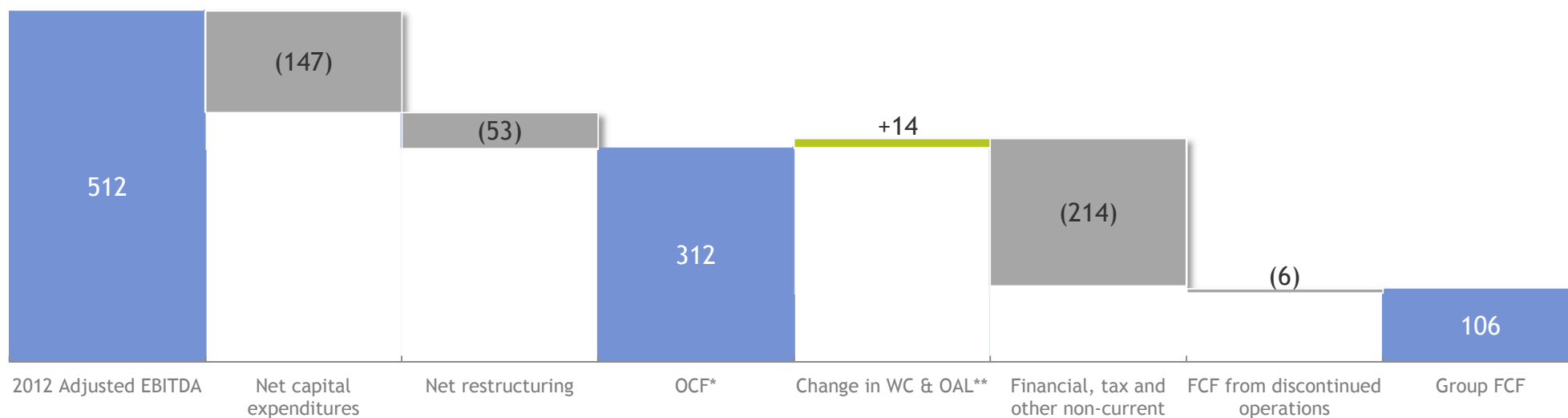
| (€ million)                                       | H2 2011      | H2 2012   | Change      | FY 2011      | FY 2012     | Change      |
|---|--------------|-----------|-------------|--------------|-------------|-------------|
| EBIT from continuing operations                   | (45)         | 149       | +194        | (33)         | 264         | +297        |
| Financial costs, net                              | (95)         | (81)      | +14         | (187)        | (197)       | (10)        |
| Share of profit / (loss) from associates          | 1            | (1)       | (2)         | 0            | (5)         | (5)         |
| Income tax  | (70)         | (27)      | +43         | (83)         | (49)        | +34         |
| <b>Profit / (loss) from continuing operations</b> | <b>(209)</b> | <b>39</b> | <b>+248</b> | <b>(303)</b> | <b>13</b>   | <b>+316</b> |
| Loss from discontinued operations                 | (3)          | (35)      | (32)        | (21)         | (35)        | (14)        |
| <b>Net result</b>                                 | <b>(212)</b> | <b>4</b>  | <b>+216</b> | <b>(324)</b> | <b>(22)</b> | <b>+302</b> |
| Non controlling Interests                         | (1)          | (1)       | 0           | (1)          | (2)         | +1          |
| <b>Net result, Group share</b>                    | <b>(211)</b> | <b>5</b>  | <b>+216</b> | <b>(323)</b> | <b>(20)</b> | <b>+303</b> |

### FY 2012 NET RESULT

- Financial costs of €(197)m o/w €(145)m of net interest expenses and €(52)m of other financial expenses, including €20m of IFRS gain reversal due to early repayments of the debt
- Income tax of €(49)m reflecting stronger tax pressure vs. €(83)m in 2011, which included a €(55)m impairment on French deferred tax assets
- Net income from continuing operations at €13 million and loss from discontinued operations inflated by €38.6 million EU antitrust fine. Net loss, Group share reduced by €303 million

