

Third quarter 2013 revenues from continuing operations: +1.2% at constant currency, +3.9% excluding legacy activities

- Solid Licensing revenues, profitable growth and market share gains in Connected Home and Entertainment Services
- Technicolor reconfirms its 2013 objectives

In € million	Q3 2012	Q3 2013	Change, reported	9M 2012	9M 2013	Change, reported
Group revenues from continuing operations¹	922	881	(4.4)%	2,488	2,470	(0.7)%
<i>Change at constant rate (%)</i>		+1.2%			+2.4%	
<i>Change at constant rate excluding legacy² (%)</i>		+3.9%			+5.5%	
<i>o/w</i> Technology	128	123	(4.5)%	364	349	(4.2)%
<i>Change at constant rate (%)</i>		(3.9)%			(3.5)%	
Entertainment Services	449	398	(11.2)%	1,206	1,130	(6.2)%
<i>Change at constant rate (%)</i>		(6.1)%			(3.9)%	
<i>Change at constant rate excl. legacy (%)</i>		(1.0)%			+2.2%	
Connected Home	345	361	+4.4%	918	990	+7.9%
<i>Change at constant rate (%)</i>		+12.6%			+12.9%	

Frederic Rose, Chief Executive Officer of Technicolor, stated:

“This quarter puts us well on track to deliver our 2013 EBITDA, free cash flow and net debt objectives. As we continue to deliver solid operational results, we remain focused on strengthening our core competencies and seeking out new opportunities in next generation video and audio technologies. In parallel, our Connected Home and Entertainment Services activities continued to generate profitable growth and gain market share, while our Licensing activities delivered another robust performance.”

¹ Excluding the Broadcast Services and the SmartVision (television-over-IP) businesses, sold in 2012, and the Cirpack softswitch operations (voice-over-IP), sold in 2013. Those activities contributed €6 million to revenues in the third quarter of 2012 (no contribution in the third quarter of 2013). On a reported basis, including disposals, revenues were down 5.1% at current currency and up 0.5% at constant currency year-over-year.

² Legacy activities include mainly photochemical film and compression & authoring activities.



Q3 2013 revenue highlights

- **Technology:** another quarter of revenues well above €100 million, highlighting the strength of the Licensing division.
- **Entertainment Services:** sustained performance in Digital Creative Services, particularly in VFX, with strong double-digit growth, offset by slightly lower DVD Services revenues.
- **Connected Home:** sixth straight quarter of double-digit year-on-year growth, driven by very strong volume growth and improved product mix in North America, and double-digit revenue growth in EMEA.

Financial structure update

- Senior gross debt at the end of September 2013 amounted to €1,083 million at nominal value, a decrease of €100 million compared to the end of June 2013, reflecting €67 million of debt repayment as part of the refinancing, €10 million of normal senior debt repayment and a positive currency impact of €23 million, as a result of the depreciation of the US dollar versus the euro. The Group's cash position declined due to the cash-out related to the refinancing.

2013 objectives confirmed

- Growth of adjusted EBITDA between 5% to 10% compared to FY 2012 adjusted EBITDA at constant scope³ (€498 million).
- Strong growth in Free Cash Flow, above 30%, before one-off payments for legacy litigation (in particular the EU antitrust fine for €38.6 million).
- Net debt (at nominal value) to adjusted EBITDA ratio below 1.6x at the end of December 2013.

³ Adjusted EBITDA at constant scope excluding the Broadcast Services and the SmartVision (television-over-IP) businesses, sold in 2012, and the Cirpack softswitch operations (voice-over-IP), sold in 2013.



An analyst conference call hosted by Frederic Rose, CEO and Stéphane Rougeot, CFO and SEVP Strategy will be held on Friday, 25 October 2013 at 4:00pm CEST.

Financial Calendar

FY 2013 Results	20 February 2014
Q1 2014 Revenues	25 April 2014

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 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.

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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Review by segment for the third quarter of 2013

Technology

In € million	Q3 2012	Q3 2013	9M 2012	9M 2013
Revenues	128	123	364	349
<i>Change as reported (%)</i>		(4.5)%		(4.2)%
<i>Change at constant currency (%)</i>		(3.9)%		(3.5)%
<u>o/w</u> Licensing revenues	128	122	362	348
<i>Change as reported (%)</i>		(4.5)%		(4.0)%
<i>Change at constant currency (%)</i>		(3.9)%		(3.3)%

In the third quarter of 2013, Technology revenues amounted to €123 million, down 3.9% at constant currency compared to a very strong third quarter of 2012 (when revenues were up 27% at constant currency compared to prior year, driven by contract renewals and the outcome of audits). This sustained performance highlighted the strength of the Group's Licensing division, which posted another quarter of revenues well above €100 million.

