technicolor

PRESS RELEASE

Full-Year 2011 Results: Resilient Adjusted EBITDA Margin and Return to Positive Free Cash Flow

A New Strategic Roadmap: Amplify 2015

H2 2011 and FY 2011 Results Financial Highlights (unaudited)

- FY 2011 Adjusted EBITDA[1] of €475 million: increase in Technology and Entertainment Services, partly offsetting decrease in Digital Delivery.
- FY 2011 Adjusted EBITDA margin nearly stable at 13.8%.
- Strong free cash flow[2] generation, reaching €81 million for FY 2011.

In € million	**Second Half**			**Full Year**		
	2010	**2011**	*Change, reported*	**2010**	**2011**	*Change, reported*
Group revenues from continuing operations	2,075	1,891	*(8.9)%*	3,574	3,450	*(3.5)%*
Change at constant currency (%)		*(7.9)%*			*(1.1)%*	
Adjusted EBITDA from continuing operations	363	308	*(15.1)%*	505	475	*(5.9)%*
As a % of revenues	*17.5%*	*16.3%*	*(1.2)pt*	*14.1%*	*13.8%*	*(0.3)pt*
Group Free cash flow	16	49	*+33*	(100)	81	*+181*
Cash position at 31 December, 2011				332	370	*+38*
Net Debt IFRS at 31 December, 2011				993	957	*(36)*
Net Debt non IFRS at 31 December, 2011				1,191	1,130	*(61)*

FY 2011 Business Highlights

- ***Licensing:*** Highest revenues since 2003 and significant progress in launch of new patent licensing programs.
- ***Innovation:*** Significant progress on M-GO, a new platform to help end-users discover, view and share all forms of media; continued development of metadata-based solutions and deployment of color re-alignment technology in special effects.

[1] EBIT from continuing operations excluding other income (expense), and Depreciation & Amortization (including impact of provisions for risks, litigations and warranties).
[2] Free Cash Flow from both continuing operations and discontinued operations.

- ***Entertainment Services:*** Record year in Digital Production's revenues and in DVD volumes.
- ***Digital Delivery:*** Revenue decline and turnaround action plan launched, as announced in December 2011.

2012 Objectives

- Adjusted EBITDA in the range of €475-500 million reflecting:
    - Continued strength in Technology and Entertainment Services;
    - Return to Adjusted EBITDA breakeven in Connected Home, with positive Adjusted EBITDA in the second half;
    - An increase in operating expenses to support the ramp-up of growth businesses, including M-GO;
    - An uncertain macroeconomic environment.
- Continue to generate positive free cash flow despite higher restructuring expenses and investments in growth businesses.
- Operate within the financial covenants of credit agreements.

Technicolor's Strategic Roadmap: Amplify 2015

Technicolor's mission is to enhance media experience on any screen, in theaters, at home or on the go through innovative technologies and solutions in imaging and sound.

The Amplify 2015 plan will put Technicolor on a new growth path to achieve its strategic ambition: lead innovation in media monetization solutions.

Amplify 2015 is built on three pillars:

1. **Boost our innovation pipeline and expand in licensing:**

   While continuing to file patent applications, leading to about 2,000 patent grants per year in promising technology areas and launching new patent licensing programs, Technicolor will also expand its licensing activities by:

   - Leveraging the growing range of connected devices in patent licensing programs;
   - Broadening our presence in growing markets, such as Extended Home Applications;
   - Entering new geographies, such as China, India and Brazil;
   - Developing new licensing models such as Technology Licensing.

   The combination of new applications and services, new geographies and new licensing models is expected to generate an adjusted EBITDA of at least €40 million in 2015.

2. **Develop innovative solutions to address expanding digital markets:**

   Technicolor will expand its presence in digital media monetization platforms, deriving new revenues from a broad array of media. For example, M-GO is the result of intensive R&D, market testing and investment over the past 3 years. It aims at providing end-users with a seamless experience for media consumption. M-GO will be preloaded as of Q2 2012 on most U.S. connected devices of Samsung and Vizio and on Intel Ultrabooks™.

3. **Consolidate and expand geographically to gain scale or access broader ecosystems:**

   Technicolor will leverage its asset portfolio and seize external growth opportunities to consolidate and expand geographically in Innovation and Licensing, Media Creation and Media Distribution.

   - ***Innovation and Licensing:*** the Group aims to seize opportunities to add complementary patents to its existing portfolio and carry out targeted technology acquisitions.
   - ***Media Creation and Distribution:*** the Group aims to consolidate and expand geographically as well as develop new added value services for its studio customers.
   - ***Packaged Media:*** Technicolor will continue to focus on cash flow generation by expanding its client base, extending its Blu-ray™ capacity, lowering its cost structure and innovating in Supply Chain solutions.
   - ***Connected Home:*** Technicolor will implement the turnaround plan announced in December 2011, deploy its digital home software suite for smart home applications and participate in consolidation to gain scale.

Amplify 2015 Goals[3]

- ***Profit growth:*** Adjusted EBITDA above €600 million (vs. €475 million in 2011).
- ***Free Cash Flow generation:*** over €400 million generated over 2012-2015 which will be used to repay debt.
- ***Significant deleveraging:*** Technicolor's Net debt/Adjusted EBITDA ratio to fall below 1.2x (vs. 2.4x in 2011 based on nominal debt).

