

First Half 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".

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Executive Summary

Stable revenues, increased profitability and positive free cash flow in H1 2012, underpinned by solid revenue growth in Q2 2012

Confirmed recovery of Connected Home, with a strong revenue growth in H1 2012 (up 16.8% YoY* at constant rate)

Key steps achieved to strengthen the financial structure and stabilize the shareholder base

Confirmation of FY 2012 objectives

* YoY: Year-on-Year

Q2 2012 **B**USINESS **R**EVUE

Q2 2012 Highlights

Revenues of €846m, up 5.9% YoY at constant currency

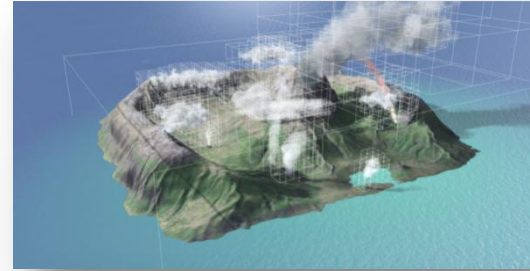
- **Technology:** solid performance of MPEG LA, renewals in DTV and STB
- **Entertainment Services:** resiliency in DVD Services, increased digital revenues in Creation Services and Theatrical Services
- **Digital Delivery:** strong revenue growth of Connected Home, with volume increase and improvement of the product mix

Disposal of Broadcast business completed on July, 2

Approval and launch of the two capital increases, leading Vector Capital to become a significant shareholder of the Company

An opportunity to openly connect our innovation with our customers and partners, the Science and Technology week*

- A real-time tool for volume pre visualization, used for clouds rendering and lighting, that allows content creators to focus on crucial tasks and unleash their creativity



technology used by VFX teams for *Wrath of the Titans* and *Prometheus*

- Demonstration of other advanced technologies slated for transfer later in 2012 and early 2013 as well as 'on the horizon' exploratory topics
- Technology areas: **Color Sciences, 3D, Restoration and Archiving, Visual Effects (VFX), Synchronization technologies, Content Interactivity, Recommendation and Targeted Profiling, and Smart Home**

* Took place on June 25-27 at Technicolor's headquarters

Launch of new services and increased market position in Creation Services

Launch of new services for content creators:

- Launch of on-set services with major wins with Fox (The Internship) and other studios
- Agreement signed with Colorworks (Sony) to deploy the F65 new Sony Camera workflow

Increasing market share in Postproduction Services:

- Strong position in Broadcast series in the US: 39 Video pilots won in H1 2012, of which 9 taken to series
- Around 40% market share achieved at end of June on postproduction projects in France

Large scope of work in feature for our studio clients:



Delivering on Connected Home turnaround plan

EBITDA drivers to return to breakeven	Actions	Q2 - H1 2012 achievements
Additional Revenues 26%	Top line growth and product roadmap	<ul style="list-style-type: none">▪ A YoY top line growth of 16.8% at constant rate▪ Growth in all regions and favorable product mix▪ A regained momentum: customer wins for new solutions and services in all regions
Gross Margin improvement 44%	Product cost improvement Improvement in operations	<ul style="list-style-type: none">▪ Significant improvement at Gross Margin level (+1.4 points compared to H1 2011)▪ Non quality costs gradually reduced, more improvements to come▪ Improvement of operations at the Manaus (Brazil) facility on track▪ Headcount reduction actions slightly delayed in Europe, will be completed in H2 2012
Other operating cost reduction initiatives 30%	R&D rationalization Streamlining of global functions	<ul style="list-style-type: none">▪ Other initiatives bring additional gains at Adjusted EBITDA level▪ Regional organization drives higher efficiency and cost optimization▪ R&D costs management in line with plan

Amplify 2015 recent developments

Innovative Services for content creators

- On-set digital capture services
- Digital production workflow management
- Added-value content distribution services

Technology Licensing

- Roll-out of the Technology licensing model
- Focus on content-based technologies and innovations around Color and Sound

M-Go

- Closed beta launched at the beginning of summer
- Phased roll-out through H2

Initiatives to lead innovation in media monetization solutions
Market launch within 12-18 months

A venture around “Second-screen” innovations

- Accelerate the development of advertising and content enrichment platform

Important steps taken to strengthen the capital structure

Net debt under control at the end of June 2012, with a €34 million gross debt decrease compared with its level at December 31, 2011

Disposal of the Broadcast business completed on July 2, generating €17.5m of net proceeds, fully applied to debt reduction

Launch of the capital increases approved by the General Shareholders' Meeting on July 13:

- Completion of the reserved capital increase to Vector on July 16 and opening of the Rights Issue on July 18 with a closing on August 2

Two transactions reducing net debt at nominal value (non IFRS) by a maximum amount of €201m in Q3 2012

