



# Third quarter and nine months 2009 revenues

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# Agenda

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**I. Business update**

**II. Divisional review**



# I. Business update



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# 3Q 2009 highlights

## Commercial status

- Overall market conditions remained challenging in 3Q 2009
- Market positions stable or strengthening across most businesses except in access products in Europe

## Cash generation

- Cost reduction actions, capex control, working capital improvement
- Positive operating cash flow from continuing activities and positive Group free cash flow
- Estimated cash position of €551m at end 3Q 2009, up by €40m over the quarter
- Estimated gross debt of €2,721m at end 3Q 2009, down by €101 vs. 30 June 2009

## Balance sheet restructuring

- Support from additional senior creditors has been received, in some cases subject to satisfaction of conditions and completion of ISDA auction process
- The ISDA process is anticipated to be completed by the end of October 2009
- Extraordinary General Meeting expected to take place in 1Q 2010

**Group remains focused on profitability and cash generation improvement**



# Disposals and Closures

Main disposals	Financial advisors	1 <sup>st</sup> round Bids	Due diligence	Final negotiations	Estimated Signing
	Grass Valley	✓	✓	✓	2H 2009
	Screenvision US	✓	✓	✓	2H 2009
	PRN/Convergent	✓	(Convergent)	(Convergent)	Convergent: 2H 2009 PRN: 1H 2010

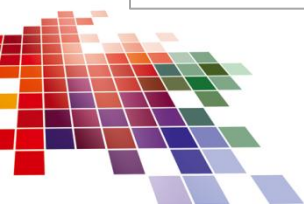
Other disposals/closures	Planned timeline for conclusion	
	Retail telephony in Europe and ROW	In process
	Digital cinema	Partly completed
	Other	STS sold Screenvision Belgium sold Screenvision Spain closed Screenvision Denmark sold

