

First quarter 2012 revenues: Solid revenue performance across activities

Paris (France), 26 April 2012 – The Board of Directors of Technicolor (Euronext Paris: TCH) met yesterday to review the Group’s revenues for the first quarter of 2012.

Q1 2012 revenues highlights

Group revenues from continuing operations amounted to €800 million compared to a strong first quarter of 2011 at €812 million.

- **Technology:** continued strength in Licensing revenues.
- **Entertainment Services:** resilient revenue performance almost entirely compensating the rapid decline in photochemical film activities.
- **Digital Delivery:** stabilization at Connected Home level as the division recorded stable revenues year-on-year.

Revenues of the first quarter of 2012 (ending 31 March)

In € million	Q1 2011	Q1 2012	Change, reported (%)
Technology <i>Change at constant currency (%)</i>	130	121 <i>(8.7)%</i>	<i>(6.4)%</i>
Entertainment Services ¹ <i>Change at constant currency (%)</i>	405	395 <i>(5.6)%</i>	<i>(2.3)%</i>
Digital Delivery <i>Change at constant currency (%)</i>	277	284 <i>+0.3%</i>	<i>+2.4%</i>
Of which Connected Home <i>Change at constant currency (%)</i>	238	242 <i>(0.8)%</i>	<i>+1.5%</i>
Total revenues from continuing operations <i>Change at constant currency (%)</i>	812	800 <i>(4.2)%</i>	<i>(1.5)%</i>

¹ Media Services activity, formerly reported in Digital Delivery segment, is now included in Creation Services business within Entertainment Services segment. Media Services revenues amounted to €15 million in the first quarter of 2012, stable compared with the first quarter of 2011.



Q1 2012 highlights

- Entertainment Services started new services to the Studios, in particular with the opening of Sound facilities both in Los Angeles and in France.
- Connected Home won new customers awards in Latin America and Asia-Pacific, strengthening its position in fast growing markets, while maintaining its focus on improving its overall top line with the introduction of new services and new products. The action plan announced at the end of December 2011 has already started to generate some improvements. Technicolor confirms its objective of returning Connected Home to Adjusted EBITDA² breakeven in 2012.
- Innovation: Technicolor has launched new research orientations to align technology innovation with its Amplify 2015 strategic roadmap.
- Technicolor signed a binding agreement to sell its Broadcast Services activity to Ericsson.

Update on financial situation: continued focus on improving financial structure

- Estimated gross debt at the end of the first quarter of 2012 decreased both in nominal value and on an IFRS basis compared to year-end 2011, reflecting €47 million of debt repayments split between mandatory prepayments and excess cash flow allocation. As net cash has decreased as expected in the first quarter, net debt was up compared with the end of December 2011.
- Technicolor has signed an amendment to improve terms and conditions of the \$125 million Wells Fargo credit facility. The new amendment includes an extension of the credit line from April 2013 to April 2016, a change in the calculation of the borrowing base improving funding availability and a reduction of ongoing costs.

Confirmation of 2012 objectives

Based on a resilient first quarter performance, Technicolor confirms its 2012 objectives:

- Adjusted EBITDA in the range of €475-500 million;
- Continue to generate positive free cash flow³ despite higher restructuring expenses and investments in growth businesses;
- Operate within the financial covenants of credit agreements.

Frederic Rose, Chief Executive Officer of Technicolor, stated: *“Technicolor delivered a solid sales performance in the first quarter of 2012. I am particularly encouraged by the commercial and operational progress of Connected Home, as well as the sustained level of our Licensing revenues. This performance makes me confident that we are well on track to delivering on our 2012 objectives of Adjusted EBITDA of €475-500 million and continued generation of positive free cash flow.”*

² EBIT from continuing operations excluding other income (expense), and Depreciation & Amortization (including impact of provisions for risks, litigations and warranties).

³ Free Cash Flow from both continuing operations and discontinued operations.



An analyst conference call hosted by Frederic Rose, CEO and Stéphane Rougeot, CFO and SEVP Strategy will be held on Thursday, 26 April 2012 at 4:00 pm CET.

Financial Calendar

2011 AGM	20 June 2012
H1 2012 Results	26 July 2012
Q3 2012 Revenues	26 October 2012

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.

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, homes and on-the-go. Euronext Paris: TCH • www.technicolor.com

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First quarter 2012 segment review

Technology

In € million	Q1 2010	Q1 2011	Q1 2012
Revenues	93	130	121
<i>Change as reported (%)</i>		+38.9%	(6.4)%
<i>Change at constant currency (%)</i>		+47.9%	(8.7)%
Of which Licensing revenues	93	129	121
<i>Change as reported (%)</i>		+38.4%	(6.2)%
<i>Change at constant currency (%)</i>		+47.4%	(8.5)%

In the first quarter of 2012, Technology revenues amounted to €121 million, down 6.4% at current currency and down 8.7% at constant currency compared to the first quarter of 2011.

