technicolor

PRESS RELEASE

First quarter 2013 revenues:

Robust revenue growth of 2.2% at constant scope and currency

Paris (France), 26 April 2013 – The Board of Directors of Technicolor (Euronext Paris: TCH) met yesterday to review the Group's revenues (unaudited) for the first quarter of 2013.

Q1 2013 revenue highlights

In the first quarter of 2013, Group revenues from continuing operations amounted to €775 million, up 2.1% at constant scope[1] and current currency and up 2.2% at constant scope and currency compared to the first quarter of 2012 revenues[2].

- ***Technology:*** Another quarter of solid Licensing revenues, driven by good performance of the different licensing programs.
- ***Entertainment Services:*** Slightly higher revenues year-on-year excluding legacy activities, with sustained growth in DVD Services revenues and robust level of activities in Digital Creative Services.
- ***Connected Home:*** Strong performance in line with the momentum recorded in H2 2012.

In € million	Q1 2012 (unaudited)	Q1 2013 (unaudited)	*Change, at constant scope and currency (%)*
Group revenues from continuing operations	**800**	**775**	***+2.2%***
Change as reported (%)		*(3.2)%*	
Change at constant currency (%)		*(3.1)%*	
o/w Technology	121	125	*(1.5)%*
Change as reported (%)		*+3.3%*	
Change at constant currency (%)		*(1.5)%*	
Entertainment Services	395	376	*(5.4)%*
Change as reported (%)		*(4.9)%*	
Change at constant currency (%)		*(5.4)%*	
Connected Home	242	274	*+16.3%*
Change as reported (%)		*+13%*	
Change at constant currency (%)		*+16.3%*	
Digital Delivery (activities disposed)	42	0	-

[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 €42 million of revenues in the first quarter of 2012 (no contribution in the first quarter of 2013).

[2] On a reported basis, including disposals, revenues were down 3.2% at current currency and down 3.1% at constant currency.

Financial Structure update

- Gross debt at the end of March 2013 amounted to €1,222 million at nominal value and €1,107 million on an IFRS basis, a decrease of respectively €14 million and €8 million compared to the end of December 2012, mainly resulting from €36 million of debt repayments partly offset by the impact of the appreciation of the US dollar. The level of cash was lower compared to end of December 2012 mostly due to debt repayments and the payment of the €38.6 million EU antitrust fine in March 2013.
- Technicolor has put in place a new €50 million receivables backed committed credit facility with Natixis replacing the previous facility which expired in April 2013. This new facility, at improved terms versus the previous one, matures in April 2016.

2013 objectives confirmed

- Growth of adj. EBITDA of between 5% to 10% compared to FY 2012 adj. EBITDA at constant scope[3] (€498 million):
  - Licensing adj. EBITDA broadly stable vs. FY 2012 assuming another year of strong contracts;
  - Continued improvement of Connected Home adj. EBITDA and return to positive free cash flow generation in this segment;
  - Improved profitability in Entertainment Services, reflecting cost actions implemented in H2 2012;
  - Continued increase in operating expenses for M-GO and new growth initiatives.
- Strong growth in Free Cash Flow, above 30%, before one-off payments for legacy litigation (particularly the EU antitrust fine for €38.6 million).
- Net debt to adj. EBITDA ratio (as per the Group's covenants) below 1.25x at end-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.

Frederic Rose, Chief Executive Officer of Technicolor, stated:

"This quarter was marked by robust revenue growth resulting from our continued focus on execution. This good performance was driven by sustained Licensing revenues, a great performance in Connected Home and revenue growth in our core Entertainment Services. We have increased market shares across our different businesses and maintained our focus on innovation to support their growth and to further strengthen our intellectual property. We are on track to deliver on our 2013 commitments."

An analyst conference call hosted by Frederic Rose, CEO and Stéphane Rougeot, CFO and SEVP Strategy will be held on Friday, 26 April 2013 at 4:00pm CET.