# FY 2012 Cash Flow: A 30% increase compared to 2011

## Operating Cash Flow\* and Group Free Cash Flow, €m



### KEY POINTS - OPERATING CASH FLOW\*

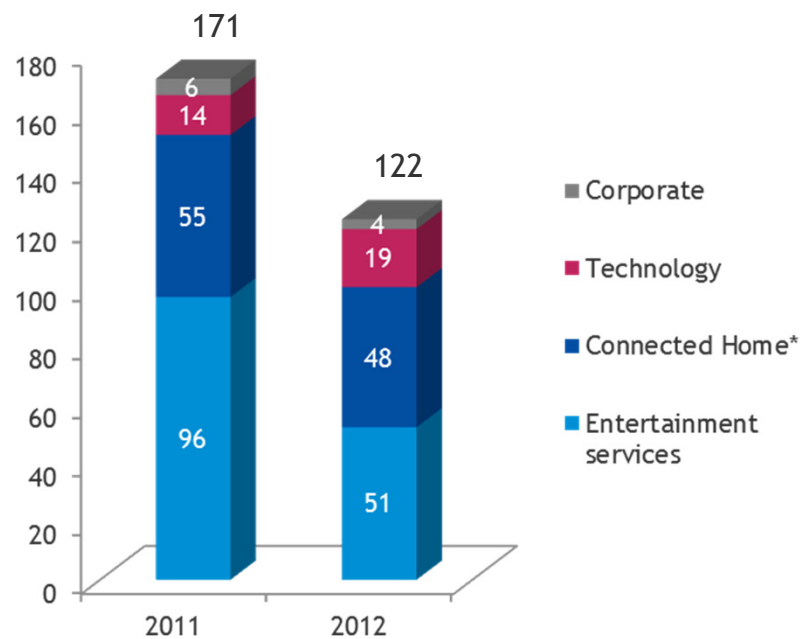
- Net Capex breakdown
  - Carry-over: €27 million
  - Gross Capex: €122 million
  - Disposals: €(2) million
- €53 million cash-out related to restructuring, up €5 million compared to 2011
- Operating Cash Flow from continuing operations at €312 million or 8.7% of revenues

### KEY POINTS - GROUP FREE CASH FLOW

- Working capital & Other Assets and Liabilities improvement by €14 million despite strong rebound in the Connected Home activity
- Cash financial charges of €128 million
- Other cash charges (tax, pensions and others) amounting to €86 million, increase vs. 2011 mainly due to additional tax pressure
- €(6) million of FCF from discontinued operations
- Positive Group FCF at €106 million

# FY 2012 Gross Capex: Optimization of Gross Capex

Gross Capex by Business Segment  
(in €m)