[3] At constant scope of activities.

Frederic Rose, Chief Executive Officer of Technicolor, stated:

"I am very pleased with Technicolor's 2011 performance, in particular our return to positive free cash flow. Technicolor is now poised to seize opportunities in an increasingly digitized world. With our Amplify 2015 plan, we have a clear roadmap to achieve our strategic ambition: lead innovation in media monetization solutions. Technicolor is on track to grow profits and generate strong cash flow while significantly deleveraging its balance-sheet."

A meeting hosted by Frederic Rose, CEO and Stéphane Rougeot, CFO and SEVP Strategy will be held on Friday, 24 February, 2012 at 11:00 CET. The meeting will also be available via webcast at:

http://www.technicolor.com/financial-results

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About Technicolor

Technicolor, a worldwide technology leader in the media and entertainment sector, is at the forefront of digital innovation. Our world class research and innovation laboratories enable us to lead the market in delivering advanced video services to content creators and distributors. We also benefit from an extensive intellectual property portfolio focused on imaging and sound technologies, based on a thriving licensing business. Our commitment: supporting the delivery of exciting new experiences for consumers in theaters and homes. Euronext Paris: TCH • www.technicolor.com

Financial Calendar

Q1 2012 Revenues	26 April, 2012
H1 2012 Results	26 July, 2012
Q3 2012 Revenues	26 October, 2012

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Paris (France), 24 February, 2012 – The Board of Directors of Technicolor (Euronext Paris: TCH) met yesterday to review the Group's results for the full year of 2011.

All figures are preliminary and subject to final audit. The audit process is in progress.

Technicolor is presenting, in addition to published results and with the aim of providing a more comparable view of the evolution of its operating performance compared to the second half and the full year of 2010, a set of adjusted indicators which exclude the following items as per the statement of operations of our consolidated financial statements:

- Restructuring charges;
- Net impairment charges;
- Other income and expenses (other non-current items).

These adjustments, the reconciliation of which is detailed on page 22, amounted to an impact on the Group EBIT from continuing operations of €(240) million in the second half of 2011 (€(185) million in the second half of 2010) and €(265) million in the full year of 2011 (€(196) million in the full year of 2010).

Summary of consolidated results for the second half and the full year of 2011 (unaudited)

In € million	**Second Half**			**Full Year**		
	2010	**2011**	*Change, reported*	**2010**	**2011**	*Change, reported*
Group revenues from continuing operations *Change at constant currency (%)*	2,075	1,891 *(7.9)%*	*(8.9)%*	3,574	3,450 *(1.1)%*	*(3.5)%*
Adjusted EBITDA from continuing operations *As a % of revenues*	363 *17.5%*	308 *16.3%*	*(15.1)%* *(1.2)pt*	505 *14.1%*	475 *13.8%*	*(5.9)%* *(0.3)pt*
Adjusted EBIT from continuing operations *As a % of revenues*	200 *9.6%*	195 *10.3%*	*(2.5)%* *+0.7pt*	234 *6.5%*	232 *6.7%*	*(0.6)%* *+0.2pt*
EBIT from continuing operations	15	(45)	*(60)*	38	(33)	*(71)*
Financial result	(96)	(95)	*+1*	116	(187)	*(303)*
Share of profit/(loss) from associates	0	1	*+1*	0	0	*-*
Income tax	16	(70)	*(86)*	2	(83)	*(85)*
Profit/(loss) from continuing operations	(65)	(209)	*(144)*	156	(303)	*(459)*
Loss from discontinued operations Net income	(100) (165)	(3) (212)	*+97* *(47)*	(225) (69)	(21) (324)	*+204* *(255)*
Operating cash flow from continuing operations[4] Group Free cash flow	256 16	199 49	*(57)* *+33*	303 (100)	261 81	*(42)* *+181*
Net financial debt as per financial statements Net financial debt at nominal value (non IFRS)				993 1,191	957 1,130	*(36)* *(61)*

[4] Operating cash flow from continuing operations is defined as Adjusted EBITDA minus net capex and restructuring cash out.

Fourth quarter and second half of 2011 financial highlights

Resilient Technology and Entertainment Services revenues in Q4 and H2 2011

- In the fourth quarter of 2011, Group revenues from continuing operations totaled €1,054 million, down 8.8% at current currency and down 8.3% at constant currency, reflecting an unfavorable comparison against a very strong fourth quarter of 2010.
- In the second half of 2011, Group revenues from continuing operations reached €1,891million, down 8.9% at current currency and down 7.9% at constant currency compared to the second half of 2010.

Decrease in Adjusted EBITDA margin in H2 2011 due to Connected Home business

- In the second half of 2011, Adjusted EBITDA from continuing operations amounted to €308 million, or 16.3% of revenues, a decrease of 1.2 point compared with the second half of 2010, resulting from the decline in Digital Delivery. Technology and Entertainment Services reported Adjusted EBITDA margin increases in the second half of 2011 compared with the second half of 2010.