H1 2012 **F**INANCIAL **H**IGHLIGHTS AND **FY** 2012 **O**BJECTIVES

H1 2012 Financial Highlights

Revenues at €1,646m, up 5.6% as reported and up 0.6% at constant currency YoY, driven by a strong revenue growth in Q2 2012

Adjusted EBITDA up 18.5% with a 1.3 points margin increase, reflecting good level of activity across all segments, improved mix and cost saving initiatives

Positive Free Cash Flow for the third consecutive semester

Net loss reduced by €86m, no impact from discontinued activities

H1 2012 Results Highlights

(€ million)	H1 2011	H1 2012
Revenues from continuing operations	€1,559m	€1,646m
Adjusted EBITDA* from continuing operations	€167m 10.7% sales	€198m 12.0% sales
EBIT from continuing operations	€12m 0.8% sales	€115m 7.0% sales
Net income from continuing operations	€(94)m	€(26)m
Consolidated net result	€(112)m	€(26)m
Operating Cash Flow** from continuing operations	€62m	€101m
Group Free Cash Flow	€32m	€2m
Net debt (as per IFRS)	€957m***	€1,020 m

■ Group revenues up 0.6% at constant currency

■ Adjusted EBITDA up 18.5%, and EBITDA margin improving across all activities

■ EBIT from continuing operations €103m higher, reflecting higher profitability, lower D&A and gain on pension

■ Loss narrowed to €26m, including a financial result of €(116)m . No loss from discontinued activity

■ Operating Cash Flow reaching 6.1% of revenue, a 2.1 points increase compared to H1 2011
■ Net Capex at €74m

■ Positive Group Free Cash Flow, contained working capital

■ Net debt IFRS up mainly due to Forex and IFRS discount gain reversal due to the debt reimbursement following the capital increases

* Excluding net impairment charges, restructuring and other income/(loss)

** Adjusted EBITDA minus restructuring and Capex cash-out

*** At December 31, 2011

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H1 2012 Revenues by Division

(€ million)	Q1 2011	Q1 2012	Δ % Constant Currency	Q2 2011	Q2 2012	Δ % Constant Currency	H1 2011	H2 2012	Δ % Constant Currency
Technology	130	121	(8.7)%	89	115	19.7%	219	236	2.9%
Entertainment Services	405	395	(5.6)%	379	362	(13.1)%	784	757	(9.2)%
Digital Delivery	277	284	+0.3%	277	370	28.0%	554	653	14.2%
Other	0	0	-	2	0	-	2	0	-
Total from continuing operations	812	800	(4.2)%	747	846	5.9%	1,559	1,646	0.6%

Comments on Q2 revenues:

- **Technology** revenues up 19.7% in Q2 2012 YoY*, following a resilient Q1 2012. This performance reflects good performances across the different Licensing programs, in particular MPEG LA, DTV and STB
- **Entertainment Services** revenues down 13.1% in Q2 2012 YoY*, due to the rapid decline in photochemical film, some softness in European DVD volumes, while Creation Services recorded another quarter of growth
- **Digital Delivery** revenues up 28,0% in Q2 2012 YoY*, after stabilizing revenues in Q1 2012, due to the strong recovery in the Connected Home activity

* Year-over-Year change at constant currency

H1 2012 Gross Margin by Division

(€ million)	H1 2011	H1 2012	Change
Technology % Revenues	187 85.5%	210 88.8%	+23 +3.3pts
Entertainment Services % Revenues	54 6.9%	59 7.8%	+5 +0.9pt
Digital Delivery % Revenues	59 10.6%	87 13.3%	+28 +2.7pts
Other	(1)	(2)	(1)
Total from continuing operations % Revenues	299 19.2%	354 21.5%	+55 +2.3pts

- Gross margin improvement across all divisions
- Technology: gross margin up 3.3 points to 88.8% of revenues
- Entertainment services: gross margin up, despite a decline in revenues
- Digital Delivery: gross margin up 2.7 points, benefitting from higher level of activity as well as improvements related to the Connected Home turnaround plan

H1 2012 Adjusted EBITDA by Division

(€ million)	H1 2011	H1 2012	Change
Technology <i>% Revenues</i>	163 74.6%	178 75.4%	+15 +0.8pt
Entertainment Services <i>% Revenues</i>	67 8.5%	67 8.8%	0 +0.3pt
Digital Delivery <i>% Revenues</i>	(18) (3.2)%	(0) 0%	+18 +3.2pts
Other	(45)	(47)	(2)
Total from continuing operations <i>% Revenues</i>	167 10.7%	198 12.0%	+31 +1.3pt