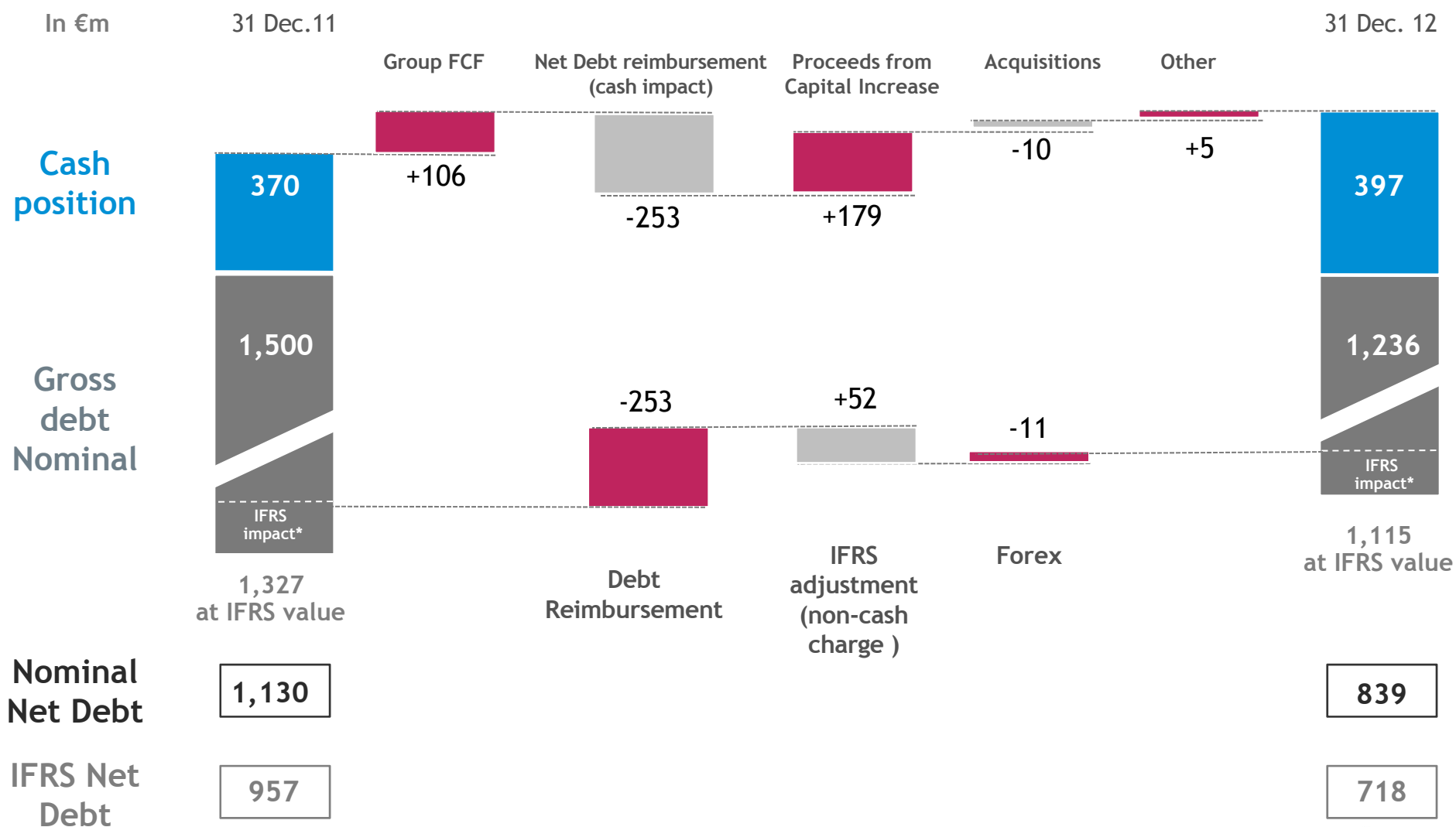
## Gross Capex reduced by €49 million

- Decrease driven by reduction in Entertainment Services Capex
  - Slower capacity expansion in Blu-Ray™
  - No new Creative Services facilities being built
- Partly offset by an increase in growth Technology Capex reflecting implementation of Amplify 2015 initiatives

## Gross Capex breakdown

| Gross Capex                | Annual Breakdown |      |
|----------------------------|------------------|------|
|                            | 2011             | 2012 |
| Maintenance & Productivity | 28%              | 26%  |
| Growth                     | 72%              | 74%  |

# Gross debt reduction in FY 2012: Significant deleveraging



# DELIVERING ON **A**mplify 2015

# Technicolor's strategic roadmap



2015  
**amplify**

A strategy built  
on 3 pillars

1. Boost innovation  
pipe and expand  
licensing

2. Develop  
innovative solutions  
to address  
expanding digital  
markets

3. Leverage existing  
assets for scale  
or access to broader  
ecosystems

## AMPLIFY 2015 GOALS:

Adj. EBITDA > €600 million

Free Cash Flow > €400 million over 2012-2015

Net Debt\*/Adj. EBITDA <1.1x

# Three growth engines to deliver strategic roadmap



## Innovation & Licensing

- High Quality Intellectual Property
- Participation in Standardization & Consortium
- Multiple Licensing Models

## Digital Experience & Monetization

- Personal Media Platform
  - In-Content, Targeted Advertising
  - Digital Home Solutions
  - Hollywood Know-How & Feel for Everybody

## Digital Creation & Distribution

- Open, Collaborative Platform
  - Asset Management
  - Advanced Fulfillment
  - Creative Exchanges Platform



## Patent activity - 2012 Key figures:

- 2,300 granted patents compared to c. 2,000 patents granted per year for the 2004-2011 period
- 444 priority applications, a steady pace of filings

## A focus on transforming Innovation into business

### Standards

- Increased focus on standardization, including ATSC 3.0, HEVC and MPEG 3D Audio Coding