# Revenues by division

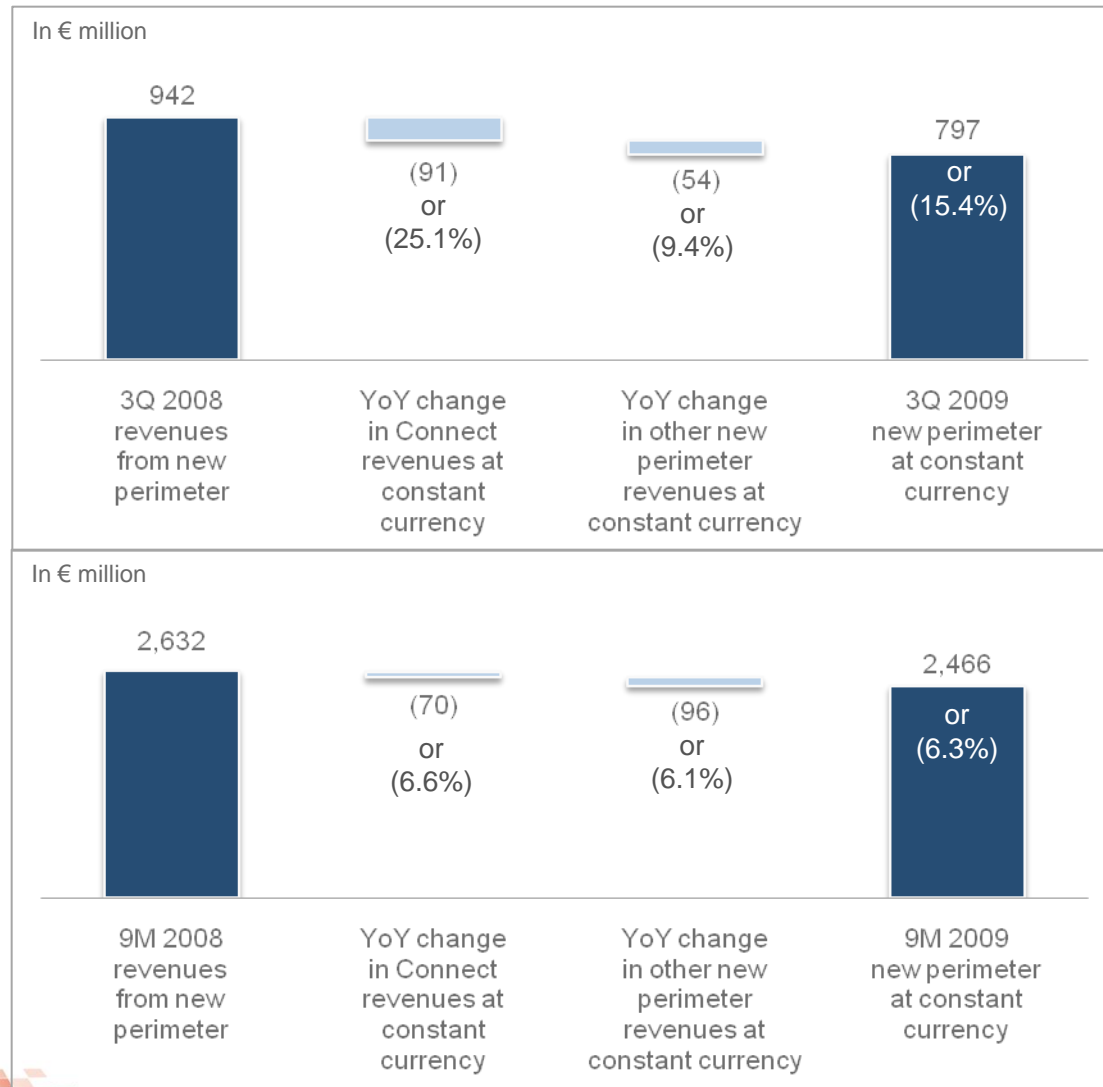
	1Q 2008 Actual	1Q 2009 Actual	Change Constant currency	2Q 2008 Actual	2Q 2009 Actual	Change Constant currency	3Q 2008 Actual	3Q 2009 Actual	Change Constant currency	9M 2008 Actual	9M 2009 Actual	Change Constant currency
Technicolor	407	410	(3.7)%	407	387	(8.9)%	474	421	(11.5)%	1,289	1,218	(8.2)%
Connect *	287	368	+24.1%	402	365	(12.0)%	361	267	(25.1)%	1,050	1,000	(6.6)%
Technology	81	93	(0.1)%	100	102	+10.1%	105	98	(1.1)%	286	293	+3.1%
Other *	68	44	(40.5)%	83	32	(63.9)%	65	16	(74.0)%	216	91	(59.6)%
<b>Total continuing operations</b>	<b>843</b>	<b>915</b>	<b>+3.1%</b>	<b>991</b>	<b>886</b>	<b>(12.8)%</b>	<b>1,005</b>	<b>803</b>	<b>(19.4)%</b>	<b>2,840</b>	<b>2,603</b>	<b>(10.4)%</b>
<i>o/w new perimeter</i>	<i>778</i>	<i>874</i>	<i>+6.9%</i>	<i>911</i>	<i>857</i>	<i>(8.1)%</i>	<i>942</i>	<i>789</i>	<i>(15.4)%</i>	<i>2,632</i>	<i>2,520</i>	<i>(6.3)%</i>

\* Due to the reclassification in 3Q 2009 of some activities generating less than €1 million in quarterly revenues from the "Other" segment to the "Connect" segment, revenues and YoY changes at constant currency presented in the above table slightly differ from revenues and YoY changes reported in 1Q 2009 and 2Q 2009.

- Technicolor: stable or strengthened market positions with existing clients. Revenues impacted by declining DVD replication volumes and difficult market conditions for media and broadcast services, partly offset by sustained growth in visual effects
- Connect: revenues impacted by weak orders from some North American customers, and lower market share with two European customers
- Technology: Licensing revenues slightly higher compared to 3Q 2008
- Decrease in Other revenues mainly due to exit of retail telephony