Financial Calendar

AGM 2013	May 23 2013
H1 2013 Results	July 26 2013
Q3 2013 Revenues	25 October 2013

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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 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.

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

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Review by segment for the first quarter of 2013

Technology

In € million	Q1 2012	Q1 2013
Revenues	121	125
Change as reported (%)		*+3.3%*
Change at constant currency (%)		*(1.5)%*
o/w Licensing revenues	121	125
Change as reported (%)		*+3.6%*
Change at constant currency (%)		*(1.3)%*

In the first quarter of 2013, Technology revenues amounted to €125 million, up 3.3% at current currency and down 1.5% at constant currency compared to the first quarter of 2012. This performance reflected the quality of the Group's Licensing division, whose quarterly revenues once again exceeded €100 million.

Licensing

In the first quarter of 2013, Licensing revenues amounted to €125 million, up 3.6% at current currency compared to the first quarter of 2012. At constant currency, Licensing revenues were down 1.3% year-on-year, as softer revenues generated by the MPEG LA pool were mostly offset by a sustained performance of the other patent licensing programs. The Group's Digital TV program posted another quarter of strong growth, driven by new contracts and contract renewals in the second half of 2012.

Research and Innovation

R&I continued its focus in the first quarter on delivering high quality intellectual property, increasing significantly its level of disclosures. R&I made also several advances with metadata, in particular around new techniques for on-set metadata. R&I also continued to sharpen exploration of laboratory research relating emotional feedback (via bio-sensors) to viewer interest level of films and commercials and deployed algorithms with audiences viewing four full length films in regular theaters. Such viewer participation in Technicolor research is complemented by targeted collaborative activity with some studios and directors aimed at rendering the technology valuable both to content creators and to viewers. Bringing such research elements together underpins the objective of making viewing of content comfortable in the expanding ecosystem of format diversity and also in rendering the choice of content uniquely personal and intuitive.

Regarding M-GO, the Group has been improving overall technical capabilities on the basis of beta testing feedback. Technicolor initiated first marketing tests and has been working closely with its consumer electronic partners to complete integration in their devices. Preloaded devices are expected to be launched progressively during the second quarter. M-GO is also continuing discussions with additional device manufacturers.

Entertainment Services

In € million	Q1 2012	Q1 2013
Revenues	395	376
Change as reported (%)		*(4.9)%*
Change at constant currency (%)		*(5.4)%*
Revenues excluding legacy activities*	345	352
Change as reported (%)		*+2.2%*
Change at constant currency (%)		*+1.8%*

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

In the first quarter of 2013, Entertainment Services revenues amounted to €376 million, down 4.9% at current currency and down 5.4% at constant currency compared with the first quarter of 2012. Excluding legacy activities, whose revenues at constant currency declined by half in the quarter, Entertainment Services revenues were up 2.2% at current currency and up 1.8% at constant currency compared to the first quarter of 2012, due to a good performance in DVD Services, driven by sustained volume growth, particularly for Blu-ray™ discs, which offset lower Creative Services revenues.

DVD Services

In the first quarter of 2013, combined Standard DVD and Blu-ray™ volumes increased by 9%, driven by stable SD-DVD volume in combination with strong Blu-ray™ growth of almost 100% over the first quarter of 2012. Volume growth was supported in part by a strong slate of new release titles in the quarter, which mainly included *The Hobbit: An Unexpected Journey* (Warner), *Wreck-It-Ralph* (Disney), *Les Miserables* (Universal), *Rise of the Guardians* (Paramount/DreamWorks) and *Django Unchained* (Weinstein). Growth in Blu-ray™ volumes in the first quarter was further bolstered by selective share increases across the existing customer base. In addition, the ongoing popularity with consumers of multi-disc DVD/Blu-ray™ "combo-packs" and other special edition sets has continued to help drive strong disc replication demand for both SD-DVD and Blu-ray™. Games volumes declined by 4.2 million units compared to a very strong first quarter of 2012, which included a larger release slate of titles from several key publishers. This reduction was partially offset by an increase in Software related volumes.

