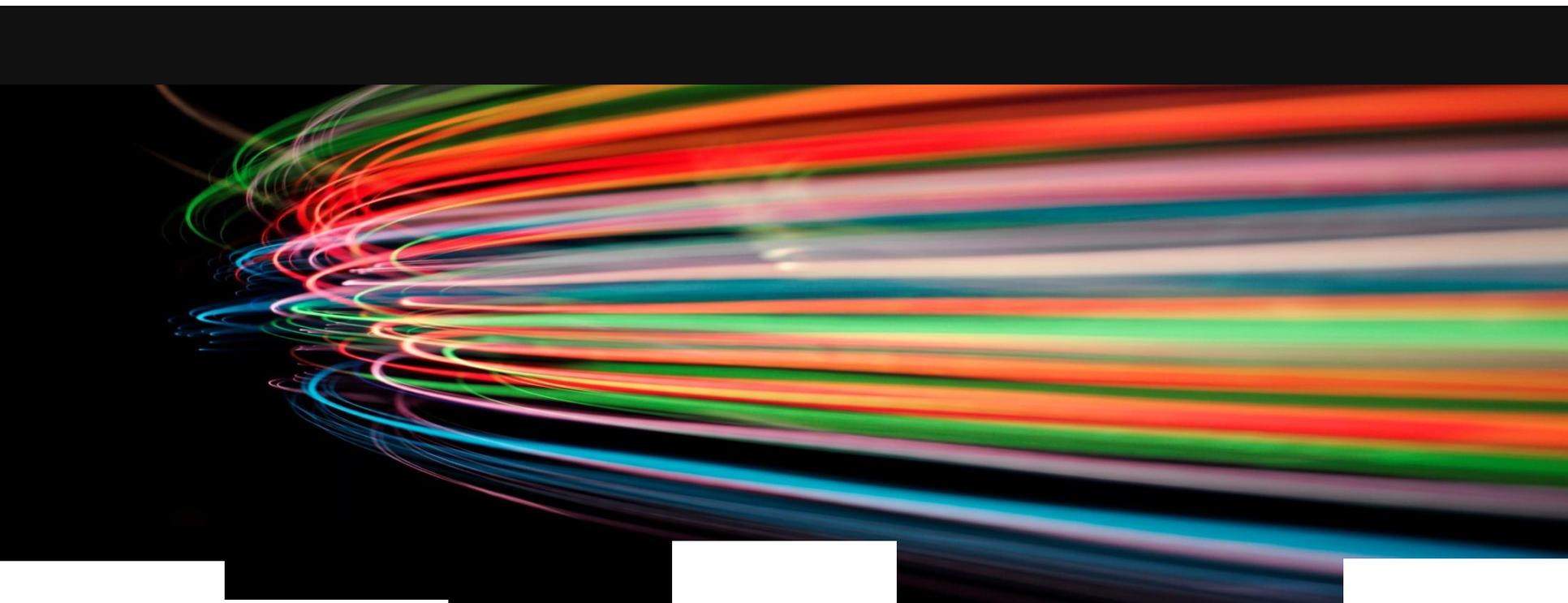


# First Half 2011 Results

July 28, 2011



Frederic Rose, CEO

Stéphane Rougeot, CFO

technicolor



# 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 a historical fact or current fact. 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".

# BUSINESS REVIEW

## Market Environment

Some softness in the consumer electronics market

Strong demand for creation services and sustained volumes in DVD market

Degraded environment in the European market for digital home products

## Q2 2011 Revenues up 1.2% at constant rates

Group revenues up 1.2%\* at €747m

- Sustained performance in Licensing (+4.1%\*)
- Strong growth in Entertainment Services (+16.8%\*)
- Weak performance in Digital Delivery (-14.6%\*)

## Revenues up 8.3 % at constant rates

Group revenues up 8.3%\* at €1,559m, driven by resilient Technology revenues and strong growth in Entertainment Services revenues

## Adj. EBITDA margin at 10.7%

Adjusted EBITDA up 1.2pt at €167m

Increase in Technology and Entertainment Services more than offset drop in Digital Delivery

## Positive Group Free Cash Flow

Group Free Cash Flow of €32 million

### FY 2011 objectives confirmed

Slight revenue growth at constant rates in 2011

Adjusted EBITDA comparable or slightly up compared to the level achieved in 2010

### Positive Group Free Cash Flow in H2 2011

# Key H1 2011 Achievements



- 1 Strengthened business profile for Entertainment Services
- 2 Continued buildup of Digital Delivery order backlog and cost reductions
- 3 Detailed review of Licensing programs
- 4 Product Portfolio evolution

# Entertainment Services

## ► Strengthened Business Profile

### Expansion

- Continued increase in Blu-ray™ capacities
- Opening of New York VFX facility under MPC brand
- Additional VFX capacities in London and Vancouver
- Entry into China through Creation Services JV with Shanghai Film Group
- Expansion of Digital Cinema distribution footprint in North America
- Increased Digital Postproduction capacities on US West Coast

### Optimization

- Implementation of phase II of photochemical film optimization
- Optimization of DVD distribution infrastructure

### Franchise Licensing

- Launch of Franchise Licensing program for Postproduction
- First agreement in the New York market with PostWorks

## Digital Delivery

- ▶ Buildup of order backlog and cost reductions

## Expanding order backlog supported by new customer wins



## Cost reductions

300 headcount reductions launched in H1 2011 across:

- R&D in Indianapolis and Rennes
- SG&A in France and in the US
- Operations in the US and the UK

# Product Portfolio Evolution

## ► Dynamics of Our Markets



Content Producers and Providers  
(Studios, Advertising)

Network Services Providers  
(OTT, Broadcast, Network Services Providers)

Consumer Electronics  
(Mobile devices, digital home products, ...)

