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PRESS RELEASE

Q2 and H1 2013: continued strong progress

- Revenue growth at constant rate and scope, improved profitability and free cash flow
- Continued deleveraging and successful refinancing
- Full year outlook confirmed

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

H1 2013 highlights

- Revenue growth at constant scope[1] and currency: up 3.1% at €1.6 billion, driven by solid performances of Connected Home and Entertainment Services (excluding legacy activities) segments..
- Adjusted EBITDA[2] at €207 million, up 11% year-on-year at constant scope. Margin increase of 1.0 point compared to the first half of 2012.
- Net profit of €6 million, up from a net loss of €26 million in the first half of 2012.
- Group Free cash flow[3] of €24 million, despite legacy litigation costs (EU antitrust fine in particular).
- Net debt at nominal value (non IFRS) of €837 million at end June 2013, a reduction of €2 million compared to end December 2012. Refinancing successfully completed in July 2013.

	Second Quarter			First Half		
In € million	**2012**	**2013**	*Change, reported*	**2012**	**2013**	*Change, reported*
Group revenues from continuing operations	846	814	*(3.8)%*	1,646	1,589	*(3.5)%*
Change at constant currency (%)		*(0.8)%*			*(1.9)%*	
Change at constant rate and scope (%)		*+4.0%*			*+3.1%*	
Adjusted EBITDA from continuing operations				198	207	*+4.6%*
As a % of revenues				*12.0%*	*13.0%*	*+1.0pt*
Group net income				(26)	6	*+32*
Group free cash flow				2	24	*+22*
Cash position				397[4]	370	*(27)*
Net debt IFRS				718[4]	731	*+13*
Net debt non IFRS				839[4]	837	*(2)*

[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 €81 million of revenues in the first half of 2012 (no contribution in the first half of 2013).
[2] EBIT from continuing operations excluding other income (expense) and D&A (including impact of provisions for risks, litigations and warranties).
[3] Free Cash Flow from both continuing operations and discontinued operations.
[4] As of 31 December 2012.

Q2 2013 revenue highlights

In the second quarter of 2013, Group revenues from continuing operations amounted to €814 million, up 0.9% at constant scope and current currency and up 4.0% at constant scope and currency compared to the second quarter of 2012[5].

- **Technology:** Another quarter of revenues above €100 million, driven by the breadth and the strength of Technicolor's licensing programs.
- **Entertainment Services:** Increased revenues year-on-year excluding legacy activities[6], reflecting the return to growth of Digital Production and a sustained performance of DVD Services.
- **Connected Home:** Fifth consecutive quarter of double-digit year-on-year growth in revenues, driven by continued momentum in the emerging markets and further improvement in overall product mix.

Update on Amplify 2015

- **Technology** launched several new initiatives to expand its licensing activities, notably in the field of smartphones. The agreement with Sony in that area significantly reinforces Technicolor's ability to monetize its extensive IP portfolio for key technologies used in mobile devices. In addition, the pace of contributions to standards was strong in the first half of 2013, in particular for MPEG HEVC and MPEG-H audio standards.
- **Entertainment Services** recorded good performance across its core activities and continued to improve its operating margin through ongoing cost initiatives and efficiency improvement programs.
- **Connected Home** pursued its focus on customer wins and market share gains strengthening its sales pipeline, in particular in EMEA, while further demonstrating its leading technological edge in Wi-Fi, Ultra Broadband and Vectoring.
- **Further improvement of the financial structure through a successful refinancing**

  Technicolor successfully completed its refinancing transaction on 12 July allowing the Group to borrow new funds at a lower interest rate, effectively extend its debt maturity and significantly increase its financial flexibility. The implementation of this new debt structure is another important step in the improvement of the Group's financial structure.

  The Group put in place a new €100 million 5-year revolving credit facility as part of the refinancing transaction.

[5] On a reported basis, including disposals, revenues were down 3.8% at current currency and down 0.8% at constant currency.

[6] Mainly photochemical film and compression and authoring activities.