- **Technology:** Adjusted EBITDA margin up 0.8 pt YoY to 75.4% of revenues, reflecting the greater weight of Licensing revenues as well as contained operating costs
- **Entertainment Services:** Adjusted EBITDA stable YoY, with the increased weight of digital services and the cost saving initiatives in DVD Services completely offsetting weaker top-line and ramp-up cost for the Postproduction new facilities in the US and in France
- **Digital Delivery:** Adjusted EBITDA just breakeven, with Connected Home loss halved, driven by the return to growth in all regions as well as the first positive impacts of the cost saving initiatives

H1 2012 Adjusted EBIT by Division

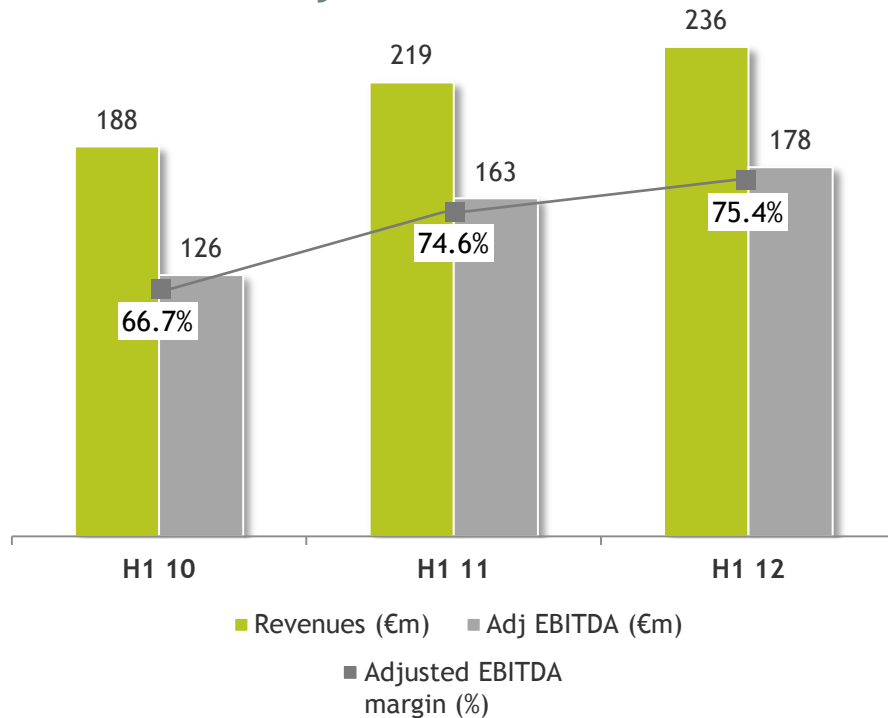
(€ million)	H1 2011	H1 2012	Change
Technology % Revenues	156 71.4%	176 74.4%	+20 +3.0pts
Entertainment Services % Revenues	(21) (2.7)%	(12) (1.6)%	+9 +1.1pt
Digital Delivery % Revenues	(50) (9.0)%	(20) (3.1)%	+30 +5.9pts
Other	(48)	(50)	(2)
Total from continuing operations % Revenues	37 2.4%	93 5.7%	+56 +3.3pts

- **Technology:** Adjusted EBIT margin up 3.0 points in H1 2012 compared to H1 2011, reflecting the lower level of D&A* (1.0% of revenues vs. 3.2%)
- **Entertainment Services:** Adjusted EBIT margin up 1.1 points reflecting the lower level of D&A* (10.4% of revenues vs. 11.2%)
- **Digital Delivery:** Adjusted EBIT margin up 5.9 points reflecting the lower level of D&A* (3.0% of revenues vs. 5.8%)

* Including impact of provision for risks, litigations and warranties

Technology - H1 2012 Highlights

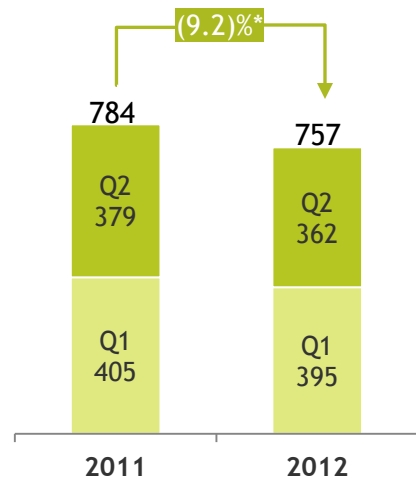
Revenues and Adjusted EBITDA



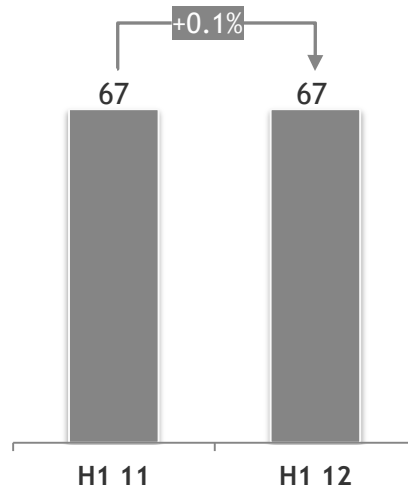
- Revenues: 2.9% growth in H1 2012 at constant currency
- Adjusted EBITDA margin further improved (+0.8 points): growth in Licensing and contained operating costs
- Renewals of DTV and Set-Top Box programs
- Strong performance of MPEG LA, Technicolor a key contributor to the pool
- Increased investments in M-Go for development and launch preparation