Net income in H2 2011 impacted by impairments and restructuring charges

- In the second half of 2011, Adjusted EBIT from continuing operations totaled €195 million compared to €200 million in the second half of 2010. Despite this slight decline, Adjusted EBIT margin increased by 0.7 point to 10.3% of revenues, reflecting lower Depreciation & Amortization expenses, in particular for Connected Home business.
- In the second half of 2011, EBIT from continuing operations amounted to €(45) million compared with €15 million in the second half of 2010, principally impacted by higher restructuring charges.
  - The Group recorded goodwill impairment charges for an amount of €147 million (€162 million in the second half of 2010) on the Digital Delivery segment, reflecting a worsening European economic environment, the late rollout of certain new contracts and an increase in development costs.
  - Restructuring charges for the second half of 2011 amounted to €73 million (€26 million in the second half of 2010), largely related to the action plans that Technicolor announced in December 2011. In a tough economic environment, the Group has launched several cost reduction actions conducted in accordance with local law and regulations. These restructuring actions, primarily related to the Connected Home business, European Photochemical Film activities as well as the Group’s transversal functions should lead to a reduction in the global workforce of around 600 employees in 2012. The Group has thus recognized a pre-tax restructuring charge related to these action plans of around €53 million in the second half of 2011.
- In the second half of 2011, the Group’s financial result was €(95) million, including net interest charges of €(75) million (€(96)m and €(98)m respectively in the second half of 2010).
- Net result from continuing operations amounted to €(209) million in the second half of 2011 compared to €(65) million in the second half of 2010.

- Net result from discontinued operations reached €(3) million in the second half of 2011 compared with €(100) million in the second half of 2010, reflecting completion of the disposal of Grass Valley.
- Net result (Group share) was €(212) million in the second half of 2011 compared to €(165) million in the second half of 2010.

Operating cash flow from continuing operations affected by weak performance in Digital Delivery segment in H2 2011

- Operating cash flow from continuing activities was €199 million in the second half of 2011, or 10.5% of revenues, 1.8 point lower compared to the second half of 2010. This decline mainly resulted from the weak performance of Digital Delivery, which significantly affected Adjusted EBITDA, and higher restructuring cash outflow related to the actions announced by the Group.
    - Cash outflow from net capital expenditures totaled €81 million in the second half of 2011, or 4.3% of revenues, stable compared to the second half of 2010, as the Group continued to invest in Blu-ray™ replication lines, further expanded its VFX and animation infrastructure, and capitalized €23 million of development costs.
    - Cash outflow related to restructuring expenses was €28 million in the second half of 2011, about €10 million higher than in the second half of 2010.

Strong free cash flow generation in H2 2011

- Free cash flow from continuing operations[5] totaled €57 million in the second half of 2011 compared to €51 million in the second half of 2010, representing a year-on-year growth of 12%.
    - Free cash flow from continuing operations was affected by a €57 million increase in working capital and other assets and liabilities in the second half of 2011 compared to a €99 million increase in the second half of 2010.
    - Cash financial charges amounted to €62 million in the second half of 2011 compared with €80m in the second half of 2010.
    - Other cash charges, mainly related to tax and pensions, amounted to €23 million in the second half of 2011 compared to €26 million in the second half of 2010.
- Free cash flow from discontinued operations[6] amounted to €(8) million in the second half of 2011 compared with €(35) million in the second half of 2010. This improvement was mainly driven by the disposal of the Grass Valley business.
- Group Free Cash Flow totaled €49 million in the second half of 2011, a more than three-fold increase compared to the second half of 2010, reflecting a good operating cash flow generation, despite lower activity levels, a tight control of working capital requirements and a much lower cash consumption in discontinued activities.

[5] Operating cash flow from continuing operations minus change in working capital and other assets and liabilities, tax, financial, pensions & non current cash out.
[6] Operating cash flow from discontinued operations minus change in working capital and other assets and liabilities, tax, financial, pensions & non current cash out.

Cash position and financial debt

- Gross debt as per consolidated financial statements amounted to €1,327 million on 31 December, 2011, an increase of €2 million compared with 31 December, 2010, reflecting:
  - Debt reimbursement for €49 million (IFRS basis);
  - Increase in debt of €30 million due to the accretion caused by the effective interest rate method;
  - A negative forex impact of €21 million on the Group's debt denominated in US dollar.
- The Group's cash position amounted to €370 million on 31 December, 2011 compared to €332 million on 31 December, 2010. This increase in the Group's cash position resulted from:
  - Strong 2011 Group free cash flow generation of €81 million;
  - Debt reimbursement for €51 million (nominal basis);
  - Other positive impacts for €8 million.
- Net debt as per consolidated financial statements amounted to €957 million on 31 December, 2011 compared with €993 million on 31 December, 2010.
- Net debt at nominal value (non IFRS) amounted to €1,130 million on 31 December, 2011 compared with €1,191 million on 31 December, 2010, a yearly decrease of €61 million.
- In 2011, the Group generated excess cash flow (as defined per the credit agreements: 80% of cash flow generated, adjusted by trapped cash repatriation and other adjustments) in the amount of €25 million which will be used to prepay debt in 2012. The pre-payment is expected to be made in March 2012.

Financial covenants

On 31 December, 2011, the Group met its financial covenants.

Covenant*		**Actual on 31 December, 2011**
Interest cover:	EBITDA/Financial Interests above 3.40x	3.93x
Leverage:	Net debt/EBITDA below 2.55x	1.97x
Capital expenditure:	Net capex below €205 million	€169 million

** For the calculation of covenants, the definition of EBITDA as per the credit agreements is the same as the definition of Adjusted EBITDA detailed in appendix on page 22, except for some perimeter differences.*

Dividend

The Board proposes no dividend for the fiscal year 2011.