2013 objectives confirmed

- Growth of adjusted EBITDA between 5% to 10% compared to FY 2012 adjusted EBITDA at constant scope[7] (€498 million):
  - Licensing adjusted EBITDA broadly stable vs. FY 2012 assuming another year of strong contracts;
  - Continued improvement of Connected Home adjusted EBITDA and return to positive free cash flow generation;
  - Improved profitability in Entertainment Services, reflecting cost actions implemented in H2 2012;
- Strong growth in Free Cash Flow, above 30%, before one-off payments for legacy litigations (in particular the EU antitrust fine for €38.6 million).

Net debt to adjusted EBITDA ratio objective

- Given the refinancing impact on the IFRS adjustment and the transaction costs, the net debt (IFRS) to adjusted EBITDA ratio target announced in February (below 1.25x) is no longer relevant. The Group has therefore decided to shift to a nominal value based ratio going forward, given that both the financial covenant in the Group's new debt and its Amplify 2015 goals are based on nominal debt ratios.
- The Group expects to achieve a net debt (at nominal value) to adjusted EBITDA ratio below 1.6x at the end of December 2013. With respect to Amplify 2015, the Group now targets to achieve a net debt to adjusted EBITDA ratio below 1.0x at the end of December 2015 (versus 1.1x previously), taking into account the positive impact of the refinancing on its free cash flow generation.

Frederic Rose, Chief Executive Officer of Technicolor, stated:

"*Technicolor continued to show strong progress across all activities in the first half of 2013, combining revenue growth, improved profitability and solid cash flow generation. This performance is reinforced by the refinancing transaction recently completed, which further strengthens the Group's financial structure. Technicolor continues to deliver on its Amplify 2015 strategic roadmap, dynamized notably by another good performance of Connected Home, by a strong performance across Entertainment Services activities and by the enhancement of its intellectual property portfolio as illustrated by the significant agreement announced with Sony for smartphones.*"

[7] 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, 26 July 2013 at 3:00pm CEST.

Financial Calendar

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

Contacts

Press: +33 1 41 86 53 93

technicolorpressoffice@technicolor.com

Investor relations: +33 1 41 86 55 95

investor.relations@technicolor.com

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Second quarter and first half 2013 financial highlights

Summary of consolidated first half 2013 results (unaudited)

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 with the first half of 2012, a set of adjusted indicators that exclude the following items as per the statement of operations of our interim 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 Group EBIT from continuing operations of €(24) million in the first half of 2013 (€22 million in H1 2012).

	Second Quarter			First Half		
In € million	**2012**	**2013**	*Change, reported*	**2012**	**2013**	*Change, reported*
Group revenues from continuing operations	846	814	*(3.8)%*	1,646	1,589	*(3.5)%*
Change at constant currency (%)		*(0.8)%*			*(1.9)%*	
Change at constant currency and scope (%)		*+4.0%*			*+3.1%*	
Adjusted EBITDA from continuing operations				198	207	*+4.6%*
As a % of revenues				*12.0%*	*13.0%*	*+1.0pt*
Adjusted EBIT from continuing operations				93	111	*+19.1%*
As a % of revenues				*5.7%*	*7.0%*	*+1.3pt*
EBIT from continuing operations				115	87	*(27)*
Financial result				(116)	(72)	*+44*
Share of loss from associates				(4)	(5)	*(1)*
Income tax				(21)	(20)	*+1*
Profit/(loss) from continuing operations				(26)	(10)	*+16*
Profit from discontinued operations				0	16	*+16*
Net income				(26)	6	*+32*
Operating cash flow from continuing operations[8]				101	125	*+24*
Group free cash flow				2	24	*+22*
Net debt IFRS				718[9]	731	*+13*
Net debt non IFRS				839[9]	837	*(2)*

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

[9] As of 31 December 2012.