### Color Fidelity and Image enhancement

- Development of Color and Image Certification programs

### Home networks

- Leverage Qeo, introduced at 2013 CE, to develop ecosystems and added-value smarthome features

### ADDRESSING INDUSTRY TRENDS

- Technicolor is involved in 39 Standards Development Organizations
- Significant increase of R&I contribution to standards in 2012, with active representation in more than 10 Standardization bodies:
  - ➔ Including MPEG, ATSC, DVB, SMPTE, DVB & VQEG
- Focus on areas where Technicolor boasts strong differentiation is incontestable, specifically in HEVC and MPEG/ITU in coding sound and image

### MPEG - Motion Picture Experts Group

- Opportunities in 2013 and onwards:
  - ➔ MPEG 3D Audio
  - ➔ JCT - VC HEVC
  - ➔ JCT -VC SHVC
  - ➔ MPEG - MMT
  - ➔ MPEG - DASH
  - ➔ MPEG 3DGC PB3DMC v2

# Focus on ATSC 3.0 standard, the next generation Broadcast Television



## ATSC 3.0 Goals and Timeline

- **What is ATSC 3.0?**
  - Industry effort to define the future digital terrestrial broadcast television standard in the US
  - Members representing Broadcast, Broadcast equipment, CE manufacturers, motion picture, computer, cable, satellite, semiconductor industries
    - Incl. Dolby, DTS, Qualcomm, Samsung, LG, Sony...
- **Targeted technologies**
  - Increased transmission efficiencies
  - Reconfigurable networks and new architectures
  - Integration with other delivery technologies
- **Timeline**
  - Initiative launched in 2012
  - Final specification planned for 2015/2016
  - Broadcast spectrum attribution by FCC in 2015-2016 timeframe

## Technicolor's role in ATSC 3.0

- **Business rationale: strengthen the DTV program by investing in ATSC 3.0**
- **Technicolor's technology assets**
  - Expertise in scalable video coding (HEVC extensions), Transport robustness enhancements, Image enhancement (immersive presentations), Advanced Audio Codec (ambisonics), Personalization
- **Status as of today**
  - Identified potential patents & applications
  - Group's use cases adopted as framework for system requirements, and offers for Technicolor to chair working groups
  - Team fully operational since January 2013

## VALUE PROPOSITION

- Guarantee on any screen color fidelity & Image quality
- Improve end-user experience on devices
- Increase confidence in eCommerce transactions
- Increased revenues to OEMS & eCommerce

## ADDRESSING INDUSTRY TRENDS

- OEMs looking for their own “Retina” technology
- Consumer electronic manufacturers massively turning to 4K/Ultra High Definition
- Online sellers looking to maximize revenues and reduce return rates of on-line purchases
- End-users looking for an improved experience of video content



## 2013-2014 ROADMAP

- Devices roadmap
  - 1<sup>st</sup>: LCD Monitors/Laptops
  - 2<sup>nd</sup>: Blu-Ray™ players
  - 3<sup>rd</sup>: TVs, mobile
- Service platform roadmap
  - 1<sup>st</sup>: eCommerce
  - 2<sup>nd</sup>: OTT

# Qeo, enable the next area of user experience innovation



## VALUE PROPOSITION

- Allow devices, applications and OTT cloud solutions to speak to one another
- Provide a cross-industry standard that is technically ready for Internet of Things
- Deliver simpler and richer media services and enable our customers to provide high added-value features

## ROADMAP AND BUSINESS IMPACT

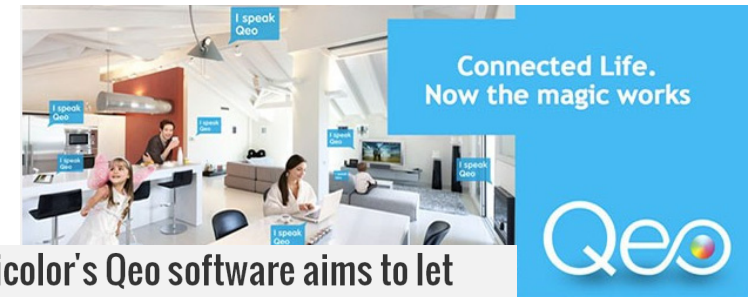
- Push for industry adoption through open source models and community creation
- Increase value for existing product line (GW, STB) and enable our customers to provide a meaningful, personalized services
- Enable new business models and vertical markets