# 3Q and 9M new perimeter revenue evolution



3Q 2009 performance mainly impacted by the decrease in Connect revenues

9M 2009 revenues of new perimeter down by 6.3% at constant currency

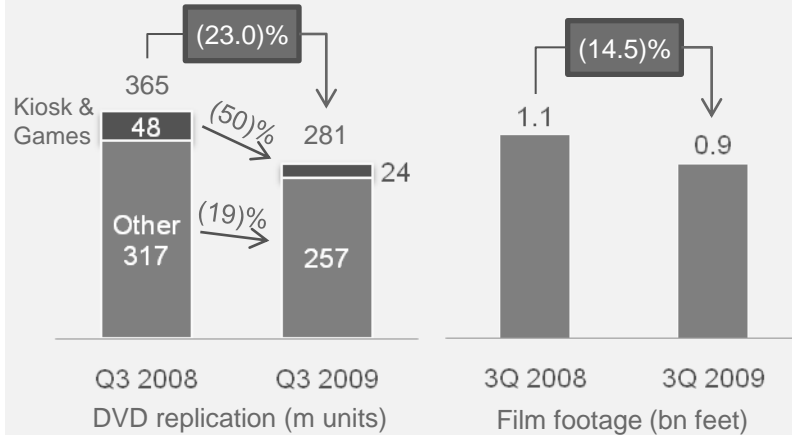


## II. Divisional review



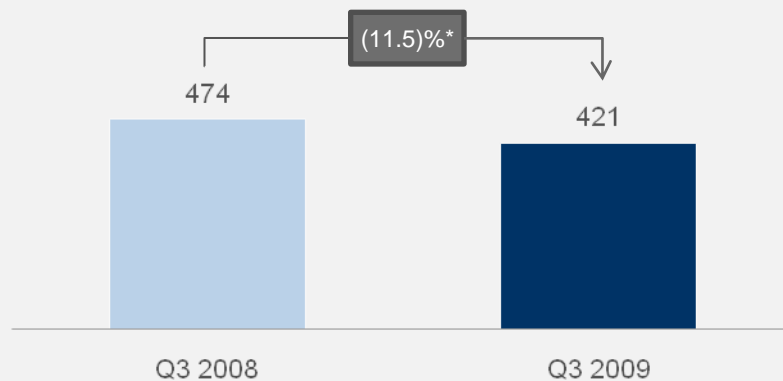
# Technicolor – Q3 2009

## Physical Media Volumes



## Quarterly Revenues for Technicolor activities

In €m as reported. \*Change at constant currency



## Key Points – Q3 2009 Technicolor activities

### Content Services

- Increased level of activity for VFX for film
- Post production and Media management markets negatively impacted by the overall economic environment

### Physical Media

- Volume decline in Film partially offset by favorable customer and product mix
- DVD volumes down due to sharp decline of kiosk and games as well as lower than expected performance of major studios' new release and back catalog volumes

### Content Distribution Services

- Stable market share but difficult trading environment for broadcast; continued focus on operational improvement

Impact of revenue decline on Technicolor margins and cash flow offset by:

- Improved business mix
- Cost reduction actions and operational efficiency gains linked to restructuring initiatives
- Tight control on capital expenditure

# Technicolor – operating & cash efficiencies

## Examples of initiatives implemented in 3Q 2009

Business	3Q 2009 Action
Content Media Management	<ul style="list-style-type: none"><li>• 100 headcount reduction, improvement in production scheduling and time management</li></ul>
Post Production	<ul style="list-style-type: none"><li>• Labor cost reductions</li><li>• Closure of unprofitable operations</li></ul>
Film and Content Services	<ul style="list-style-type: none"><li>• Cancellation of contractual obligations</li></ul>
DVD Services	<ul style="list-style-type: none"><li>• Reduced work week and technical shutdowns</li><li>• Headcount reductions</li><li>• Labor Management Systems (LMS) implementation and other labor efficiency initiatives</li></ul>

Improvement in operating cash flow generation  
across all businesses within Technicolor activities compared to 3Q 2008



# Technicolor – business development

## New Business / Contracts

- **Paramount** multi-year contract extension and service expansion for DVD Services (standard definition and Blu-ray™)
- Strong order backlog in visual effects for feature film. Awarded contracts for **Harry Potter VII & VIII**

## Client Base Expansion

- Addition of **new independent accounts** in Film and DVD Services
- Increasing position in post production of **3D features**

## Product & Services Innovation

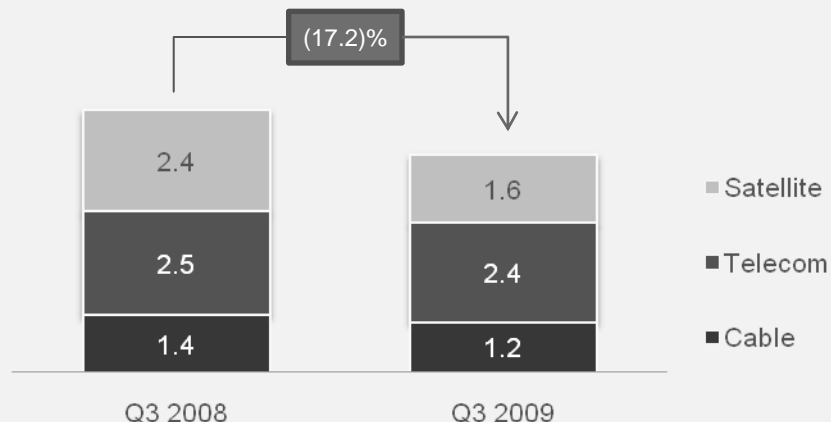
- Technicolor gains major studios' & industry support for its **3D film-based solution**
- Technicolor **first to deploy** global & remote collaboration post production service (remote color correction)