Customers  
Dynamics

- From Film to Digital
- Increased use of Visual Effects
- Growth of 3D production & Animation

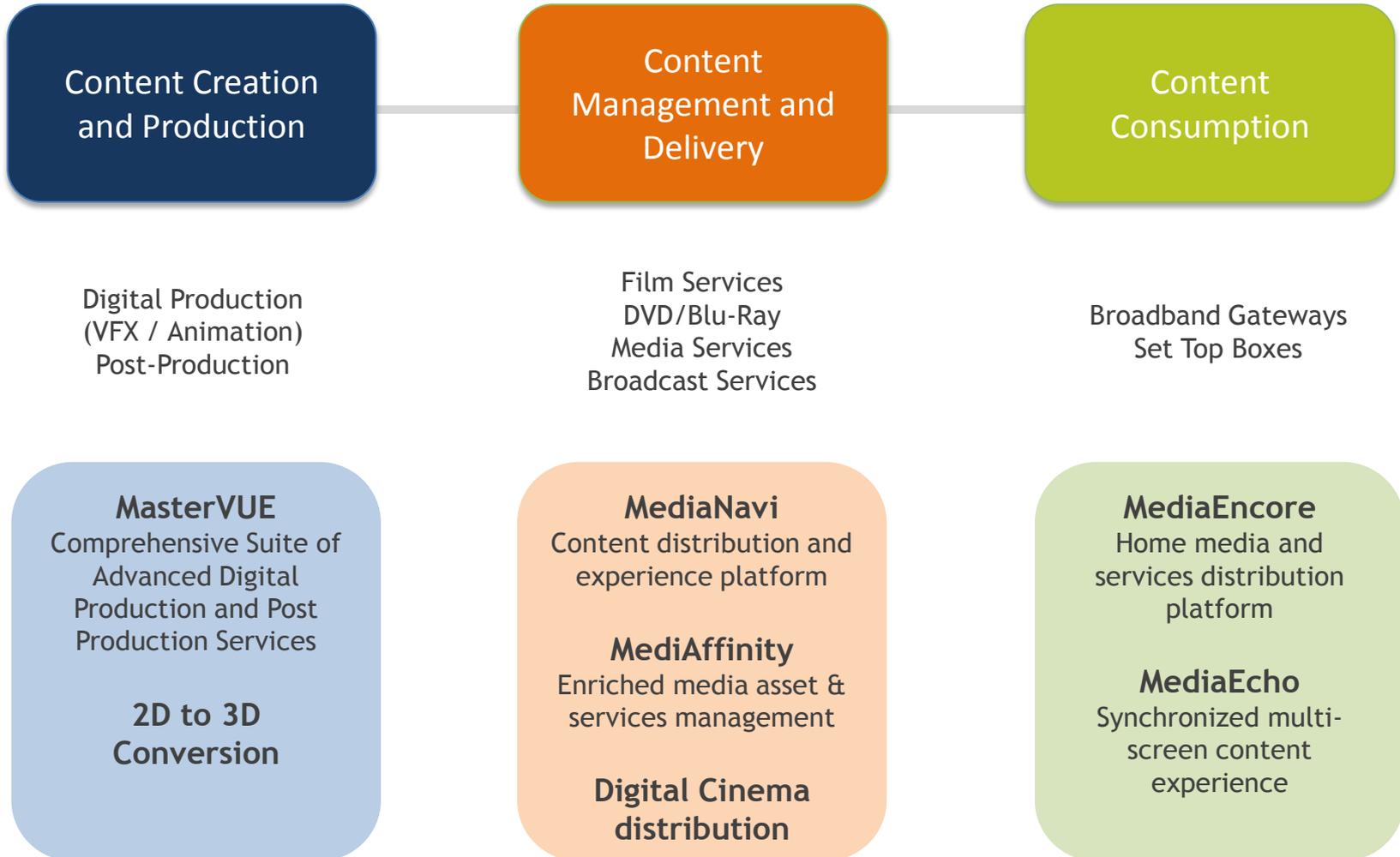
- From Physical to Electronic Delivery
- From Local to Cloud-Based delivery & services
- From Tape-based to File-based Media Workflows

- Personalized & social content consumption
- Multi-devices/screens ecosystems
- Shortened Products Lifecycle

Market  
Dynamics

# Product Portfolio Evolution

## ► Introduction of New Digital Services in H1



# Product Portfolio Evolution

## ► Strong Technology Pipeline



**Color Science:** Automatic Color Harmonization, Creative Intent Preservation

Examples of demonstrations at



June 2011

**3D Quality:** 3D Content Correction, 3D Visual Attention Modeling, 3D Eye tracking

**Content Search:** Advanced Content Search & Discovery

*Maximizing innovation impact throughout Digital Portfolio  
New monetization opportunities through Technology Licensing*