- Licensing revenues were down 8.5% at constant currency compared to a very strong first quarter of 2011 (up 47.4% compared to Q1 2010), which had benefited from significant growth in worldwide consumer electronic product shipments and significant contribution of MPEGLA revenues. In the first quarter of 2012, Licensing business recorded a strong performance. Negotiations of new contracts and contract renewals continued in all its Licensing programs. Licensing revenues also reflected the positive contribution of the first signed contract for the optical media storage device (OMSD) program. In addition, the division crossed another milestone in the first quarter of 2012 by expanding its trademark program in two new countries (Brazil, Russia) and in new product categories (lighting, home automation).
- In the context of Amplify 2015 and anticipating technology and market evolutions, Research and Innovation has implemented a new strategic project portfolio to create opportunities for delivering differentiating technology assets drawing on fundamental research. The focus remains anchored on technologies that can lead to high-value intellectual property and distinctive transfers to the Group's businesses, reinforcing competitive advantages in their products and services, whilst maintaining a high level of scientific excellence. The new research orientations are centered on making the user experience incomparably more immersive and secure than current practices, and aim at the following:
 - Put the consumers at the centre of the media experience by simplifying their digital life, securing and personalizing their data, delivering and rendering personalized and interactive content;
 - Provide dynamically targeted content for all stakeholders by allowing creators to target content to markets, distributors to personalize and adapt recommendations and advertisers to optimize monetization opportunities;
 - Empower creativity and systematize production by narrowing the gap between the set and postproduction, providing greater digital workflow flexibility and maintaining creative fidelity from scene to screen;



- Deploy online collaborative capabilities in content creation by maximizing access to talent diversity, leveraging high added-value content enrichment services and ensuring quality and consistency of content.

Entertainment Services

In € million	Q1 2010	Q1 2011	Q1 2012
Revenues	339	405	395
Change as reported (%)		+19.5%	(2.3)%
Change at constant currency (%)		+19.5%	(5.6)%

In the first quarter of 2012, Entertainment Services revenues amounted to €395 million, down 2.3% at current currency and down 5.6% at constant currency compared to the first quarter of 2011.

- Creation Services recorded another quarter of growth in the first quarter of 2012. This good performance reflected continued strong growth in Digital Production and further improvement in Postproduction, confirming the leadership of Technicolor in media monetization solutions for content creators.
 - Digital Production revenues recorded double-digit growth in the first quarter of 2012, driven by sustained activity in Visual Effects (“VFX”) for feature films and commercials and in animation, as well as by the addition of new capacities, in particular in Vancouver and New York. VFX teams notably completed work on *Wrath of the Titans* and *Dark Shadows*, while continuing work on - among others- *Prometheus* and *Superman*. In Animation, dedicated teams completed work for major games customers and started working on a new DVD project with Mattel.
 - Postproduction activities recorded further improvement, reflecting the positive impact of the launch of operations in France, Laser Pacific acquisition and higher revenues in Sound activities with the opening of the Paramount lot sound facility, which have fully offset the deconsolidation of New York activities and difficult market conditions in Canada. During the first quarter of 2012, Technicolor provided a large range of services for several movies, including *Wrath of the Titans*, *American Union*, *Mirror Mirror* and *Hunger Games*.
 - Media Services activity is now integrated into the Creation Services business to offer integrated digital workflow and stronger project management between postproduction and content delivery. Media Services revenues were flat year-on-year as the growth in Digital Services revenues, driven by market share gains with major VOD and OTT players as well as by the roll out of the Group’s media management platform, MediAffinity™, now fully offsets the impact of the continued decline in traditional Tape Duplication Services.
- Theatrical Services performance reflected the finalization of the shift to digital. Digital screens are expected to represent 95% or more of total screens in France and in the UK by the end of 2012, and 84% in North America. Photochemical film activities recorded another quarter of sharp drop in revenues, as a result of a 40% decrease in photochemical footage compared to the first quarter of 2011. They now represent only 5% of total Group’s revenues. This trend benefited Digital Cinema Distribution activities, which recorded double-digit growth in the first quarter of 2012.



- Combined DVD and Blu-ray™ volumes decreased by 9% in the first quarter of 2012, primarily due to a weaker slate of new release titles compared to an unusually strong first quarter of 2011 that included multiple blockbuster titles such as *Harry Potter and the Deathly Hollows: Part 1*, *Tangled*, *Tron*, and *Megamind*. North America demonstrated ongoing resiliency as volumes were stable year-on-year, despite the weaker slate of releases. The decline was due solely to the European market, which faced a particularly challenging comparison to the first quarter of 2011, which, in addition to the strong title slate, also included a large number of territory specific multi-disc sets and back catalog promotions. Despite ongoing growth in Blu-ray™ consumer adoption and title availability, Q1 2012 volumes were slightly down, due to the aforementioned weaker new release slate across key Studio customers. Games volumes grew by a strong 13% in the first quarter of 2012 compared with the first quarter of 2011.