Entertainment Services - H1 2012 Highlights

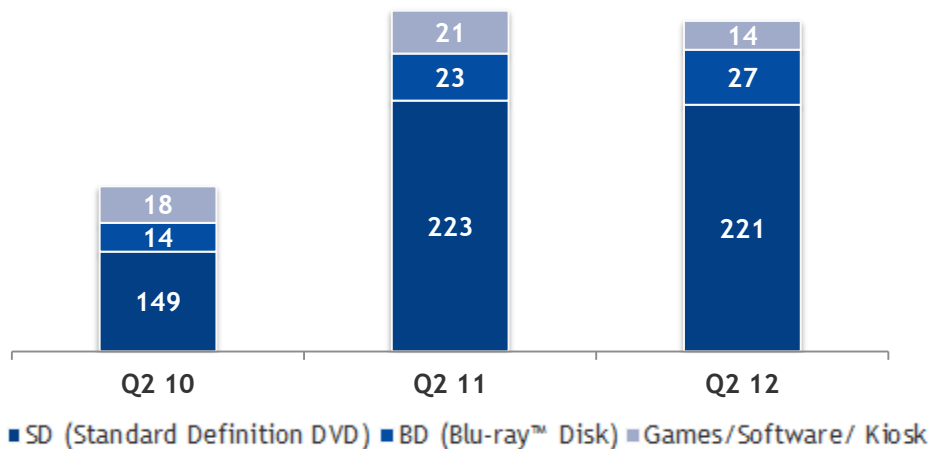
Revenues, €m



Adj EBITDA, €m



YoY volume change for SD and BD, million units

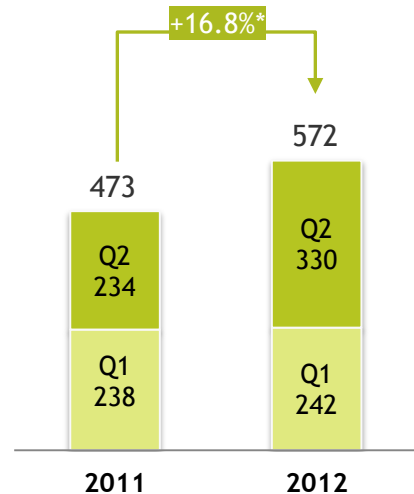


- 9.2% revenue decrease at constant currency, or 3.6% without the impact of photochemical film decline
- DVD Volumes resilient, volume in North America up in Q2 2012 compared to Q2 2011
- Strong revenue growth in Postproduction, Media Services
- Stable Adjusted EBITDA, with increased digital revenues in global mix and cost savings initiatives offsetting lower activity impact and further start-up costs

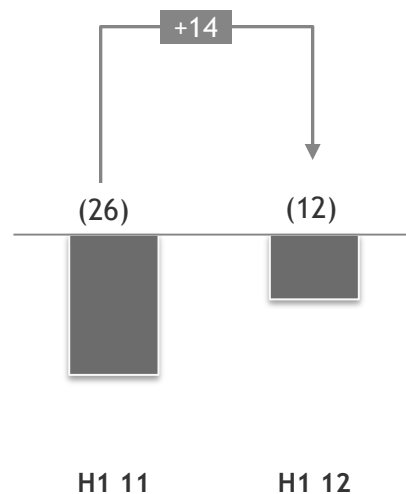
* Change at constant currency

Connected Home - H1 2012 Highlights

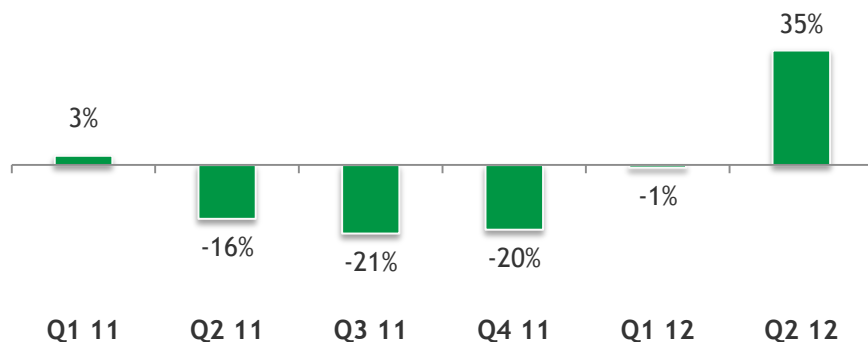
Revenues, €m



Adj. EBITDA, €m



YoY change in Revenues, at constant rate



- Strong volume growth in LATAM and APAC
- With 14.5 m products delivered in H1 2012, volumes have returned to their 2009 level
- Favorable product mix in most regions
- New customer wins in all regions
- Adjusted EBITDA loss more than halved compared to H1 2011
- On track to return to Adjusted EBITDA positive in H2 2012 and breakeven for FY 2012