# Intellectual Property

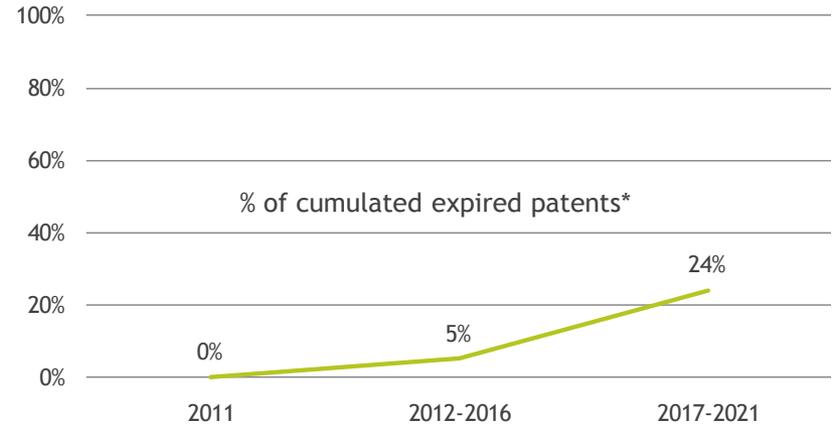
## ► Patent Portfolio

### Patent portfolio

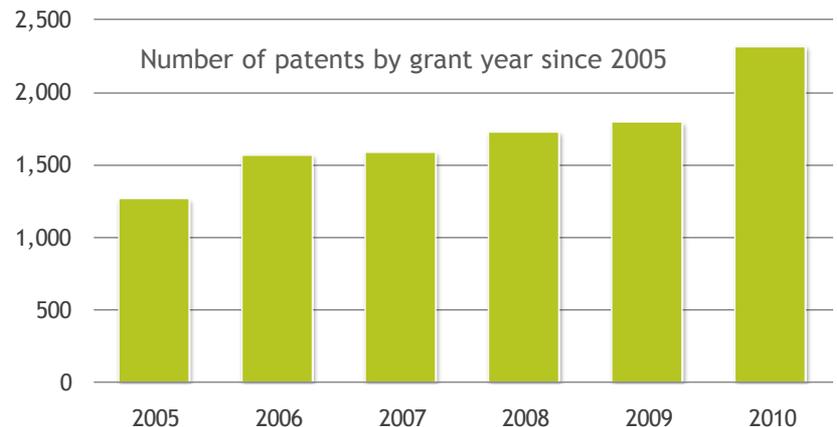
lifetime largely above 10 years

### Over 10,000

of Patents have been granted since 2005

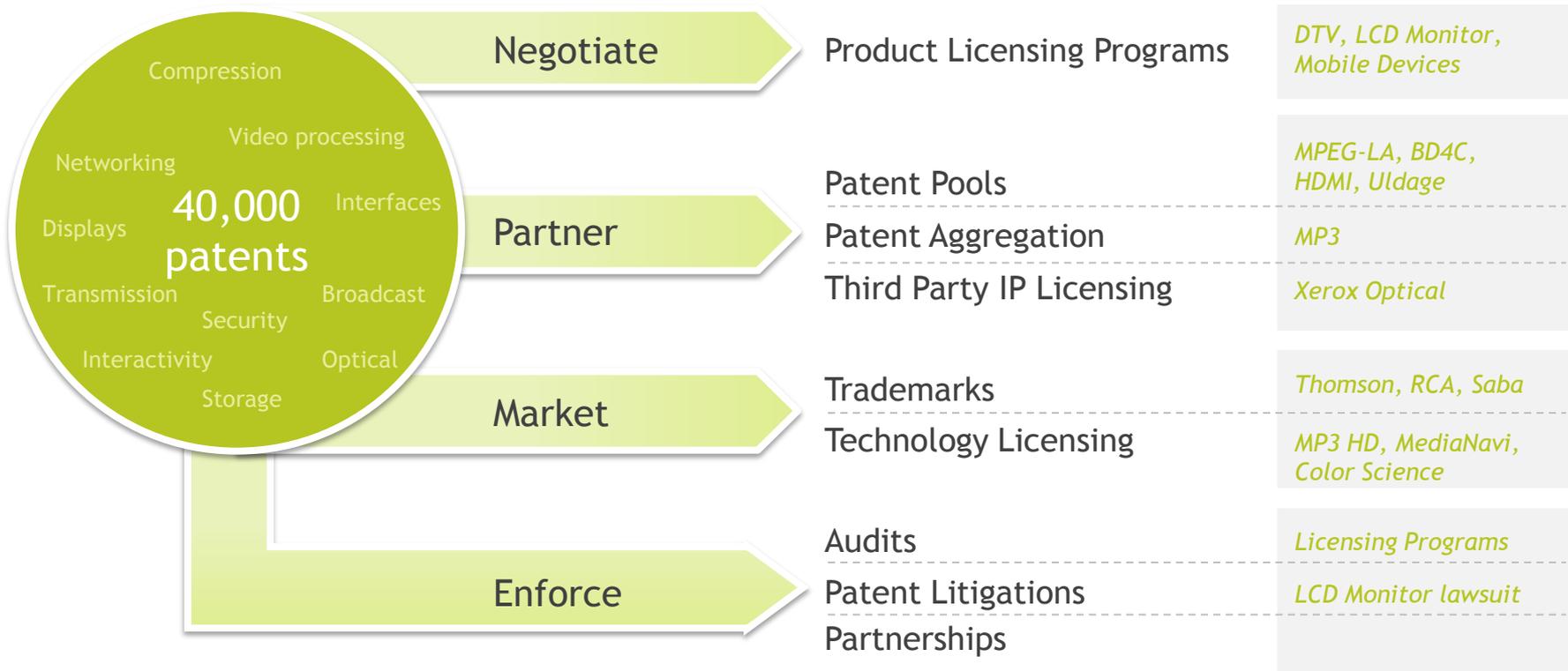


\*On the basis of the Group's portfolio of patents as of 18 July 2011



# Intellectual Property

## ► Monetization & Enforcement



# Intellectual Property

## ► Licensing Revenue Drivers

Existing Programs

- CE volumes
- New Licensing targets
- Licensing agreement renewals

New Programs

- New device programs
- Licensing of third party IP

New Licensing Models

- Technology Licensing

## Standards

Several patent families related to standards, including:

- DVB-H
- DVB-IPDC
- MPEG4 Visual
- H264 and H263
- WiFi (IEEE 802.11)
- GSM (SIM Card)
- Bluetooth

## Technology Coverage

Technicolor technology coverage on Mobile Devices:

- Mobile TV
- Video compression
- WiFi
- Interworking
- SIM Card
- User Interface
- Power management
- LCD
- On Screen Display
- Synchronization



# FINANCIAL REVIEW

# H1 2011 Results Highlights

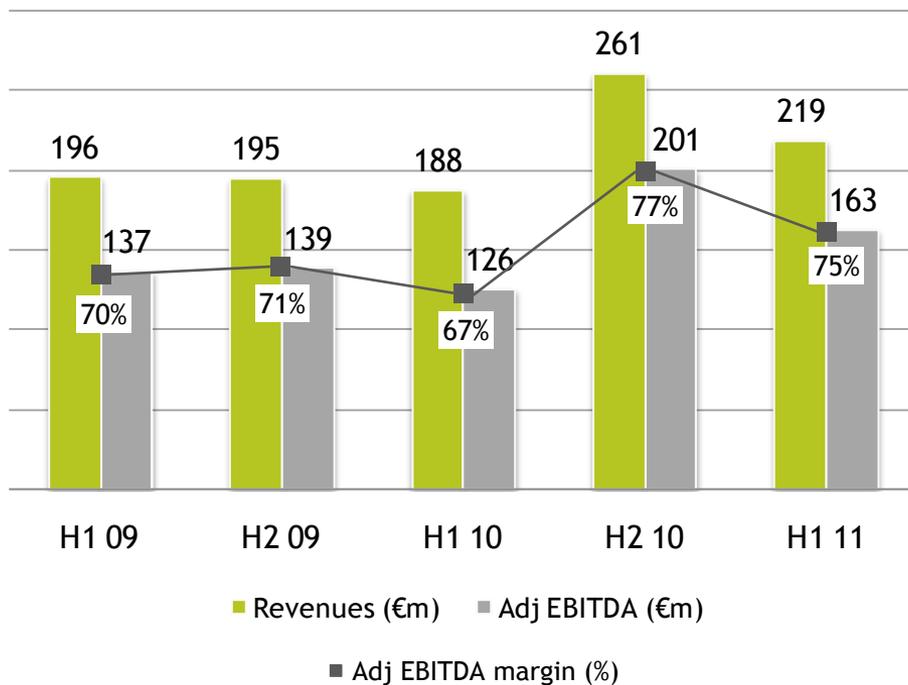
(€ million)	H1 2010	H1 2011	
<b>Revenues from continuing operations</b>	€1,499m	<b>€1,559m</b>	Group revenues for H1 2011 up 8.3% YoY at constant rates, with a 1.2% increase in Q2 2011
<b>Adjusted EBITDA* from continuing operations</b>	€142m 9.5% sales	<b>€167m</b> <b>10.7% sales</b>	H1 2011 Adjusted EBITDA margin up 1.2 points YoY: Increase in Technology and Entertainment Services more than offset drop in Digital Delivery
<b>EBIT from continuing operations</b>	€22m 1.5% sales	<b>€12m</b> <b>0.8% sales</b>	EBIT including restructuring charges as well as write-offs on capitalized R&D for certain projects and on Mirabel fixed assets
<b>Net income from continuing operations</b>	€220m	<b>€(94)m</b>	Includes a financial result of €(92)m ; net interest charges of €74m, of which €15m non-cash
<b>Consolidated net result</b>	€96m	<b>€(112)m</b>	Net result including a €18m loss from discontinued activities (vs. a loss of €124 million in H1 2010)
<b>Operating Cash Flow** from continuing operations</b>	€48m	<b>€62m</b>	Operating Cash Flow from continuing operations reached 4.0% of sales, a YoY increase of 0.8 point. Capex was slightly up at €84m
<b>Group Free Cash Flow</b>	€(117)m	<b>€32m</b>	Positive Group Free Cash Flow, mainly driven by improved Adjusted EBITDA and working capital, and lower financial cash charges
<b>Net debt (as per IFRS)</b>	€1,276m	<b>€948m</b>	Net debt as per financial statements decreased by 45m€ in H1 2011. Cash position at 30 June 2011 of €326m

\* Excluding restructuring charges, net impairment charges and non-recurring items

\*\* Adjusted EBITDA minus net capex and restructuring cash out

# Technology - H1 Highlights

Revenues and Adjusted EBITDA



## Growth in Technology revenues

25.8% YoY growth in H1 2011 at constant currency, driven by a strong increase in MPEG-LA revenues and sustained performance of other programs

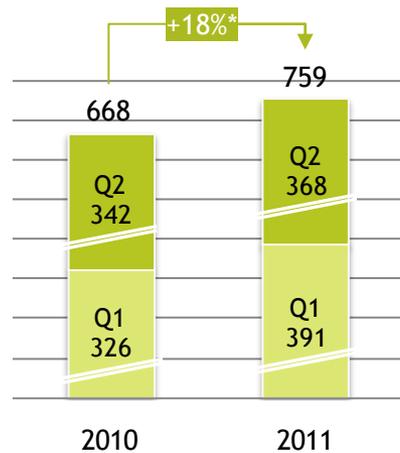
## Further YoY increase in adjusted EBITDA margin