## ADDRESSING INDUSTRY TRENDS

- Proliferation of connected devices
- Variety of OS and Standards
- End-users looking for seamless experience in their connected life

### Technicolor Seamlessly Connects Your Entire Home with Qeo

1/9/2013 by: Matt Brodnick - [Get more from this author](#)



**Technicolor's Qeo software aims to let connected devices speak the same lingo**

By Steve Dent posted Jan 7th, 2013 at 12:00 PM

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# M-Go: the people-friendliest, new pay-as-you-go digital entertainment service



## H2 2012 Achievements

- In December 2012, M-GO went live, launching beta services in the US
- Signed preload agreement with new device partners
- Additional agreements for premium content

## Large market access

- Browsers: IE9, Chrome, Safari, Firefox
- OS: Android, iOS, Windows 8
- TV and BD: Vizio, Samsung, RCA, LG
- PC and Ultrabooks in the Intel AppUp market place
- OTT: GoogleTV (downloadable on Sony TV/BD via Google Play)
- Streaming boxes: Vizio Co-star

## Rich Premium Content

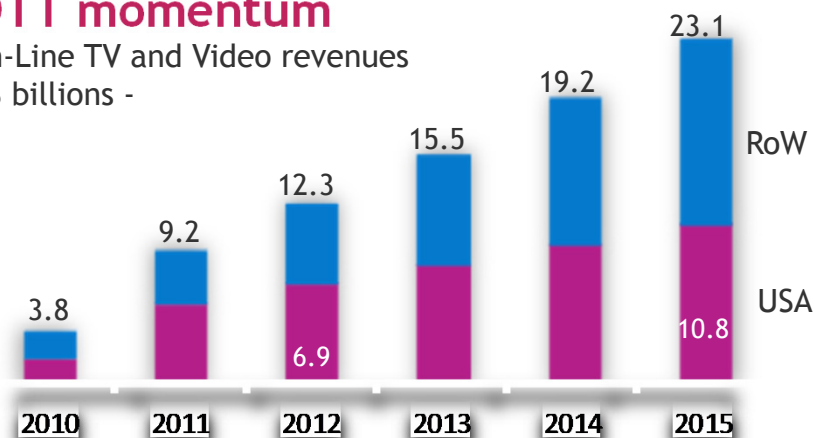


LIONSGATE™

>10 000 unique titles  
available today

## OTT momentum

On-Line TV and Video revenues  
- \$ billions -



Sources: FutureSource, PwC, Digital TV Research

# M-Go: 2013 roadmap

## 2013 Key Priorities

- Ramp up consumer marketing and promotional activities in March
- Continue to differentiate M-GO, particularly in personalization & discovery
- Increase preload device footprint
- Continue to enrich content

## Business Model Drivers

- Total Active Users
- Average # Transactions per User
- Average Order Value (AOV)
- Average Revenue Per Unit (ARPU)
- Cost Per Acquisition (CPA)

### Smart TV's

Vizio - 2012/2013  
Samsung - 2012/2013

### Blu-Ray Players

Vizio - 2012/2013  
Samsung - 2012/2013

### Streamer Boxes

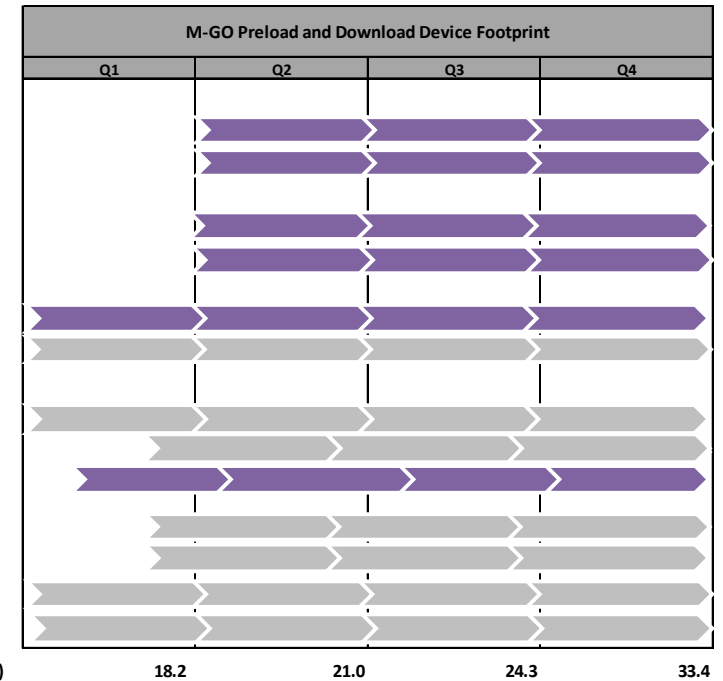
Vizio - 2012/2013  
Other Google TV - 2012/2013