DVD Volumes

In million units	Q1 2010	Q1 2011	Q1 2012
Total DVD volumes	216	326	297
<i>Change (%)</i>		+51%	(9)%
o/w SD DVD (Standard Definition DVD)	192	275	248
<i>Change (%)</i>		+44%	(10)%
o/w BD (Blu-ray™)	7	28	27
<i>Change (%)</i>		+311%	(4)%
o/w Games/Software and Kiosk	18	23	22
<i>Change (%)</i>		+31%	(8)%



Digital Delivery

In € million	Q1 2010	Q1 2011	Q1 2012
Revenues	271	277	284
<i>Change, as reported (%)</i>		+2.3%	+2.4%
<i>Change at constant currency (%)</i>		+1.3%	+0.3%
Of which Connected Home	229	238	242
<i>Change, as reported (%)</i>		+3.9%	+1.5%
<i>Change at constant currency (%)</i>		+2.8%	(0.8)%

Following the disposal of the Broadcast Services activity currently underway, the Group decided to reorganize its Digital Delivery operating segments and transferred the Media Services activity, formerly reported as part of Digital Delivery segment, to the Creation Services business within the Entertainment Services segment. The Digital Delivery segment now includes Connected Home business, which accounted for 85% of its total revenues in the first quarter of 2012, and Broadcast Services activity, which will be deconsolidated upon completion of the transaction expected mid-2012.

In the first quarter of 2012, Digital Delivery revenues amounted to €284 million, up 2.4% at current currency and up 0.3% at constant currency compared with the first quarter of 2011.

- In the first quarter of 2012, Connected Home revenues remained stable compared with the first quarter of 2011, as a result of a combination of several factors, including principally continued strength in customer demand in Latin America, particularly in Brazil, a less favorable product mix in North America, due to Hard Disc Drive supply constraints associated with last year's flooding in Thailand, as well as continued softness in European operations.
 - In **North America**, Connected Home product volumes increased substantially in the quarter, driven by robust growth in deliveries to key Cable and Satellite customers. Overall product mix was however less favorable year-on-year, due in particular to strong shipments of lower-end digital-to-analog adaptors in Cable, combined with weaker HD PVR volumes in Satellite, which were affected by HDD supply shortage. The Group remains confident in its ability to deliver stable revenue year-on-year in North America on a full year basis.
 - In **Latin America**, demand remained strong in the quarter, as reflected by sharply higher shipments of Connected Home products, which benefited from large deliveries to Satellite customers, particularly in Brazil. Overall product mix also improved year-on-year, driven by stronger shipments of higher-end devices such as Telecom broadband gateways, as well as new HD product launches in Cable, partly offset by HDD supply issues in Satellite. Technicolor expects strong revenue growth over the course of the year as LATAM markets remain buoyant.
 - In **Europe, Middle-East and Africa**, Connected Home performance continued to be affected by soft customer spending in a difficult economic environment. Volumes declined in the quarter, while overall product mix weakened year-on-year, due principally to the phase-out of some Satellite and Telecom products, and despite larger deliveries of HD PVRs in Cable. The Group now expects market conditions for its European operations to improve progressively throughout 2012.



- In **Asia-Pacific**, Connected Home product volumes were lower in the quarter, as strength in deliveries to both Satellite and Cable customers was not enough to offset lower shipments of Telecom devices, due notably to a product transition. Overall mix was also less favorable year-on-year, but primarily as a result of softer volumes of Telecom tablets. The Group remains confident that revenues will grow strongly in Asia-Pacific for the remainder of 2012.
- In the first quarter of 2012, the **turnaround plan of Connected Home** started to generate some improvements. Fixed costs at Manaus, which represent 10% of the facility costs, have been reduced by 8%, and the Group has confirmed that a solution for its Angers plant will be achieved by the summer. The Group remains focused on non quality costs, which were flat compared to the first quarter of 2011, but should decrease over the course of the year. The streamlining of global functions is well on track, while the division has been implementing a new organization in R&D functions, with the transfer of R&D capabilities from contractors in the US and Europe to China and India.

Connected Home Product Volumes by Region

In million units	Q1 2011	Q1 2012
Total Connected Home Product Volumes*	5.9	6.3
<i>Change (%)</i>		+8%
o/w NAM	1.8	2.0
<i>Change (%)</i>		+9%
o/w LATAM	2.1	2.5
<i>Change (%)</i>		+21%
o/w EMEA	1.4	1.3
<i>Change (%)</i>		(5)%
o/w APAC	0.6	0.5
<i>Change (%)</i>		(12)%

* Including tablets and other connected devices

APPENDIX

Following the disposal of the Broadcast Services activity currently underway, the Group decided to reorganize its Digital Delivery operating segments and transferred the Media Services activity, formerly reported as part of Digital Delivery segment, to the Creation Services business within the Entertainment Services segment.

The following table provides pro forma information on quarterly revenues per segment for 2011 and the first quarter of 2012.

In € million	Q1 11	Q2 11	H1 11	Q3 11	Q4 11	H2 11	FY 11	Q1 12
Technology	130	89	219	107	130	237	456	121
Entertainment Services	405	379	784	454	594	1,048	1,832	395
Digital Delivery	277	277	554	275	329	604	1,157	284
<i>Of which Connected Home</i>	238	234	473	233	283	517	989	242
Other	1	2	3	1	1	2	5	0
Total revenues from continuing operations	812	747	1,559	837	1,054	1,891	3,450	800