Fourth quarter, second half and full-year of 2011 segment review

Summary of Group financial indicators by segment (unaudited)

In € million	Q4 2010	Q4 2011	H2 2010	H2 2011	FY 2010	FY 2011
Group revenues*	**1,155**	**1,054**	**2,075**	**1,891**	**3,574**	**3,450**
Change as reported (%)		*(8.8)%*		*(8.9)%*		*(3.5)%*
Change at constant currency (%)		*(8.3)%*		*(7.9)%*		*(1.1)%*
o/w Technology	136	130	261	237	450	456
Change as reported (%)		*(4.2)%*		*(9.4)%*		*+1.4%*
Change at constant currency (%)		*(5.5)%*		*(14.9)%*		*+2.1%*
o/w Entertainment Services	596	579	1,029	1,021	1,697	1,779
Change as reported (%)		*(2.8)%*		*(0.8)%*		*+4.8%*
Change at constant currency (%)		*(2.1)%*		*+1.4%*		*+8.0%*
o/w Digital Delivery	423	343	783	631	1,423	1,210
Change as reported (%)		*(18.8)%*		*(19.4)%*		*(15.0)%*
Change at constant currency (%)		*(17.9)%*		*(17.8)%*		*(13.1)%*
Adjusted EBITDA*			**363**	**308**	**505**	**475**
Change as reported (%)				*(15.1)%*		*(5.9)%*
As % of revenues			*17.5%*	*16.3%*	*14.1%*	*13.8%*
o/w Technology			*201*	*183*	*327*	*346*
Change as reported (%)				*(9.1)%*		*+5.9%*
As % of revenues			*77.0%*	*77.2%*	*72.7%*	*75.9%*
o/w Entertainment Services			*157*	*165*	*217*	*239*
Change as reported (%)				*+5.2%*		*+10.4%*
As % of revenues			*15.3%*	*16.2%*	*12.8%*	*13.4%*
o/w Digital Delivery			*45*	*(4)*	*55*	*(29)*
Change as reported (%)				*nm*		*nm*
As % of revenues			*5.7%*	*(0.7)%*	*3.9%*	*(2.4)%*
Adjusted EBIT*			**200**	**195**	**234**	**232**
As % of revenues			*9.6%*	*10.3%*	*6.5%*	*6.7%*
o/w Technology			*195*	*180*	*315*	*337*
As % of revenues			*74.5%*	*76.1%*	*70.0%*	*73.9%*
o/w Entertainment Services			*42*	*78*	*35*	*64*
As % of revenues			*4.1%*	*7.6%*	*2.1%*	*3.6%*
o/w Digital Delivery			*5*	*(26)*	*(20)*	*(84)*
As % of revenues			*0.7%*	*(4.2)%*	*(1.4)%*	*(7.0)%*

** Continuing operations.*

Technology

In the fourth quarter of 2011, Technology revenues amounted to €130 million, down 4.2% at current currency and down 5.5% at constant currency compared to the fourth quarter of 2010.

- Licensing revenues decreased by 6.2% at constant currency in the fourth quarter of 2011 compared to a strong fourth quarter of 2010 which had benefited from significant growth in worldwide consumer electronic product shipments. Licensing activities proved resilient despite a decrease in MPEGLA revenue and Technicolor's decision to continue some licensing contract negotiations given its focus on preserving royalty rates. In addition, year-on-year revenue comparability also reflected the sale of the Group's stake in ContentGuard to Pendrell Technologies LLC, completed on 2 November 2011 and generating a capital gain of €6 million.
- In the fourth quarter of 2011, Research & Innovation ("R&I") teams transferred several technologies to the Group's other businesses.
    - R&I transferred an integrated technology for multi-screen support to the Connected Home business. This technology allows redistributing an incoming video/TV stream to portable devices adapting to the screen format and network status, performing, on the fly, adaptive transcoding and content reframing. This technology leverages the next generation set top box and demonstrates Connected Home ability to master multi-screen support in the home.
    - R&I delivered to Media Services activities timeline synchronization technology enabling a second screen application to offer a range of services, directly associated with the content being shown on the consumer's primary screen. This technology is destined for the MediaEcho product, which targets the creation of additional revenue streams in the home for content providers. It will also be deployable in association with the M-GO platform which can be used as the premium second-screen experience, when watching TV.
    - R&I also delivered to Digital Production activities a post-production tool called "Looky" using color look grabbing technology, which solves problems occurring when one initial video is processed in two different workflows and color decisions need to be transferred from one workflow to the other. Before availability of "Looky" tool, the problem was solved by color grading, which is a time consuming process requiring high technical skills. This new tool is automatic, robust, scalable and fast.

In the second half of 2011, Technology revenues totaled €237 million, down 9.4% at current currency and down 14.9% at constant currency compared to the second half of 2010. Adjusted EBITDA margin for the Technology segment increased by 0.2 point year-on-year to 77.2% of revenue, driven by resilient Licensing business, as well as continuing optimization in patent prosecution, filing and annuities costs.