Licensing revenue growth

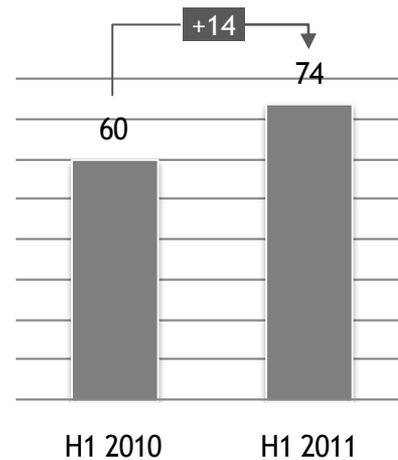
Continuing optimization in patent prosecution, filing and annuities costs

# Entertainment Services - H1 Highlights

Revenues, €m



Adj EBITDA, €m



## Strong commercial performance

Market share gains in Digital Production, Postproduction and Digital Cinema Distribution

H1 2011 revenues up 18.2% YoY at constant currency

Strong growth in Digital Production and increase in Postproduction revenues. Continued expansion of Digital Cinema distribution

Volumes in DVD and Blu-Ray™ up 50%

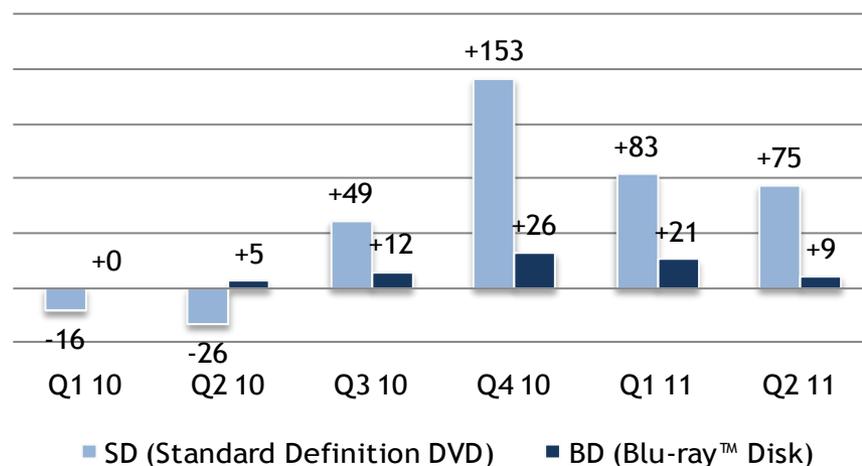
Improvement in Adjusted EBITDA margin in H1 2011