# Connect – Q3 2009

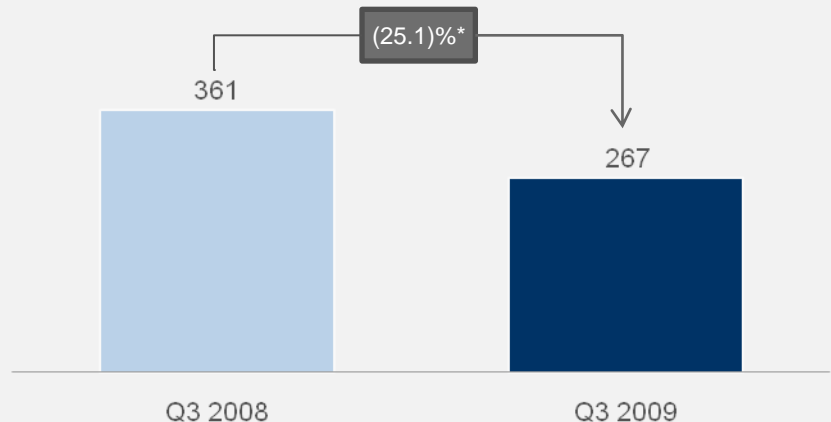
## Access Product Volumes

In million units



## Quarterly revenues for Connect activities

In €m as reported. \*Change at constant currency



## Key Points – Q3 2009 Connect activities

### North America

- Low orders for satellite set-top boxes resulting from higher levels of refurbishment (attributed to increase in consumer churn)

### Europe

- 2nd source introduced by a key client
- Market share loss with another large client due to phase out of existing product

### LATAM

- Strong momentum

### SSP

- Difficult conditions in the voice and video software platform business

- Ability to win major new contracts affected by Group's balance sheet situation
- Impact of lower revenues on operating profitability largely offset by leveraging ongoing cost optimization efforts
- Connect currently addressing operational issues on product development with a program to overhaul its processes

# Connect – Addressing operational issues

Area of focus	Improvement initiatives
Technology architecture & roadmap	<ul style="list-style-type: none"><li>• Realign 24 months roadmap in light of strategic priorities and market trends</li></ul>
Project portfolio management	<ul style="list-style-type: none"><li>• Prioritize and reallocate current portfolio of projects</li><li>• Strengthen portfolio management process and governance</li></ul>
Development process	<ul style="list-style-type: none"><li>• Align development tools across businesses and sites</li><li>• Strengthen software testing program</li></ul>
Operating model and skills	<ul style="list-style-type: none"><li>• Reduce multi site development</li><li>• Upgrade architecture and software skills</li></ul>

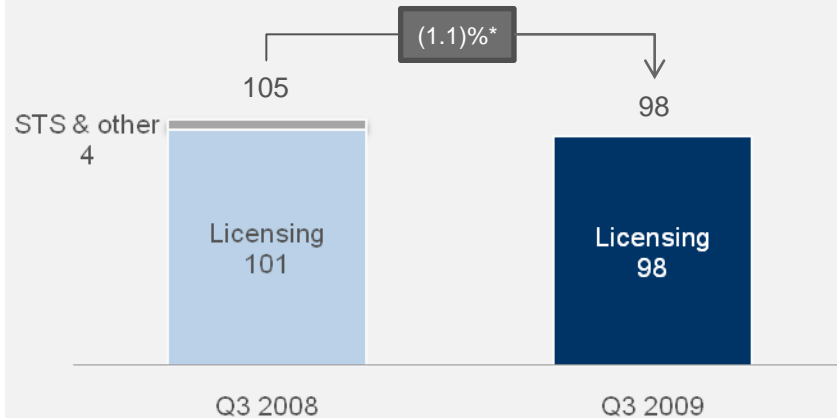
Measurable results are expected over the next  
nine to twelve months



# Technology – Q3 2009

## Quarterly Revenues for Technology

In €m as reported. \*Change at constant currency



## Key Points –Q3 09 Revenues

**Technology revenues down 1.1% YoY at constant currency, reflecting:**

- Impact of the sale of the Software and Technology Solutions business to Civolution in July 2009
- Licensing revenues up 2.4% YoY at constant currency, due to stable y-o-y contribution from core programs, including MPEG-LA

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