* Change at constant rates

Connected Home - H1 2012 Highlights

Industry trends

NAM

- €9 bn market
- 50% cable STBs
- most advanced market

- frontrunner in STBs server/IP client architecture in the home
- frontrunner in VDSL bonding

LATAM

- €1.5 bn market
- 50% satellite STBs
- massive shift to Wifi started mid-2011

- HD getting increasing attention and market share

EMEA

- €6.5 bn market
- 30% cable STBs
- NSPs still cautious on CAPEX

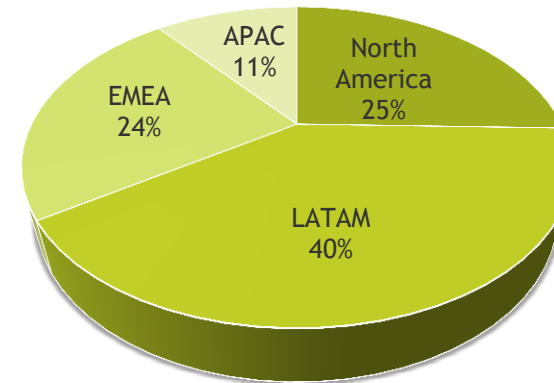
- massive shift to next generation VDSL (bonding and vectoring)

APAC

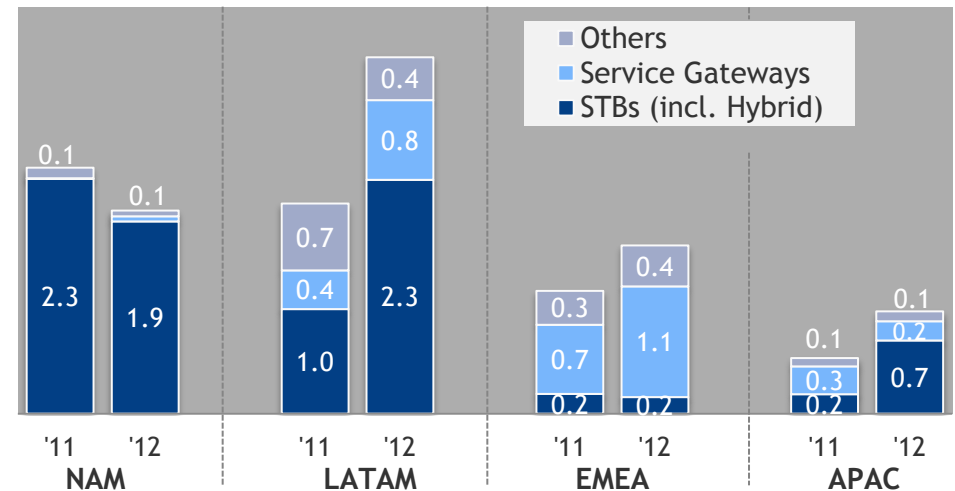
- €4 bn market
- largest segments are cable STBs and Telco GWs