Growth in revenues at constant scope and increased operating profitability in H1 2013

- In the first half of 2013, Group revenues from continuing operations amounted to €1,589 million, up 1.5% at constant scope and current currency and up 3.1% at constant scope and currency compared to the first half of 2012[10], due to solid performances of Connected Home and Entertainment Services.
- In the first half of 2013, gross margin amounted to €346 million, and represented 21.8% of revenues, an improvement of 0.5 point year-on-year.
- Adjusted EBITDA from continuing operations reached €207 million, up 11% year-on-year at constant scope, a 1.0 point margin improvement compared to the first half of 2012.
- The improvement in adjusted EBITDA resulted from very good levels of activity in volume-driven activities, combined with tight cost containment at corporate level and across the segments.

Net result improved by €32 million in H1 2013 versus H1 2012

- Adjusted EBIT from continuing operations amounted to €111 million in the first half of 2013 compared to €93 million in the first half of 2012, a 1.3 point margin improvement, reflecting growth in adjusted EBITDA and lower depreciation & amortization expenses.
- EBIT from continuing operations reached €87 million in the first half of 2013 compared to €115 million in the first half of 2012, which included a €41 million curtailment gain related to US retirement benefit obligations. Financial result totaled €(72) million in the first half of 2013 compared to €(116) million in the first half of 2012, which included negative one-off effects related to the capital increases. Net interest charges amounted to €63 million in the first half of 2013 (H1 2012: €76 million).
- Net result amounted to a profit of €6 million in the first half of 2013 compared to a loss of €26 million in the first half of 2012.

Operating Cash Flow from continuing operations up 24% in H1 2013

- Operating cash flow from continuing operations amounted to €125 million in the first half of 2013, an increase of €24 million compared with the first half of 2012, and represented 7.9% of revenues, a year-on-year improvement of 1.8 point. Cash outflow for net capital expenditures totaled €52 million in the first half of 2013 (H1 2012: €74 million), a €22 million year-on-year decrease resulting from a strict control in Entertainment Services and lower capitalized R&D both in Connected Home and Technology segments. Cash outflow related to restructuring reached €30 million in the first half of 2013, an increase of €7 million year-on-year (H1 2012: €23 million), reflecting restructuring in legacy activities and DVD Services and further streamlining in Connected Home and support functions.

[10] On a reported basis, including disposals, revenues were down 3.5% at current currency and down 1.9% at constant currency.

Improved Group Free Cash Flow in H1 2013

- The Group posted positive Free Cash Flow of €24 million in the first half of 2013, up from €2 million in the first half of 2012, despite payment of the EU antitrust fine (€38.6 million) and a previously disclosed litigation cost (€17.3 million). This performance reflected double-digit growth in operating cash flow from continuing operations, combined with a tight management of working capital, despite the strong level of activity, and the reduction in cash financial charges resulting from the significant deleveraging achieved in the second half of 2012. The Group generated positive Free Cash Flow for the fifth consecutive half.
- Group Free Cash Flow was impacted by the following items:
  - Working capital variation was positive at €19 million in H1 2013;
  - Cash financial charges amounted to €51 million in H1 2013;
  - Other cash charges, mainly related to tax and pensions, totaled €30 million;
  - Free Cash Flow from discontinued activities amounted to €(38) million, mainly resulting from the EU antitrust fine payment.

Cash position and financial debt

- Nominal gross debt (non IFRS) amounted to €1,207 million (€1,101 million IFRS) at end June 2013 compared to €1,236 million (€1,115 million IFRS) at end December 2012, a reduction of €29 million, reflecting in particular normal senior debt repayments of €36 million and negative forex impact.
- The Group's cash position amounted to €370 million at end June 2013 compared to €397 million at end December 2012, reflecting free cash flow generation of €24 million in the first half of 2013, senior debt reimbursement for €(36) million and others for €(15) million, including forex.
- Net debt at nominal value (non IFRS) amounted to €837 million at end June 2013, broadly stable compared to €839 million at end December 2012.
- Net debt as per interim consolidated financial statements (IFRS) amounted to €731 million at end June 2013 compared to €718 million at end December 2012.