In the first nine months of 2013, Technology revenues were €349 million, down 3.5% at constant currency compared to the same period of 2012. Licensing revenues amounted to €348 million, reflecting a limited year-on-year decrease of 3.3% at constant currency from a strong base in the first nine months of 2012 (revenues up 12% at constant currency).

Innovation

Technicolor has been recognized for its core expertise in audio and video technologies. Although the Group continues to leverage this leadership, Technicolor has recently achieved key milestones in three areas where it is increasing its investments.

Technicolor was the first company to declare specific patents/patent applications to ITU-T for the HEVC standard, demonstrating its strong presence in this field and a commitment to the development of next generation video coding. Nokia, Apple, NTT and Technicolor are the only companies to date which have identified specific patents and patent applications to ITU-T. Even here, Technicolor is a leader and has declared 287 patents and patent applications, Nokia has declared 192 patents and applications, NTT 3 and Apple 2.

Along with the benefits of HEVC, Technicolor has also been making significant strides over the past decade on the quality and visual impact of media by innovating to provide better images and colors. Based on this sustained investment, the Group aims to be a leader in bringing 4K/Ultra HD to the home and is striving to provide consumers not only with 4K resolution, but also with deeper colors and high dynamic range. These technologies will contribute to MPEG, DVB and ATSC 3.0 standards, where new HEVC extended formats are taking shape and will also be included in Consumer Electronics products that will be shipped at end 2014.



In addition, advances in digital audio will usher in an unprecedented impact on consumer experience. Technicolor has led this field from the outset introducing revolutionary technology and was recently selected to provide the reference model, together with Fraunhofer-Gesellschaft, for the MPEG-H 3D audio standard. This standard will be a key candidate for adoption in DVB and ATSC.

M-GO announced a partnership with Roku regarding the integration of the service directly on the home screen menu of all new Roku players that will be sold in the US and its roll out as a free software update on all current-generation Roku devices.

Licensing

In the third quarter of 2013, Licensing revenues generated through the MPEG LA pool declined year-on-year following a strong performance in the third quarter of 2012 and thus represented a lower proportion of total licensing revenues. Other Licensing programs grew at constant currency year-on-year. The Group benefited in particular from contract renewals completed in the quarter, including a 5-year video codec license agreement signed directly with a major Asian Consumer Electronics manufacturer.



Entertainment Services

In € million	Q3 2012	Q3 2013	9M 2012	9M 2013
Revenues	449	398	1,206	1,130
<i>Change as reported (%)</i>		(11.2)%		(6.2)%
<i>Change at constant currency (%)</i>		(6.1)%		(3.9)%
Revenues excluding legacy activities*	409	383	1,067	1,063
<i>Change as reported (%)</i>		(6.3)%		(0.3)%
<i>Change at constant currency (%)</i>		(1.0)%		+2.2%

* Legacy activities include mainly photochemical film and compression & authoring activities.

In the third quarter of 2013, Entertainment Services revenues, excluding legacy activities, declined by 1.0% at constant currency compared to the third quarter of 2012, as sustained growth across Digital Creative Services, especially in VFX for feature films, was offset by slightly lower DVD Services revenues, as the mix improved mildly compared to prior year despite a continuous increase of Blu-ray™.

In the first nine months of 2013, Entertainment Services revenues, excluding legacy activities, increased by 2.2% at constant currency, reflecting a solid performance in DVD Services and a strong level of activity in Digital Creative Services.

DVD Services

In the third quarter of 2013, combined Standard DVD and Blu-ray™ volumes increased by 3%, reflecting the continued resiliency of SD-DVD volumes, combined with sustained Blu-ray™ growth of 26% compared to the third quarter of 2012. Volume growth in the quarter was driven in part by a strong slate of new release titles, including *Iron Man 3* (Disney), *World War Z* (Paramount), *The Great Gatsby* (Warner), and *Oblivion* (Universal). The ongoing use of multi-disc DVD/Blu-ray™ “combo-pack” configurations further supported both SD-DVD and Blu-ray™ volumes during the period. Game volumes rose by 25% compared to the third quarter of 2012, driven principally by the very successful launch of *Grand Theft Auto V* (Rockstar Games/Take-Two Interactive).

In the first nine months of 2013, combined Standard DVD and Blu-ray™ volumes recorded year-on-year growth of 5%, with SD-DVD demand holding steady and Blu-ray™ disc unit shipments expanding 55% compared to the same period of 2012.