On going cost reduction in all activities

Improved revenue mix in Theatrical Services

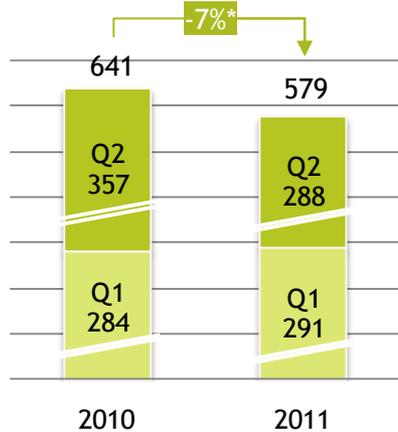
Stable DVD Services margin

YoY volume change for SD and BD, million units

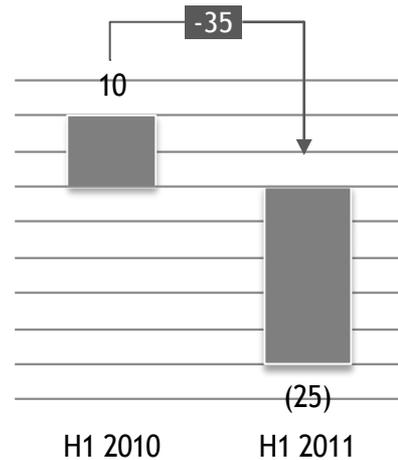


# Digital Delivery - H1 Highlights

Revenues, €m



Adj EBITDA, €m



## Difficult business environment

A significantly degraded economic environment in Europe

Some softness in North America

Strong growth in Latin America

## Digital Delivery revenues down 7.3% YoY

Growing volumes in Satellite and Cable, driven mainly by Latin America and DTAs

Volume decline and adverse mix impact in Telecom

## Decline in Adjusted EBIDTA margin

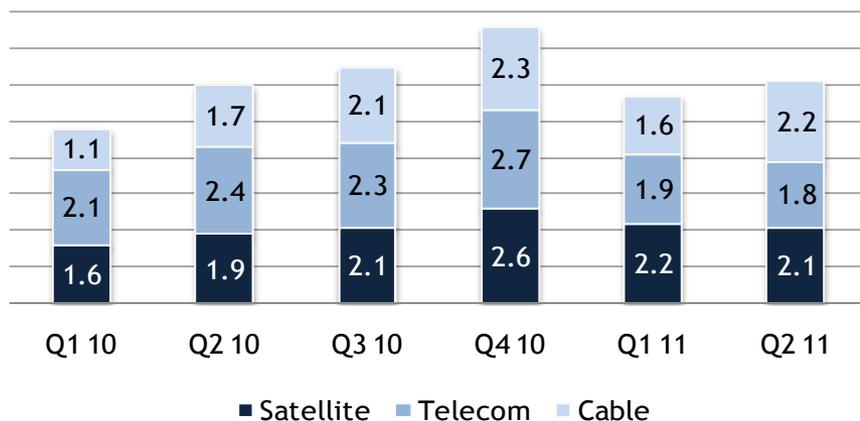
Lower volumes in Europe

Less favorable overall mix

Capacity and production challenges in Brazil

Launch of cost reduction initiatives

Connect volumes, million units



# H1 2011 Revenues by Division

(€ million)	Q2 2010	Q2 2011	Δ % Constant Currency	H1 2010	H1 2011	Δ % Constant Currency
Technology	95	89	+4.1%	188	219	+25.8%
Entertainment Services	342	368	+16.8%	668	759	+18.2%
Digital Delivery	357	288	(14.6)%	641	579	(7.3)%
Other	1	2	+63.1%	2	2	+20%
<b>Total from continuing operations</b>	<b>795</b>	<b>747</b>	<b>+1.2%</b>	<b>1,499</b>	<b>1,559</b>	<b>+8.3%</b>

## Key points - Q2 2011

- Technology revenues up 4.1% YoY\*, driven by a stable revenue stream from MPEG-LA and by the sustained performance of the other licensing programs
- Entertainment Services revenues up 16.8% YoY\*, due to higher revenue streams in all activities, except Theatrical Services
- Digital Delivery revenues down 14.6% YoY\*, primarily due to an adverse mix impact in the Connect business

## Key points - H1 2011

- Technology revenues up 25.8% YoY\*, mainly driven by a strong increase in revenues from MPEG-LA
- Entertainment Services revenues up 18.2% YoY\*, with strong growth in overall DVD volumes and higher activity levels in Creation Services
- Digital Delivery revenues down 7.3% YoY\*, a decrease fully due to the Connect business

# H1 2011 Adjusted EBITDA by Division

(€ million)	H1 2010	H1 2011	Change
Technology <i>% Sales</i>	126 66.7%	163 74.6%	+37 +7.9pts
Entertainment Services <i>% Sales</i>	60 8.9%	74 9.7%	+14 +0.8pts
Digital Delivery <i>% Sales</i>	10 1.6%	(25) (4.3)%	(35) -5.9pts
Other	(54)	(45)	+9
<b>Total from continuing operations</b> <i>% Sales</i>	142 9.5%	167 10.7%	+25 +1.2pts

## Technology - H1 2011

Adjusted EBITDA margin further raised by 7.9 points to 74.6% of sales, driven by:

- ✓ Strong growth in Licensing revenues
- ✓ Positive impact of ongoing optimization in patent prosecution, filing and annuities costs

## Entertainment Services - H1 2011

Adjusted EBITDA margin up 0.8 points to 9.7% of sales, reflecting:

- ✓ Stable DVD Services margin
- ✓ Increased revenues in Creations Services
- ✓ Improved mix in Theatrical Services driven by Digital Cinema Distribution activities
- ✓ Positive impact of ongoing cost saving and optimization processes across all activities

## Digital Delivery - H1 2011

Significant decrease in Adjusted EBITDA margin, due to:

- ✓ Significantly degraded environment in Europe
- ✓ A less favorable overall mix
- ✓ Capacity/production challenges at the Manaus facility (Brazil)

# Adjusted indicators

(€ million)	H1 2010	H1 2011	Change
<b>EBIT from continuing operations</b>	<b>22</b>	<b>12</b>	<b>(10)</b>
Restructuring charges, net	(15)	(10)	+5
Impairment losses on non-current operating assets, net	0	(14)	(14)
Other income/(expense)	4	(1)	(5)
<b>Total adjustments on EBIT</b>	<b>11</b>	<b>25</b>	<b>+14</b>
<b>Adjusted EBIT from continuing operations</b>	<b>33</b>	<b>37</b>	<b>+4</b>
<i>As a % of revenues</i>	2.2%	2.4%	+0.2pt
<b>Depreciation and amortization (D&amp;A)*</b>	<b>109</b>	<b>130</b>	<b>+21</b>
<b>Adjusted EBITDA from continuing operations</b>	<b>142</b>	<b>167</b>	<b>+25</b>
<i>As a % of revenues</i>	9.5%	10.7%	+1.2pts

\* Including impact of provision for risks, litigations and warranties

H1 2011 EBIT negatively impacted by write-offs on capitalized R&D and on Mirabel (Canada) fixed assets