For the full year 2011, Technology revenues reached €456 million, up 1.4% at current currency and up 2.1% at constant currency compared to the full year 2010. Adjusted EBITDA margin for the Technology segment rose by 3.2 points of revenue year-on-year, reflecting a solid performance in Licensing business.

Technology financial indicators

In € million	Q4 2010	Q4 2011	H2 2010	H2 2011	FY 2010	FY 2011
Revenues	136	130	261	237	450	456
Change as reported (%)		*(4.2)%*		*(9.4)%*		*+1.4%*
Change at constant currency (%)		*(5.5)%*		*(14.9)%*		*+2.1%*
o/w Licensing revenues	135	129	260	234	447	451
Change as reported (%)		*(4.9)%*		*(9.9)%*		*+0.8%*
Change at constant currency (%)		*(6.2)%*		*(15.6)%*		*+1.6%*
Adjusted EBITDA			201	183	327	346
Change as reported (%)				*(9.1)%*		*+5.9%*
As % of revenues			*77.0%*	*77.2%*	*72.7%*	*75.9%*
Adjusted EBIT			195	180	315	337
As % of revenues			*74.5%*	*76.1%*	*70.0%*	*73.9%*
EBIT			199	186	315	343
As % of revenues			*76.0%*	*78.3%*	*70.1%*	*75.2%*

Entertainment Services

In the fourth quarter of 2011, Entertainment Services revenues amounted to €579 million, down 2.8% at current currency and down 2.1% at constant currency compared with the fourth quarter of 2010. DVD Services recorded another quarter of resilient revenues, while Digital Production continued to expand at a fast pace. These good performances were offset by a drop in Theatrical Services revenues, reflecting the accelerated transition toward digital.

In the second half of 2011, Entertainment Services revenues totaled €1,021 million, down 0.8% at current currency and up 1.4% at constant currency compared to the second half of 2010. Entertainment Services Adjusted EBITDA was up 5.2% at €165 million, representing an increase in margin of 0.9 point of revenue compared to the second half of 2010.

- Creation Services posted a slight year-on-year decrease in margin, due to ramp up costs of new facilities in Digital Production, notably in the third quarter of 2011.
- Theatrical Services margin was up compared with the second half of 2010, reflecting an improved mix between Photochemical Film and Digital Cinema Distribution activities.
- DVD Services margin improved year-on-year, driven by multiple factors, notably the overall growth in volumes, an increased mix of Blu-Ray™ product and the positive impact of ongoing cost savings initiatives and efficiency improvement programs, partly offset by specific customer price reductions. DVD Services posted solid free cash flow generation in the second half of 2011 largely driven by good control of working capital requirements.

For the full year 2011, Entertainment Services revenues reached €1,779 million, up 4.8% at current currency and up 8.0% at constant currency. Adjusted EBITDA was up 10.4% at €239 million, representing an increase in margin of 0.6 point of revenue compared with the full year 2010.

Entertainment Services financial indicators

In € million	**Q4 2010**	**Q4 2011**	**H2 2010**	**H2 2011**	**FY 2010**	**FY 2011**
Revenues	596	579	1,029	1,021	1,697	1,779
Change as reported (%)		*(2.8)%*		*(0.8)%*		*+4.8%*
Change at constant currency (%)		*(2.1%)*		*+1.4%*		*+8.0%*
Adjusted EBITDA			157	165	217	239
Change as reported (%)				*+5.2%*		*+10.4%*
As % of revenues			*15.3%*	*16.2%*	*12.8%*	*13.4%*
Adjusted EBIT			42	78	35	64
As % of revenues			*4.1%*	*7.6%*	*2.1%*	*3.6%*
EBIT			(49)	32	(62)	2
As % of revenues			*(4.7)%*	*3.1%*	*(3.7)%*	*0.1%*

Creation and Theatrical Services

- **Creation Services**

  Creation Services posted strong revenue growth in the fourth quarter of 2011 compared with the fourth quarter of 2010.

  - Digital Production revenues increased significantly in the fourth quarter of 2011 compared to the fourth quarter of 2010, reflecting growth across all activities, notably in Visual Effects ("VFX") for feature films. The Group primarily benefited from the addition of new capacities at its Vancouver (Canada) facility as well as from expansion of its New York (US) operations, which drove further market share gains in VFX for both feature films and commercials. In the fourth quarter of 2011, VFX teams completed work on *Sherlock Holmes: A Game of Shadows*, while continuing work on *Wrath of the Titans* and *Prometheus*. New VFX projects started in the quarter included *Jack The Giant Killer* and *Dark Shadows*. In Animation, the Group benefited from continued work on Nickelodeon's TV series and also expanded its portfolio of Games customers in the quarter.
  - Postproduction revenues remained broadly stable in the fourth quarter of 2011 compared to the fourth quarter of 2010. The Group benefited from growth in US operations, driven notably by the integration of Laser Pacific, partially offset by overall weakness in Canadian activities, due to a fewer number of productions year-on-year. Revenues from European operations were unchanged compared to the same period of 2010.

- **Theatrical Services**

  Revenues from Theatrical Services decreased strongly in the fourth quarter of 2011 compared with the fourth quarter of 2010.