- booming growth across the region
- transition to digital as main growth driver

Revenues by region in Q2 2012

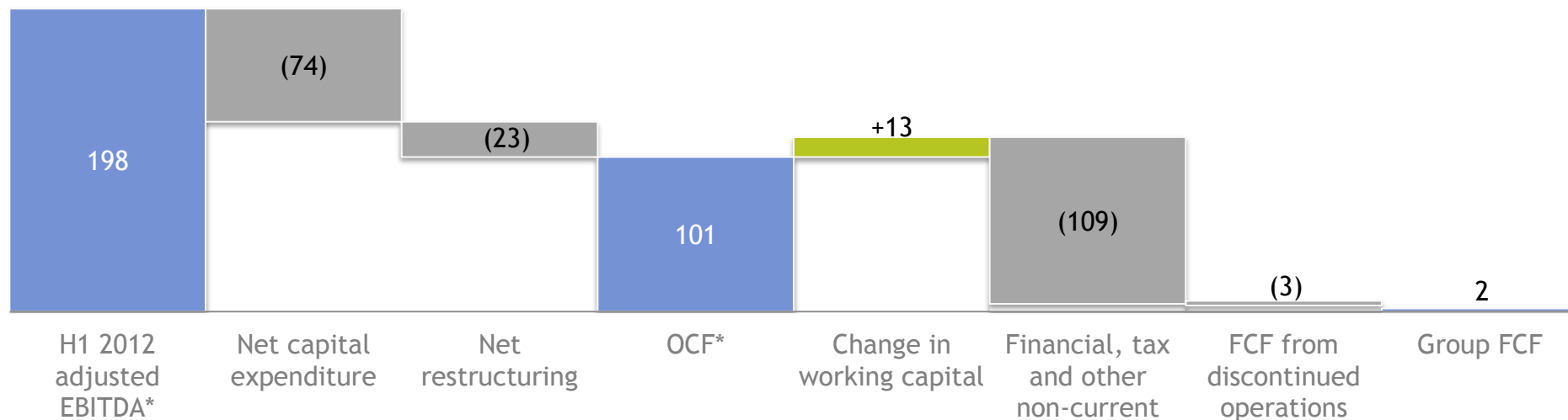


Volume by region in Q2 2012 and Q2 2011 (in m units)



H1 2012 Cash Flow

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



KEY POINTS - OPERATING CASH FLOW*

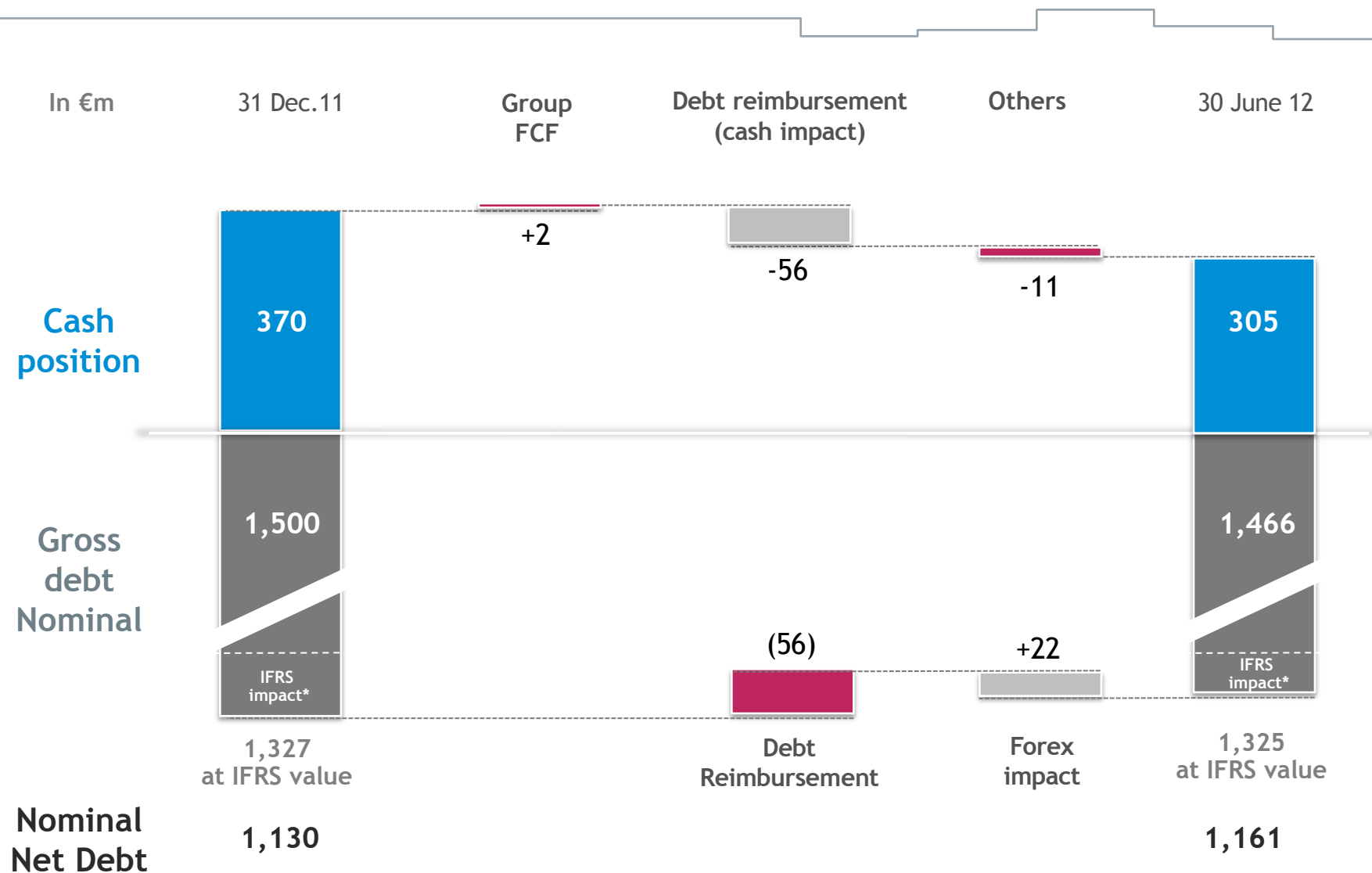
- Operating Cash Flow from continuing operations of €101 million or 6.1% of revenues
- Decrease of €10 million in capital expenditures:
 - Decrease in capacity expansion in Blu-Ray™
 - Bulk of the investment in the US sound facility already done
- €23 million cash-out related to restructuring