# H1 2011 Net Result

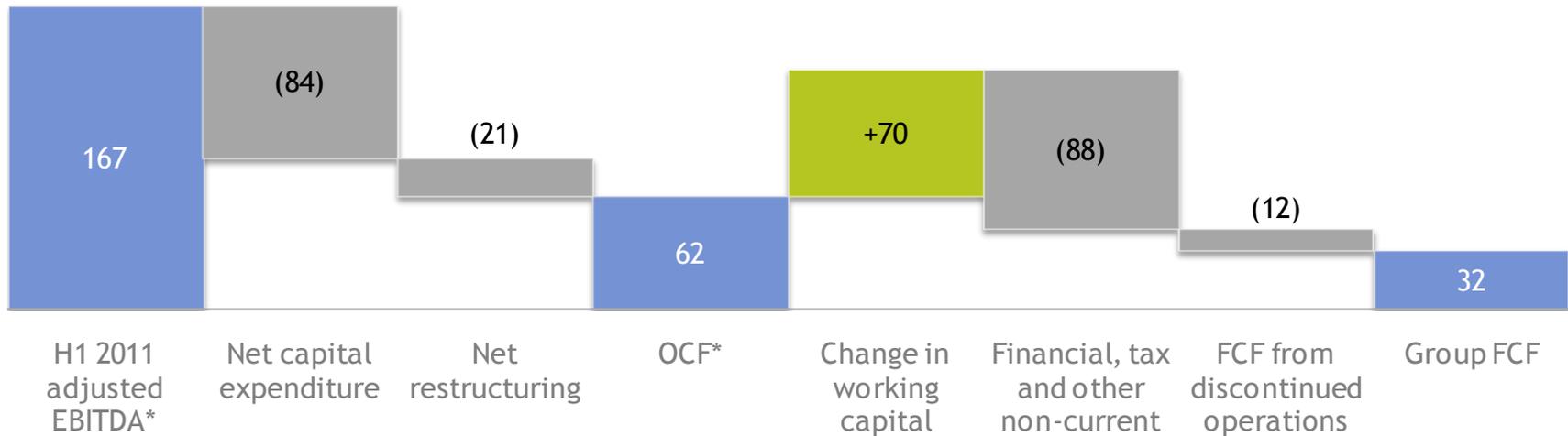
(€ million)	H1 2010	H1 2011	Change
<b>EBIT from continuing operations</b>	<b>22</b>	<b>12</b>	<b>(10)</b>
Financial costs, net	212	(92)	(304)
Share of profit / (loss) from associates	0	(1)	(1)
Income tax	(14)	(13)	+1
<b>Profit / (loss) from continuing operations</b>	<b>220</b>	<b>(94)</b>	<b>(314)</b>
Loss from discontinued operations	(124)	(18)	+106
<b>Net result, Group share</b>	<b>96</b>	<b>(112)</b>	<b>(208)</b>

## Net result - H1 2011

- Financial result of €(92) million, including net interest charges of €(74) million, of which €15 million non-cash charges due to IFRS effective interest rate impact
- Limited loss from discontinued activities
- Net result (Group share) of €(112) million

# H1 2011 cash flow

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



### Key points - Operating Cash Flow\*

Operating CF from continuing operations up 0.8 point in % of sales YoY, reflecting:

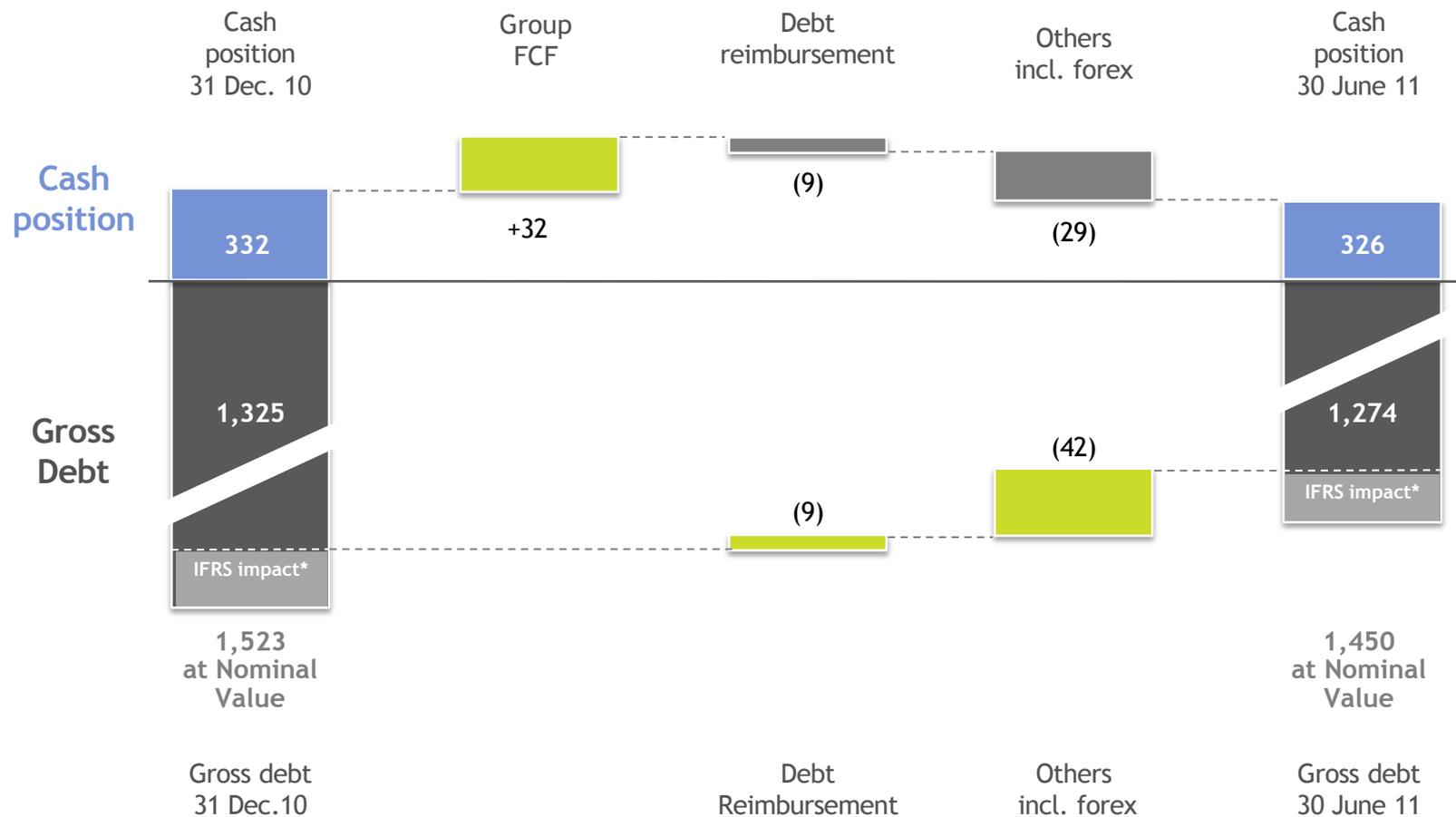
- €8 million YoY increase in capex, driven by:
  - ✓ Expanded VFX/animation infrastructure
  - ✓ Higher capitalized R&D in Connect
- €21 million of restructuring cash outflow