### Tablets & PC's

Samsung & Other Android Tablets  
iPad Safari  
Intel AppUp (PC's & Ultrabooks)

### Browsers

IE9 - PC  
Firefox - PC, Mac  
Chrome - PC, Mac  
Safari - Mac



30-35 million Preloads  
by end 2013

# CineGlass: End-to-end, Open, Collaborative Creation Platform



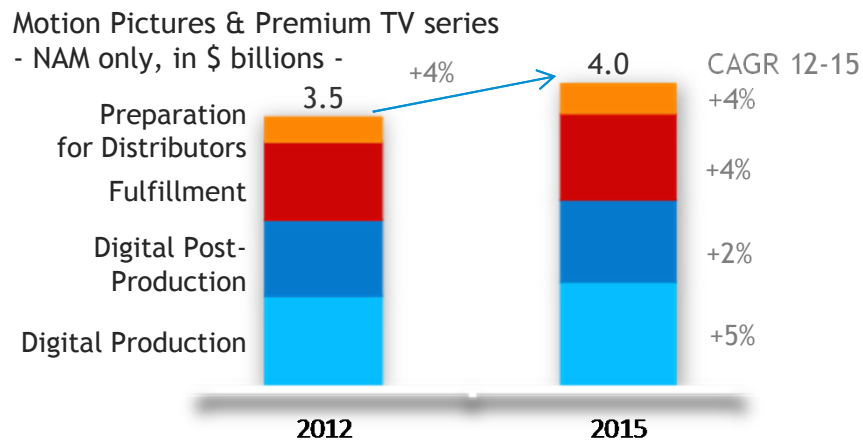
## ADDRESSING INDUSTRY TRENDS

- Blurring boundaries between digital and real production
- Artistic post-production enabling creativity and optimizing production costs
- Cloud computing offering collaboration, on-demand processing, distribution and storage capacity
- Complexity of digital fulfillment between content owners and distributors

## VALUE PROPOSITION

- Agility, Time to Market
- Cost reduction and avoidance
- Elasticity
- Unleashed Creativity
- Increased Monetization
- Security

## POTENTIAL OF DIGITAL SERVICES



Sources: IBISWorld 2011, Technicolor analysis, Advertising and New Contents Excluded

## BUILT WITH PARTNERS

- Content owners
- Peer Vendors
- Digital Solution Providers
- Platform Integrators



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# 2013 OBJECTIVES

# FY 2013 Objectives

## **Growth in Adj. EBITDA between 5% to 10% compared to FY 2012 Adj. EBITDA at constant scope (€498 million):**

- Licensing Adj. EBITDA broadly stable compared to FY 2012
- Continued improvement of Connected Home Adj. EBITDA and return to positive free cash flow generation
- Improved profitability in Entertainment Services reflecting cost actions implemented in 2012
- Continued development of new growth initiatives, including M-GO

**Strong growth in Group Free Cash Flow**, above 30%, before expected one-off payments for legacy litigation (particularly the EU antitrust fine for €38.6 million)

**Net debt (IFRS) to Adj. EBITDA ratio below 1.25x at end December 2013**

# On track to deliver on Amplify 2015 goals

|                           | 2011  | 2012  | 2013 objectives |   | Amplify 2015 goals   |
|---------------------------|-------|-------|-----------------|---|----------------------|
| Adjusted EBITDA (€m)      | 452*  | 498*  | 525-550         | → | > 600                |
| Group Free Cash Flow (€m) | 81    | 106   | > 100           | → | > 400 over 2012-2015 |
| Net Debt* / Adj. EBITDA   | 1.97X | 1.41x | < 1.25x         | → | < 1.1x               |