  - Digital Cinema Distribution activities posted another quarter of strong year-on-year revenue growth in the fourth quarter of 2011, driven by the continued conversion of theaters to digital cinema both in North America and in Europe. At the end of December 2011, digital screen penetration reached 63% in North America and 52% in Europe, as compared with conversion rates of 55% and 45% respectively at the end of September 2011.
  - Photochemical Film footage dropped by 40% in the fourth quarter of 2011 compared to the fourth quarter of 2010, which has led the Group to announce the implementation of its European Photochemical Film activities optimization through a subcontracting agreement with Deluxe, which will allow Technicolor to close its European laboratories.

DVD Services

In the fourth quarter of 2011, combined SD-DVD and Blu-ray™ volumes increased by 1% compared to the fourth quarter of 2010, which already included the Warner Bros. contract as it started in August 2010. Normalizing prior quarters for the impact of this new business, Technicolor's fourth quarter of 2011 represented the fifth consecutive quarter of year-on-year volume growth, demonstrating the ongoing resiliency of DVD Services business. A total of 1.5 billion units of DVDs were replicated in 2011, up 22% compared with 2010, the highest level ever recorded by the Group.

This growth was driven by a variety of factors, including continued expansion of the Blu-ray™ disc format, as well as market share gains in the Games segment. Volumes also benefited from a number of major new release titles across all major studio customers, including Walt Disney's *The Help*, Paramount's *Kung Fu Panda 2*, Universal Pictures' *Cowboys and Aliens*, and Warner Bros' *Harry Potter and the Deathly Hallows Part 2*.

DVD volumes

In million units	Q4 2010	Q4 2011	H2 2010	H2 2011	FY 2010	FY 2011
Total DVD volumes	**524**	**529**	**866**	**947**	**1,263**	**1,540**
Change (%)		*+1%*		*+9%*		*+22%*
o/w SD-DVD (Standard Definition)	441	423	733	772	1,073	1,270
Change (%)		*(4)%*		*+5%*		*+18%*
o/w Blu-ray™	47	57	73	101	94	152
Change (%)		*+22%*		*+38%*		*+62%*
o/w Games/Software and Kiosk	36	48	60	74	96	118
Change (%)		*+35%*		*+23%*		*+23%*

PRN

PRN experienced a year-on-year decline in revenues in the fourth quarter of 2011, which translated into a slight contraction in revenues in the second half of 2011 compared to the same period of 2010.

Digital Delivery

In the fourth quarter of 2011, Digital Delivery revenues amounted to €343 million, down 18.8% at current currency and down 17.9% at constant currency compared to the fourth quarter of 2010, reflecting a drop in Connected Home revenues, due to weaker shipments of Connected Home Products and a less favorable geographic and product mix, as well as a decline in Media Services revenues.

In the second half of 2011, Adjusted EBITDA for the Digital Delivery segment was €(4) million, mainly due to Connected Home business, whose Adjusted EBITDA amounted to €(17) million, while Digital Content Delivery Services Adjusted EBITDA recorded a slight improvement. Overall, Digital Delivery recorded an improvement compared to the first half of 2011, which had been particularly affected by the drop in Adjusted EBITDA margin of Connected Home business.

In the full year of 2011, Digital Delivery Adjusted EBITDA reached €(29) million, of which €(43) million for Connected Home business.

Digital Delivery financial indicators

In € million	Q4 2010	Q4 2011	H2 2010	H2 2011	FY 2010	FY 2011
Revenues	423	343	783	631	1,423	1,210
Change as reported (%)		*(18.8)%*		*(19.4)%*		*(15.0)%*
Change at constant currency (%)		*(17.9)%*		*(17.8)%*		*(13.1)%*
Adjusted EBITDA			45	(4)	55	(29)
Change as reported (%)				*nm*		*nm*
As % of revenues			*5.7%*	*(0.7)%*	*3.9%*	*(2.4)%*
Adjusted EBIT			5	(26)	(20)	(84)
As % of revenues			*0.7%*	*(4.2)%*	*(1.4)%*	*(7.0)%*
EBIT			(91)	(214)	(118)	(282)
As % of revenues			*(11.7)%*	*(33.9)%*	*(8.3)%*	*(23.3)%*

Connected Home

In the fourth quarter of 2011, Connected Home revenues decreased significantly compared to the fourth quarter of 2010, as a result of a combination of several factors, including principally weaker shipments of Connected Home Products, a less favorable geographic and product mix, as well as continued slowdown in customer demand in Europe due to a still difficult economic environment.

- In **Satellite**, the significant growth in set top box volumes in the fourth quarter of 2011 reflected a very strong customer demand across Latin America, particularly in Brazil, partly offset by lower shipments to North American customers from a strong fourth quarter of 2010, as well as a slowdown in customer spending in Europe. Overall Satellite product mix was less favorable year-on-year, due to a greater contribution of Latin America in Satellite volumes, as well as lower shipments of higher-end HD PVR products, reflecting notably hard disk drive supply constraints associated with flooding in Thailand.
- In **Cable**, set top box volumes were primarily affected in the fourth quarter of 2011 by an unfavorable comparison against a strong fourth quarter of 2010, which had benefited from very large deliveries of digital-to-analog adapters to key North American customers. This negative impact was partially offset by continued strong customer demand across Latin America, notably for Cable broadband gateways. Overall Cable product mix improved materially compared with the same period of 2010.
- In **Telecom**, the sharp volume decrease in the fourth quarter of 2011 principally reflected a continued slowdown in spending from European customers in a still difficult economic environment, with market demand remaining more oriented towards lower-end products. Year-over-year comparability was also affected by the phase out of two products in the second half of 2010. Overall Telecom product mix was less favorable year-on-year, due to weaker shipments of higher-end broadband gateways.