DVD and Blu-ray™ Volumes

In million units		Q1 2012	Q1 2013
Total Volumes		**297**	**322**
Change (%)			*+9%*
o/w	SD-DVD (Standard Definition DVD)	248	249
	Change (%)		*+0%*
	BD (Blu-ray™)	27	54
	Change (%)		*+98%*
	Games	16	12
	Change (%)		*(26)%*
	Software and Kiosk	6	7
	Change (%)		*+34%*

Creative Services

In the first quarter of 2013, Creative Services recorded a year-on-year decline in revenues, due to a 54% revenue drop at constant currency in legacy activities and a weak level of activity in January and February in Digital Production. In the quarter, the Group continued to focus its Digital Postproduction and Digital Distribution Services on their core strengths, in particular video and sound activities in Postproduction and work on digital content libraries in Distribution. The Group expects the overall Digital Creative Services activities to rebound in the next quarter.

Digital Creative Services

- **Digital Production** activities recorded a year-on-year decline in revenues in the first quarter of 2013, reflecting a lower level of activity in January and February in Visual Effects ("VFX") for feature films due to the delay in some sizeable projects. However, Commercial VFX activities performed strongly in the first quarter of 2013, especially in the United States. In particular, the introduction of new services in New York strengthened the Group's market share in this key advertising market. Based on the current solid backlog, Digital Production activities are expected to rebound in the next quarter. In the first quarter of 2013, VFX teams continued to work on *Maleficent* (Disney), *Lone Ranger* (Disney) and *7th Son* (Warner). Technicolor was also honored with the Academy Award ® for visual effects on *Life of Pi* (Fox), further demonstrating its excellence in servicing its studio customers.
- **Digital Postproduction** revenues reported growth in the first quarter of 2013 compared to the first quarter of 2012. The Group posted solid revenue growth in North America driven by a strong level of activity in particular in Video with market share gains both in Theatrical and Broadcast. However, this good performance was partly offset by the continued weakness of the European markets and the resulting revenue decrease in the region, in particular in Italy. During the first quarter of 2013, Digital Postproduction teams continued to work on movies such as *G.I. Joe: Retaliation* and *World War Z* (Paramount), *Gravity* (Warner) and *Oblivion* (Universal) in Theatrical, as well as on successful TV series such as *Mad Men Season 5* (AMC), *Scandal Season 2* (ABC) and *The Following Season 1* (Fox) in Broadcast.

- **Digital Distribution Services** posted revenue growth in the first quarter of 2013 compared to last year. The continued sustained level of work on digital content libraries for Major Studios and Distributors, Video-on-Demand and Over-the-Top aggregators compensated the significant revenue decline in Localization Services (subtitling), in particular in North America as a consequence of the subcontracting agreement of the Compression & Authoring activity in the third quarter of 2012.
- **Digital Cinema** activities recorded volume growth year-on-year but revenues were affected by the price reductions granted to some key customers in 2012. At the end of March 2013, digital screen penetration was 84% in North America and 74% in Europe.

Legacy activities

As expected, legacy activities continued to decline sharply in the first quarter of 2013, and represented at the end of March 2013 only 3% of Group revenues compared to 6.3% in the first quarter of 2012. The subcontracting agreements implemented in 2011 and 2012 allowed to mitigate the impact of this sharp drop on the Group's profitability.

Connected Home

Following the sale of the Broadcast Services and the SmartVision (television-over-IP) businesses in 2012, and the disposal of Cirpack softswitch operations (voice-over-IP) in 2013, the Group renamed the existing "Digital Delivery" segment to "Connected Home". The business review is focused on Connected Home.