KEY POINTS - GROUP FREE CASH FLOW

- Positive Group FCF of €2 million:
 - Working capital improvement by €13 million despite strong rebound in the Connected Home activity
 - Cash financial charges of €72 million
 - Other cash charges (tax, pensions and others) amounting to €37 million
- €(3) million of FCF from discontinued operations

* From continuing operations

Gross debt reduction in H1 2012



* Accounting impact of fair value adjustment of the Group's reinstated debt

FY 2012 Objectives confirmed

Adj. EBITDA in the range of €475-500m, reflecting :

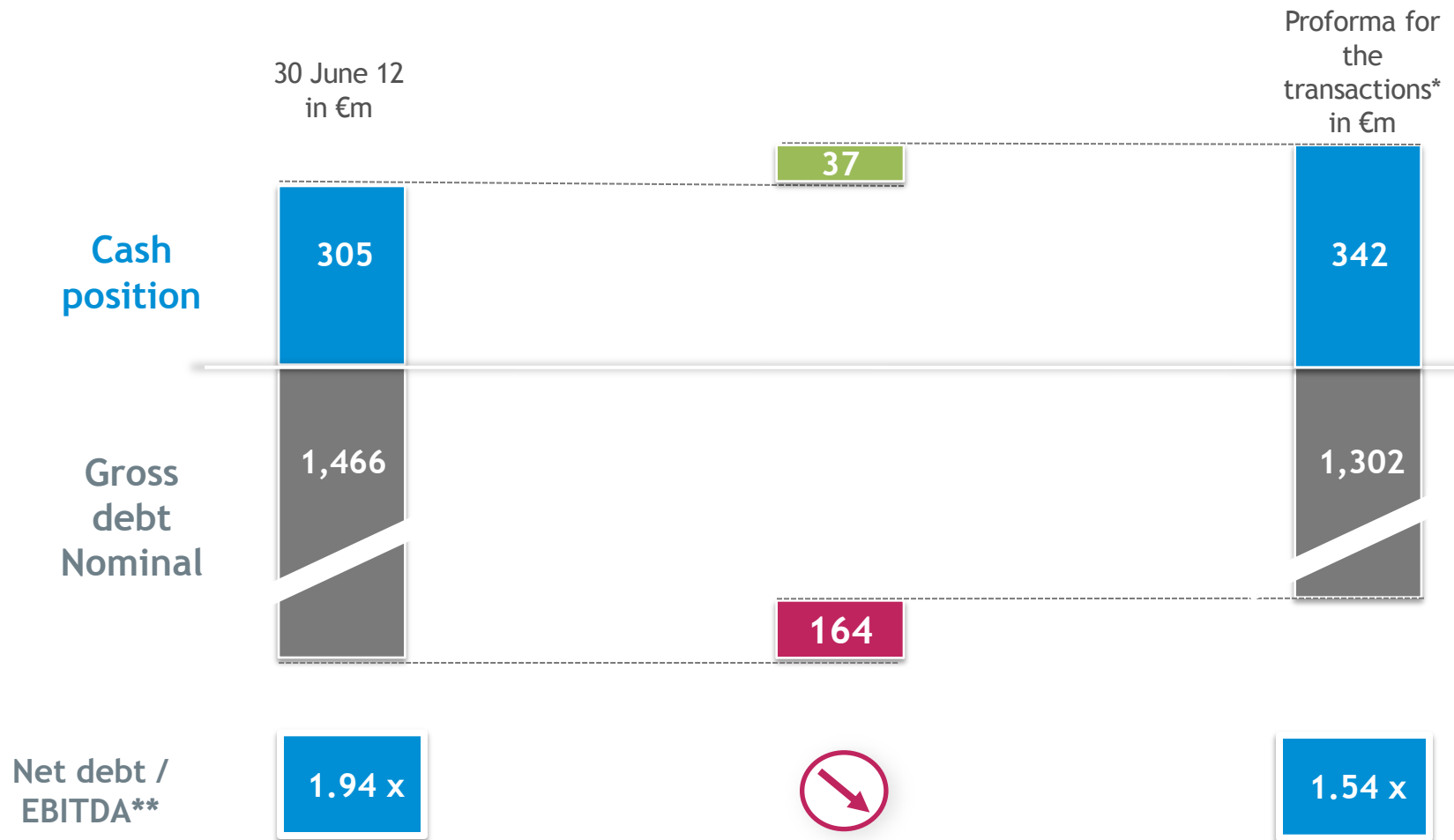
- continued strength in Technology and Entertainment Services
- a return to Adj. EBITDA breakeven in Connected Home
- an increase in operating expenses to support growth businesses
- an uncertain macro environment