Connected Home Product volumes

In million units	Q4 2010	Q4 2011	H2 2010	H2 2011	FY 2010	FY 2011
Total Connected Home Products	**7.6**	**6.4**	**14.1**	**11.4**	**24.9**	**23.2**
Change (%)		*(16)%*		*(19)%*		*(7)%*
o/w Satellite	2.6	3.0	4.7	5.2	8.2	9.5
Change (%)		*+18%*		*+11%*		*+16%*
o/w Cable	2.3	1.7	4.4	3.2	7.2	7.0
Change (%)		*(26)%*		*(28)%*		*(3)%*
o/w Telecom	2.7	1.6	5.0	3.0	9.5	6.7
Change (%)		*(39)%*		*(39)%*		*(29)%*

Digital Content Delivery Services

In the fourth quarter of 2011, Digital Content Delivery Services revenues decreased compared to a strong fourth quarter of 2010, which had benefited from a significant rebound in Media Services activities.

- Media Services revenues decreased in the fourth quarter of 2011 compared with the fourth quarter of 2010, mainly reflecting a decline in traditional Tape Duplication Services, especially in North America, due to continued market shift toward digital workflows. This negative impact was partially offset by improving revenue mix across European operations, as well as by additional customers for Digital Services, which started generating more material revenues in the fourth quarter of 2011, both in Europe and in North America.
- Broadcast Services revenues were flat year-on-year in the fourth quarter of 2011 in a context of tough market conditions, as the launch of new services in France and in the Netherlands helped to offset a slight decline in revenues in the UK.

Other continuing operations

Adjusted EBITDA for the "Other" segment amounted to €(36) million in the second half of 2011 compared with €(40) million in the second half of 2010, mostly reflecting cost-saving actions.

Adjusted EBITDA for the "Other" segment amounted to €(81) million in the full year of 2011 compared to €(94) million in the full year of 2010.

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Warning: Forward Looking Statements

This press release 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. »

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CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

(€ in millions)	Year ended December 31, 2011	Year ended December 31, 2010
Continuing operations		
Revenues	3,450	3,574
Cost of sales	(2,714)	(2,795)
Gross margin	**736**	**779**
Selling and administrative expenses	(376)	(397)
Research and development expenses	(128)	(148)
Restructuring costs	(83)	(41)
Net impairment losses on non-current operating assets	(188)	(183)
Other income (expense)	6	28
Profit (loss) from continuing operations before tax and net finance income (expense)	**(33)**	**38**
Interest income	5	6
Interest expense	(154)	(145)
Gain on Technicolor's debt restructuring on May 26, 2010	-	381
Other financial income (expense)	(38)	(126)
Net finance income (expense)	**(187)**	**116**
Income tax	(83)	2
Profit (loss) from continuing operations	**(303)**	**156**
Discontinued operations		
Net loss from discontinued operations	(21)	(225)
Net income (loss)	**(324)**	**(69)**
Attributable to:		
- Equity Holders	(323)	(69)
- Non-controlling interests	(1)	-

(in euro, except number of shares)	Year ended December 31, 2011	Year ended December 31, 2010
Weighted average number of shares outstanding (basic net of treasury stock)	206,857,493	104,817,755
Earnings (loss) per share from continuing operations		
- basic	(1.5)	1.3
- diluted	(1.3)	1.0
Earnings (loss) per share from discontinued operations		
- basic	(0.1)	(2.1)
- diluted	(0.1)	(1.5)
Total earnings (loss) per share		
- basic	(1.6)	(0.8)
- diluted	(1.4)	(0.5)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (UNAUDITED)

(€ in millions)	December 31, 2011	December 31, 2010
ASSETS		
Non-current assets		
Property, plant and equipment	401	430
Goodwill	481	644
Other intangible assets	459	512
Investments in associates	14	12
Investments and available-for-sale financial assets	7	4
Derivative financial instruments	1	6
Contract advances and up-front prepaid discount	49	73
Deferred tax assets	394	488
Income tax receivable	20	48
Other non-current assets	67	63
Cash collateral and security deposits	14	19
Total non-current assets	**1,907**	**2,299**
Current assets:		
Inventories	118	153
Trade accounts and notes receivable	585	666
Current accounts with associates and joint ventures	-	4
Income tax receivable	13	17
Other current assets	325	318
Cash collateral and security deposits	35	55
Cash and cash equivalents	370	332
Assets classified as held for sale	66	90
Total current assets	**1,512**	**1,635**
Total assets	**3,419**	**3,934**

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (UNAUDITED)