DVD and Blu-ray™ Volumes

In million units	Q3 2012	Q3 2013	9M 2012	9M 2013
Total DVD volumes	409	419	967	1,020
<i>Change (%)</i>		+3%		+5%
<u>q/w</u> SD-DVD (Standard Definition DVD)	326	314	795	784
<i>Change (%)</i>		(4)%		(1)%
BD (Blu-ray™)	55	69	108	168
<i>Change (%)</i>		+26%		+55%
Games	22	28	47	47
<i>Change (%)</i>		+25%		+0%
Software and Kiosk	5	8	16	20
<i>Change (%)</i>		+49%		+31%

Digital Creative Services

In the third quarter of 2013, Digital Creative Services revenues were up year-on-year, driven by a strong double-digit growth in VFX and revenue increase in Postproduction activities. In September 2013, Technicolor built up its presence in Canada and reinforced its proximity to its customers, in particular those based in North America, with the opening of a new VFX studio and the consolidation of its postproduction capacities in Montreal.

- **Digital Production** activities posted a strong year-on-year growth in revenues in the third quarter of 2013, driven by strength in Visual Effects for both feature films and commercials. Revenues from VFX for feature films experienced one of their strongest quarters, supported by several large projects, while VFX for commercials posted double-digit growth, reflecting strong demand in the US and a sustained level of activity in Europe, which also started to benefit from the opening of a studio in Amsterdam.

During the third quarter of 2013, VFX teams completed work on *300: Rise of an Empire* (Warner) and *Percy Jackson: Sea of Monsters* (Fox), while continuing work on *Maleficent* (Disney), *Guardians of the Galaxy* (Marvel/Disney) and *Godzilla* (Warner). VFX teams also started new projects, including *X Men: Days of Future Past* (Marvel/Fox) and *Cinderella* (Disney).

- **Digital Postproduction** and other services, including Digital Cinema, also recorded year-on-year revenue growth in the third quarter of 2013. Technicolor benefited in the quarter from its focus on specific lines of businesses and geographies, and from its balanced client portfolio. Sound services posted a solid performance, led by North America, while Video services revenue growth was driven not only by a good performance in North America but also by France, where the Group is now the leader in the Theatrical market. Technicolor increased its client diversification by providing sound and video services on original programming for Netflix and Amazon.

During the third quarter of 2013, Digital Postproduction teams completed work on *Thor: The Dark World* (Marvel/Disney) and *Gravity* (Warner), while continuing work on *Delivery Man* and *Need for Speed* (DreamWorks), and *Draft Day* (Lionsgate) in Theatrical. Postproduction teams also confirmed their market leadership in Broadcast.



Legacy activities

As expected, legacy activities continued to decline sharply, representing only 1.7% of Group revenues from continuing operations in the third quarter of 2013 compared to 4.3% in the third quarter of 2012.



Connected Home

In € million	Q3 2012	Q3 2013	9M 2012	9M 2013
Revenues	345	361	918	990
<i>Change as reported (%)</i>		+4.4%		+7.9%
<i>Change at constant currency (%)</i>		+12.6%		+12.9%

In the third quarter of 2013, Connected Home revenues were €361 million, up 12.6% at constant currency compared to the third quarter of 2012, marking the sixth consecutive quarter of double-digit year-on-year growth. This performance mainly reflected very strong volume growth and improved overall product mix in North America, driven by healthy demand for higher-end devices, particularly Cable broadband gateways. Growth in Europe was also strong, with a double-digit increase in revenues year-over-year, as a result of sustained shipments associated with new product deployments at several customers across the region. In emerging markets, revenues were down year-on-year for the first time in six quarters, reflecting a slight revenue decline in Latin America, combined with a material revenue decrease in Asia-Pacific.

In the first nine months of 2013, Connected Home revenues reached €990 million, up 12.9% at constant currency compared to the same period of 2012. This principally reflected sustained customer demand in emerging markets, with revenue growth in Latin America and Asia-Pacific year-to-date, a return to strong volume growth in Europe in the third quarter, driven by the Cable segment, as well as revenue growth in North America above 50%, reflecting an improved overall product mix, with the ramp-up of higher-end devices launched in 2012 and the introduction of new products, particularly for Cable operators.

Technicolor confirms that revenues from the Connected Home segment will expand by double-digits in 2013 compared to 2012, with growth in all regions, primarily due to strong customer demand and market share gains in fast-growing emerging economies, as well as a recovery in top-line growth in both North America and Europe over the second half of the year.