### Key points - Group Free Cash Flow

Positive Group Free Cash Flow of €32 million, driven by:

- €70 million improvement in working capital, due to seasonality effects in DVD Services and lower activity in Connect
- Cash outflow from financial, tax and other non-current items of €88 million, including cash financial charges of €67 million
- Reduced cash outflow from discontinued activities

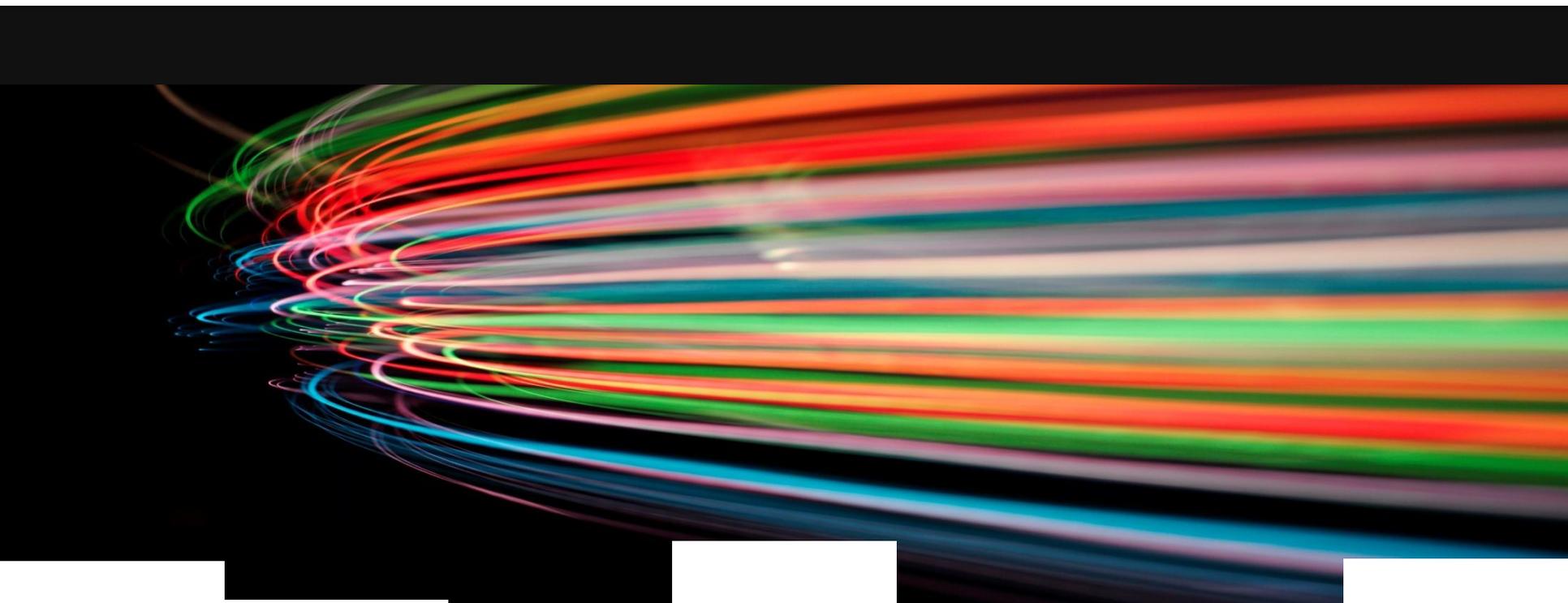
# Cash and Gross Debt



# Balance sheet at 30 June 2011

(€ million)	31 Dec. 2010	30 June 2011
<b>Total non-current assets</b>	<b>2,299</b>	<b>2,123</b>
Incl. goodwill	644	600
Incl. other intangible assets	512	453
Incl. property, plants and equipment	430	412
<b>Total current assets</b>	<b>1,635</b>	<b>1,294</b>
Incl. Inventories	153	137
Incl. trade receivables	666	445
Incl. cash and equivalents	332	314
Incl. assets held for sale	90	45
<b>Total assets</b>	<b>3,934</b>	<b>3,417</b>

(€ million)	31 Dec. 2010	30 June 2011
<b>Total equity</b>	<b>505</b>	<b>367</b>
<b>Total non-current liabilities</b>	<b>2,038</b>	<b>1,910</b>
Incl. long term debt	1,278	1,216
Incl. retirement benefits obligations	332	312
<b>Total current liabilities</b>	<b>1,391</b>	<b>1,140</b>
Incl. short term debt	47	58
Incl. Trade payables	528	378
Incl. retirement benefits obligations	46	36
Incl. liabilities held for sale	103	28
<b>Total equity &amp; liabilities</b>	<b>3,934</b>	<b>3,417</b>



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