(€ in millions)	December 31, 2011	December 31, 2010
EQUITY AND LIABILITIES		
Shareholders' equity:		
Common stock *(223,759,083 shares at December 31, 2011 with nominal value of €1 per share)*	224	175
Treasury shares	(156)	(156)
Additional paid-in capital	857	641
Subordinated perpetual notes	500	500
Notes redeemable in shares	13	278
Other reserves	60	87
Retained earnings (accumulated deficit)	(1,122)	(791)
Cumulative translation adjustment	(225)	(231)
Shareholders' equity	**151**	**503**
Non-controlling interests	4	2
Total equity	**155**	**505**
Non-current liabilities:		
Borrowings	1,242	1,278
Retirement benefits obligations	349	332
Restructuring provisions	2	7
Other provisions	83	97
Deferred tax liabilities	167	193
Other non-current liabilities	97	131
Total non-current liabilities	**1,940**	**2,038**
Current liabilities :		
Borrowings	85	47
Derivative financial instruments	1	-
Retirement benefits obligations	37	46
Restructuring provisions	79	49
Other provisions	58	69
Trade accounts and notes payable	499	528
Accrued employee expenses	138	158
Income tax payable	14	17
Other current liabilities	361	374
Liabilities classified as held for sale	52	103
Total current liabilities	**1,324**	**1,391**
Total liabilities	**3,264**	**3,429**
Total equity and liabilities	**3,419**	**3,934**

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

(€ in millions)	Year ended December 31	
	2011	2010
Net income (loss)	**(324)**	**(69)**
Loss from discontinued operations	**(21)**	**(225)**
Profit (loss) from continuing operations	**(303)**	**156**
Summary adjustments to reconcile profit from continuing operations to cash generated from continuing operations		
Depreciation and Amortization	261	284
Impairment of assets	191	184
Net changes in provisions	1	(22)
Loss on asset sales	(8)	(31)
Interest (Income) and Expense	149	139
Gain on Technicolor's debt restructuring on May 26, 2010	-	(381)
Other non cash items (including tax)	80	39
Changes in working capital and other assets and liabilities	20	(93)
Cash generated from continuing operations	**391**	**275**
Interest paid	(124)	(138)
Interest received	5	4
Income tax paid	(7)	(21)
Net operating cash generated from continuing activities	**265**	**120**
Net operating cash used in discontinued operations	(19)	(55)
Net cash from operating activities (I)	**246**	**65**
Acquisition of subsidiaries, associates and investments, net of cash acquired	(12)	(4)
Net cash impact from sale of investments	14	37
Purchases of property, plant and equipment (PPE)	(106)	(135)
Proceeds from sale of PPE and intangible assets	5	11
Purchases of intangible assets including capitalization of development costs	(64)	(41)
Cash collateral and security deposits granted to third parties	(7)	(7)
Cash collateral and security deposits reimbursed by third parties	31	41
Loans (granted to) / reimbursed by third parties	1	(1)
Net investing cash used in continuing activities	**(138)**	**(99)**
Net investing cash generated used in discontinued operations	(20)	(5)
Net cash used in investing activities (II)	**(158)**	**(104)**
Increase in capital	-	203
Changes in ownership interests with no gain / loss of control, net of transaction fees	3	-
Proceeds from borrowings	4	4
Repayments of borrowings	(55)	(338)
Fees paid linked to the debt and capital restructuring	(9)	(51)
Payment of the interests claims of TSS holders	-	(25)
Net financing cash generated used in continuing activities	**(57)**	**(207)**
Net financing cash used in discontinued operations	-	(2)
Net cash used in financing activities (III)	**(57)**	**(209)**
Net (decrease) / increase in cash and cash equivalents (I+II+III)	**31**	**(248)**
Cash and cash equivalents at beginning of year	**332**	**569**
Exchange gains on cash and cash equivalents	7	11
Cash and cash equivalents at end of year	**370**	**332**

Reconciliation of adjusted indicators

Technicolor is presenting, in addition to published results and with the aim to provide a more comparable view of the evolution of its operating performance compared to the second half and the full year of 2010, a set of adjusted indicators which exclude the following items as per the statement of operations of our consolidated financial statements:

- Restructuring charges;
- Net impairment charges;
- Other income and expenses (other non-current items).

These adjustments, the reconciliation of which is detailed in the following table, amounted to an impact on the Group EBIT from continuing operations of €(240) million in the second half of 2011 (€(185) million in the second half of 2010) and €(265) million in the full year of 2011 (€(196) million in the full year of 2010).

In € million	**H2 10**	**H2 11**	***Change***	**FY 10**	**FY 11**	***Change***
EBIT from continuing operations	**15**	**(45)**	***(60)***	**38**	**(33)**	***(71)***
Restructuring charges, net	(27)	(73)	*(46)*	(41)	(83)	*(42)*
Net impairment losses on non-current operating assets	(183)	(175)	*8*	(183)	(188)	*(5)*
Other income / (expense)	25	8	*(17)*	28	6	*(22)*
Adjusted EBIT from continuing operations	**200**	**195**	***(5)***	**234**	**232**	***(2)***
As a % of revenues	*9.6%*	*10.3%*	*+0.7pt*	*6.5%*	*6.7%*	*+0.2pt*
Depreciation and amortization (D&A)*	163	113	*(50)*	271	243	*(28)*
Adjusted EBITDA from continuing operations	**363**	**308**	***(55)***	**505**	**475**	***(30)***
As a % of revenues	*17.5%*	*16.3%*	*(1.2)pt*	*14.1%*	*13.8%*	*(0.3)pt*

**Including impact of provisions for risks, litigations and warranties.*