Connected Home continued to focus on profitable growth, recording a strong free cash flow generation in the third quarter and a positive free cash flow for the first nine months of 2013. Technicolor confirms as a result it expects to generate a positive free cash flow for the Connected Home segment in 2013.

Connected Home also demonstrated its commitment to innovation at the IBC and IFA tradeshows by introducing next generation technological developments, in particular the first HEVC media server to support HEVC 4K/Ultra HD video, as well as a HEVC android-based mobile set top box, developed in collaboration with Qualcomm, allowing end-users to access TV Everywhere services on their mobile devices over 4G LTE networks. In addition, Technicolor set up a partnership with Nagra, the digital TV division of Kudelski, to develop innovative Qeo-enabled applications allowing interoperability with other devices and apps using Nagra's Open TV 5 middleware inside and outside the home.



Q3 2013 Regional Highlights

- In **North America**, revenues increased by more than 50% in the third quarter of 2013 compared to the third quarter of 2012, driven by the combination of strong volume growth and sharply improved product mix. Connected Home product volumes recorded significant year-on-year growth in the quarter. Lower shipments of set top boxes combined with the phase-out of some Satellite products and weaker deliveries of digital-to-analog Cable adaptors were largely offset by strong customer demand for Cable broadband gateways, which benefited from the ramp-up of new products launched in 2012 and new product introductions during the quarter. Overall product mix also improved sharply year-on-year, as a higher contribution of higher-end Cable devices in the sales mix more than offset softer shipments of High Definition PVRs in Satellite compared to the same period last year.
- In **Latin America**, revenues declined slightly in the third quarter of 2013 compared to the third quarter of 2012, as a strong improvement in product mix almost completely offset lower shipments. Connected Home product volumes fell by double-digits in the quarter, due in part to tighter inventory management at some large customers, which led to weaker deliveries of product categories such as Satellite and Cable set top boxes, notably in Brazil, as well as Telecom broadband gateways, particularly in Mexico. However, overall product mix improved strongly year-on-year, driven by the introduction of new HD products.
- In **Europe, Middle East and Africa**, revenues reported double-digit year-on-year growth in the third quarter of 2013, driven by healthy volume growth despite a less favorable mix. Connected Home product volumes recorded growth across all product categories in the quarter, driven in particular by strengthening volumes of set top boxes and increased shipments of Cable modems & routers linked to a customer deployment. Overall product mix was lower year-on-year, mainly reflecting a less favorable customer mix in Satellite.
- In **Asia-Pacific**, revenues recorded a significant year-on-year decrease in the third quarter of 2013 compared to the third quarter of 2012. Strong double-digit volume growth, driven primarily by healthy customer demand for set top boxes, particularly in India, was more than offset by an overall lower product and customer mix.

Connected Home Product Volumes

In million units	Q3 2012	Q3 2013	9M 2012	9M 2013
Total Volumes*	7.8	8.4	22.3	24.3
<i>Change (%)</i>		+8%		+9%
<i>o/w</i> North America	1.7	2.3	5.7	4.2
<i>Change (%)</i>		+37%		(25)%
Latin America	3.8	2.9	9.9	11.0
<i>Change (%)</i>		(25)%		+12%
Europe, Middle-East and Africa	1.2	1.6	4.1	4.5
<i>Change (%)</i>		+34%		+11%
Asia-Pacific	1.1	1.7	2.6	4.4
<i>Change (%)</i>		+49%		+69%

* Including tablets and other connected devices.

APPENDIX

Following the sale of the Broadcast Services and the SmartVision (television-over-IP or IPTV) businesses in 2012, and the disposal of Cirpack softswitch operations (voice-over-IP or VoIP) in 2013, Technicolor renamed the existing “Digital Delivery” segment “Connected Home”.

The following tables provide information on quarterly revenues per segment for 2012 and for the first nine months of 2013 (including Broadcast Services, IPTV and VoIP activities).

In € million	Q1 12	Q2 12	H1 12	Q3 12	Q4 12	H2 12	FY 12
Technology	121	115	236	128	150	279	515
Entertainment Services	395	362	757	449	524	973	1,730
Connected Home	242	330	572	345	326	671	1,244
Other	0	0	0	0	1	1	1
Digital Delivery (activities disposed)	42	39	81	6	4	10	91
Group revenues from continuing operations	800	846	1,646	928	1,005	1,933	3,580

In € million	Q1 13	Q2 13	H1 13	Q3 13
Technology	125	101	227	123
Entertainment Services	376	356	732	398
Connected Home	274	356	630	361
Other	0	1	1	0
Digital Delivery (activities disposed)	0	0	0	0
Group revenues from continuing operations	775	814	1,589	881