# APPENDIX

technicolor



# FY 2012 Adjusted EBIT

| (€ million)  | H2 2011              | H2 2012              | Change                 | FY 2011             | FY 2012             | Change                 |
|--|----------------------|----------------------|------------------------|---------------------|---------------------|------------------------|
| Technology<br>% Revenues                                   | 180<br>76.1%         | 225<br>80.7%         | +45<br>+4.6pts         | 337<br>73.9%        | 400<br>77.8%        | +63<br>+3.9pts         |
| Entertainment Services<br>% Revenues                       | 75<br>7.1%           | 39<br>4.0%           | (36)<br>(3.1)pts       | 53<br>2.9%          | 26<br>1.5%          | (27)<br>(1.4)pts       |
| Digital Delivery   | (23)                 | (0)                  | +23                    | (73)                | (20)                | +53                    |
| o/w Connected Home<br>% Revenues                           | (32)<br>(6.2)%       | (2)<br>(0.2)%        | +30<br>+6.0pts         | (81)<br>(8.2)%      | (34)<br>(2.7)%      | 47<br>+5.5pts          |
| Other  | (37)                 | (56)                 | (19)                   | (85)                | (106)               | (21)                   |
| <b>Total from<br/>continuing operations<br/>% Revenues</b> | <b>195<br/>10.3%</b> | <b>207<br/>10.7%</b> | <b>+12<br/>+0.4pts</b> | <b>232<br/>6.7%</b> | <b>301<br/>8.4%</b> | <b>+69<br/>+1.7pts</b> |

## Comments on FY 2012 Adj. EBIT:

- **Technology:** Adjusted EBIT margin up 3.9 points in FY 2012 compared to FY 2011, mainly driven by higher Adjusted EBITDA
- **Entertainment Services:** Adjusted EBIT down, reflecting decrease in Adj. EBITDA, partly offset by a lower level of D&A
- **Digital Delivery:** Adjusted EBIT significantly up, reflecting higher level of Adjusted EBITDA and a lower level of D&A for Connected Home

# Results Highlights at constant scope

At constant scope: excluding Broadcast Services and IPTV sold in 2012, and VOIP sold in Jan. 2013

| (€ million)                                | H2 2011 | H2 2012 | Change reported | FY 2011 | FY 2012 | Change reported |
|--|---------|---------|-----------------|---------|---------|-----------------|
| Group revenues from continuing operations  | 1,804   | 1,923   | +6.6%           | 3,282   | 3,489   | +6.3%           |
| <i>Change at constant currency (%)</i>     |         | +3.4%   |                 |         | +2.2%   |                 |
| Group gross margin                         | 415     | 469     | +13.0%          | 703     | 800     | +13.9%          |
| <i>As a % of revenues</i>                  | 23.0%   | 24.4%   | +1.4pt          | 21.4%   | 22.9%   | +1.5pt          |
| Adjusted EBITDA from continuing operations | 293     | 312     | +6.5%           | 452     | 498     | +10.3%          |
| <i>As a % of revenues</i>                  | 16.2%   | 16.2%   | 0.0pt           | 13.8%   | 14.3%   | +0.5pt          |
| Adjusted EBIT from continuing operations   | 186     | 206     | +10.6%          | 225     | 287     | +27.8%          |
| <i>As a % of revenues</i>                  | 10.3%   | 10.7%   | +0.4pt          | 6.8%    | 8.2%    | +1.4pt          |
| EBIT from continuing operations            | (37)    | 152     | +189            | (23)    | 263     | +286            |