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

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

IMPACTS OF **R**ECENTLY **A**NNOUNCED TRANSACTIONS

A strengthened financial structure with recently announced transactions (1/2)



*Assuming full subscription to the rights issue and Broadcast disposal proceeds

** Covenant ratio: Net debt on IFRS basis, adjusted / Group's Adjusted EBITDA over the last 12 months

A strengthened financial structure with recently announced transactions (2/2)

As of June 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 € 164 million
Prepayments of 80% of net capital increase
 $80\% \times 183 = \text{€}146\text{m}$
+
100% of net proceeds from Broadcast
€17.5m

Reduced by € 201 million
Nominal prepayments of €164 million
+ Cash for €37 million
(20% of net capital increase proceeds
 $20\% \times 183 = 37$)

Reduced by € 199 million:
IFRS Gross debt reduction of €162 million
(€ 146.7m of IFRS prepayments + €15.3m IFRS
Impact*) + Cash for €37 million

Proforma for Transaction, (100% subscription to Rights Issue)

**Gross debt
(at nominal value)
€ 1,302 million**

**Net debt
(at nominal value)
€ 960 million**

**Net debt (IFRS)
€821 million**

*Reversal of provision (IFRS provision in H1 2012 net debt IFRS)

Key take-aways

Confirmation of FY 2012 objectives with solid performances across its segments

Connected Home on track to achieve its objective to reach Adj. EBITDA breakeven in 2012 with a positive Adj. EBITDA in H2 2012

A strengthened financial structure and a stabilization of the shareholder base completed in Q3 2012

Group's focus on the implementation of « Amplify 2015 » strategic roadmap



APPENDIX

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H1 2012 EBIT

(€ million)	H1 2011	H1 2012	Change
Adjusted EBITDA from continuing operations	167	198	+31
<i>As a % of revenues</i>	10.7%	12.0%	+1.3pt
Depreciation and amortization (D&A)*	130	105	(25)
<i>As a % of revenues</i>	8.3%	6.3%	(2.0)pts
Adjusted EBIT from continuing operations (a)	37	93	+56
<i>As a % of revenues</i>	2.4%	5.7%	+3.3pts
Total adjustments on EBIT (b)	(25)	22	+46
<i>o/w restructuring charges, net</i>	(10)	(8)	+2
<i>o/w impairment losses on non-current operating assets, net</i>	(14)	(8)	+6
<i>o/w other income/(expense)</i>	(1)	38	+38
EBIT from continuing operations (a)+(b)	12	115	+103

H1 2012 EBIT

- Adjusted EBIT of €93 million in H1 2012, and adjusted EBIT margin up 3.3 pts compared to H1 2011 reflecting the increase in EBITDA margin and lower D&A
- €22 million of positive impacts, reflecting:
 - €(4) million from the deconsolidation of Angers
 - lower restructuring and impairment charges
 - €41 million curtailment gain related to retirement benefit obligations in the US

* Including impact of provision for risks, litigations and warranties

H1 2012 Net Result

(€ million)	H1 2011	H1 2012	Change
EBIT from continuing operations	12	115	+103
Financial costs, net	(92)	(116)	(24)
Share of profit / (loss) from associates	(1)	(4)	(3)
Income tax	(13)	(21)	(8)
Profit / (loss) from continuing operations	(94)	(26)	+68
Loss from discontinued operations	(18)	0	+18
Net result, Group share	(112)	(26)	+86

H1 2012 NET RESULT

- Financial costs of €(116) million, including net interest charges of €(76) million, of which €18 million non-cash charges related to IFRS effective interest rate impact
- Income tax of €(21) million
- Net loss reduced by 86 million euros

* Including impact of provision for risks, litigations and warranties

Balance sheet at 30 June 2012

(€ million)	31 Dec. 2011	30 June 2012
Total non-current assets	1,907	1,917
o/w goodwill	481	495
o/w other intangible assets	459	464
o/w property, plants and equipment	401	386
Total current assets	1,512	1,399
o/w inventories	118	130
o/w trade receivables	585	491
o/w cash and equivalents	370	305
o/w assets held for sale	66	66
Total assets	3,419	3,316

(€ million)	31 Dec. 2011	30 June 2012
Total equity	155	99
Total non-current liabilities	1,940	1,778
o/w long term debt	1,242	1,093
o/w retirement benefits obligations	349	340
Total current liabilities	1,324	1,439
o/w short term debt	85	232
o/w trade payables	499	467
o/w retirement benefits obligations	37	34
o/w liabilities held for sale	52	49
Total equity & liabilities	3,419	3,316