In € million	**Q1 2012**	**Q1 2013**
Proforma revenues	242	274
Change as reported (%)		*+13.0%*
Change at constant currency (%)		*+16.3%*

In the first quarter of 2013, Connected Home revenues totaled €274 million, up 13% at current currency and up 16.3% at constant currency compared to the first quarter of 2012, marking the fourth straight quarter of double-digit year-on-year growth. This performance principally reflected continued strong demand in emerging markets, particularly Brazil and Mexico in Latin America, as well as in India, combined with some volume growth in Europe. In North America, lower shipments were partially offset by further improvement in overall product mix.

Technicolor continues to expect double-digit year-on-year growth in Connected Home revenues for 2013, in line with the first quarter trend, driven by sustained demand and market share gains in the fast-growing emerging markets, as well as the ramp-up of higher-end devices launched in 2012 and the introduction of new products in the course of 2013, notably starting in the third quarter of 2013 for Cable customers in North America. The turnaround plan of the Connected Home segment, launched in December 2011, is on track and the Group expects to post annualized cost savings of approximately €45 million in 2013 compared to 2011 cost base. As a result, Technicolor confirms it anticipates further improvement in adjusted EBITDA for Connected Home and a return to a positive free cash flow generation in this segment in 2013.

- In **North America**, Connected Home product volumes declined significantly in the first quarter of 2013, reflecting a drop in set top box shipments related to the phase-out of some Satellite products, reduced deliveries of digital-to-analog Cable adaptors and the timing of new product introductions (expected to occur in the third quarter of 2013), offset in part by strong growth in volumes of Cable gateways. Overall product mix improved strongly year-on-year, benefiting from increased contribution of higher-end devices in Cable, partly offset by lower shipments of High Definition PVRs in Satellite compared to last year.
- In **Latin America**, Connected Home product volumes recorded another quarter of double digit growth, driven by sustained customer demand and market share gains across the region. This performance reflected increased shipments of Satellite set top boxes, particularly in Brazil, as well as stronger deliveries of Telecom products such as broadband gateways, especially in Mexico. Overall product mix improved year-on-year, due to higher proportion of High Definition products compared to last year.
- In **Europe, Middle-East and Africa**, Connected Home product volumes were up in the first quarter of 2013, due to sustained growth in shipments of Cable modems, partly offset by softness in deliveries of

other product categories. Overall product mix was lower year-on-year, as a result of a less favorable product mix in Telecom, offset in part by improvements in Satellite and Cable compared to last year.

- In **Asia-Pacific**, Connected Home product volumes experienced very strong growth in the first quarter of 2013, driven principally by buoyant customer demand for set top boxes, particularly in India. Overall product mix was lower year-on-year, due to weaker proportion of High Definition products compared to last year.

Connected Home Product Volumes

In million units		**Q1 2012**	**Q1 2013**
Total Volumes*		**6.3**	**7.1**
Change (%)			*+12%*
o/w	North America	2.0	0.6
	Change (%)		*(69)%*
	Latin America	2.5	3.7
	Change (%)		*+46%*
	Europe, Middle-East and Africa	1.3	1.3
	Change (%)		*+4%*
	Asia-Pacific	0.5	1.4
	Change (%)		*+182%*

** 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 table provides proforma information on quarterly revenues per segment for 2012 and the first quarter of 2013 (excluding Broadcast Services, IPTV and VoIP activities).

In € million	**Q1 12**	**Q2 12**	**H1 12**	**Q3 12**	**Q4 12**	**H2 12**	**FY 12**	**Q1 13**
Technology	121	115	236	128	150	279	515	125
Entertainment Services	395	362	757	449	524	973	1,730	376
Connected Home	242	330	572	345	326	671	1,244	274
Other	0	0	0	0	1	1	1	0
Group revenues*	**759**	**807**	**1,566**	**922**	**1,001**	**1,923**	**3,489**	**775**

** From continuing operations*