# Balance sheet at 31 Dec. 2012

| (€ million)                           | 31 Dec.<br>2011 | 31 Dec.<br>2012 |
|---------------------------------------|-----------------|-----------------|
| <b>Total non-current assets</b>       | <b>1,907</b>    | <b>1,817</b>    |
| o/w goodwill                          | 481             | 478             |
| o/w other intangible assets           | 459             | 433             |
| o/w property,<br>plants and equipment | 401             | 350             |
| <b>Total current assets</b>           | <b>1,512</b>    | <b>1,420</b>    |
| o/w inventories                       | 118             | 112             |
| o/w trade receivables                 | 585             | 526             |
| o/w cash and equivalents              | 370             | 397             |
| o/w assets held for sale              | 66              | 4               |
| <b>Total assets</b>                   | <b>3,419</b>    | <b>3,237</b>    |

| (€ million)                            | 31 Dec.<br>2011 | 31 Dec.<br>2012 |
|--|-----------------|-----------------|
| <b>Total equity</b>                    | <b>155</b>      | <b>241</b>      |
| <b>Total non-current liabilities</b>   | <b>1,940</b>    | <b>1,703</b>    |
| o/w long term debt                     | 1,242           | 1,019           |
| o/w retirement benefits<br>obligations | 349             | 353             |
| <b>Total current liabilities</b>       | <b>1,324</b>    | <b>1,293</b>    |
| o/w short term debt                    | 85              | 96              |
| o/w trade payables                     | 499             | 445             |
| o/w retirement benefits<br>obligations | 37              | 35              |
| o/w liabilities held for sale          | 52              | 3               |
| <b>Total equity &amp; liabilities</b>  | <b>3,419</b>    | <b>3,237</b>    |

# Debt disclosure

| Debt                   | Currency | Nominal Amount | IFRS Amount <sup>(1)</sup> | Type of rate            | Nominal rate <sup>(2)</sup> | Effective rate <sup>(2)</sup> | Repayment Type | Final maturity |
|------------------------|----------|----------------|----------------------------|-------------------------|-----------------------------|-------------------------------|----------------|----------------|
| Series A1 Notes        | USD      | 94             | 88                         | Fixed                   | 9.35%                       | 13.49%                        | Amortizing     | Mar. 31, 2016  |
| Series B1 Notes        | GBP      | 5              | 4                          | Fixed                   | 9.55%                       | 14.28%                        | Amortizing     | Mar. 31, 2016  |
| Series C1 Notes        | EUR      | 29             | 28                         | Fixed                   | 9.00%                       | 12.56%                        | Amortizing     | Mar. 31, 2016  |
| Series A2 Notes        | USD      | 252            | 230                        | Fixed                   | 9.35%                       | 11.88%                        | Bullet         | May 26, 2017   |
| Series B2 Notes        | GBP      | 13             | 12                         | Fixed                   | 9.55%                       | 12.45%                        | Bullet         | May 26, 2017   |
| Series C2 Notes        | EUR      | 79             | 73                         | Fixed                   | 9.00%                       | 11.16%                        | Bullet         | May 26, 2017   |
| Term Loans A1          | EUR      | 125            | 114                        | Floating <sup>(3)</sup> | 7.00%                       | 12.55%                        | Amortizing     | Mar. 31, 2016  |
| Term Loans A2          | USD      | 77             | 70                         | Floating <sup>(3)</sup> | 7.00%                       | 12.93%                        | Amortizing     | Mar. 31, 2016  |
| Term Loans B1          | EUR      | 335            | 295                        | Floating <sup>(4)</sup> | 8.00%                       | 11.42%                        | Bullet         | May 26, 2017   |
| Term Loans B2          | USD      | 206            | 180                        | Floating <sup>(4)</sup> | 8.00%                       | 11.65%                        | Bullet         | May 26, 2017   |
| <b>Reinstated Debt</b> |          | <b>€1,215</b>  | <b>€1,094</b>              |                         | <b>8.33%</b>                | <b>11.97%</b>                 |                |                |
| Other Debt             |          | 21             | 21                         | Various                 | 3.28%                       | 3.28%                         |                |                |
| <b>TOTAL</b>           |          | <b>€1,236</b>  | <b>€1,115</b>              |                         | <b>8.25%</b>                | <b>11.80%</b>                 |                |                |

1)In Technicolor's IFRS balance sheet the Reinstated Debt was initially recognized at fair value and then subsequently is measured at amortized cost.

2)Rates as of December 31, 2012

3)3 month Euribor or Libor with a floor of 2% + 500bp with the margin stepping down if certain leverage ratios hit

4)3 month Euribor or Libor with a floor of 2% + 600bp with the margin stepping down if certain leverage ratios hit