Financial covenants

On 30 June 2013, the Group met its financial covenants. In the context of the refinancing, these covenants, which were linked to the existing debt, have been removed and not replaced. A leverage covenant is attached to the new debt and a cross default agreement will apply to the remaining existing debt in event of default.

Covenant*		**Actual on 30 June 2013**
Interest cover	EBITDA/Financial interests above 3.70x	5.11x
Leverage	Net debt/EBITDA below 2.30x	1.39x
Capital expenditure		N/A (tested only at year end)
		New Debt
Leverage ratio	Gross debt**/EBITDA below 3.5x	2.32x

** 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.*

*** Nominal gross debt of €1,207 million as of 30 June 2013.*

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Second quarter and first half of 2013 segment review

Summary of Group financial indicators by segment (unaudited)

In € million	Q2 2012	Q2 2013	H1 2012	H1 2013
Group revenues from continuing operations	**846**	**814**	**1,646**	**1,589**
Change as reported (%)		*(3.8)%*		*(3.5)%*
Change at constant currency (%)		*(0.8)%*		*(1.9)%*
o/w Technology	115	101	236	227
Change as reported (%)		*(11.8)%*		*(4.0)%*
Change at constant currency (%)		*(5.2)%*		*(3.3)%*
o/w Entertainment Services	362	356	757	732
Change as reported (%)		*(1.5)%*		*(3.3)%*
Change at constant currency (%)		*+0.6%*		*(2.5)%*
o/w Connected Home	330	356	572	630
Change as reported (%)		*+7.8%*		*+10.0%*
Change at constant currency (%)		*+10.8%*		*+13.1%*
Digital Delivery (activities disposed)	39	0	81	0
Adjusted EBITDA from continuing operations			**198**	**207**
Change as reported (%)				*+4.6%*
As % of revenues			*12.0%*	*13.0%*
o/w Technology			178	164
Change as reported (%)				*(8.1)%*
As % of revenues			*75.4%*	*72.2%*
o/w Entertainment Services			67	84
Change as reported (%)				*+25.9%*
As % of revenues			*8.8%*	*11.5%*
o/w Connected Home			(12)	2
Change as reported (%)				*nm*
As % of revenues			*(2.0%)*	*0.3%*
Digital Delivery (activities disposed)			11	0
Adjusted EBIT from continuing operations			**93**	**111**
As % of revenues			*5.7%*	*7.0%*
o/w Technology			176	159
As % of revenues			*74.4%*	*70.0%*
o/w Entertainment Services			(12)	14
As % of revenues			*(1.6)%*	*2.0%*
o/w Connected Home			(32)	(18)
As % of revenues			*(5.6)%*	*(2.8)%*
Digital Delivery (activities disposed)			12	0

Technology

Technology financial indicators

In € million	Q2 2012	Q2 2013	H1 2012	H1 2013
Revenues	115	101	236	227
Change as reported (%)		*(11.8)%*		*(4.0)%*
Change at constant currency (%)		*(5.2)%*		*(3.3)%*
o/w Licensing revenues	114	101	235	226
Change as reported (%)		*(11.5)%*		*(3.8)%*
Change at constant currency (%)		*(4.9)%*		*(3.0%)*
Adjusted EBITDA			178	164
Change as reported (%)				*(8.1)%*
As % of revenues			*75.4%*	*72.2%*
Adjusted EBIT			176	159
As % of revenues			*74.4%*	*70.0%*
EBIT			178	158
As % of revenues			*75.5%*	*69.5%*

In the second quarter of 2013, Technology revenues amounted to €101 million, down 5.2% at constant currency compared to the second quarter of 2012. The breadth and the strength of the Group's licensing programs secured another quarter of revenues above €100 million, with Licensing revenues of €101 million in the second quarter of 2013, down 4.9% at constant currency as compared to the strong double digit growth recorded in the second quarter of 2012. This performance resulted from a negative dollar impact and some softness in the Consumer Electronics market, leading to lower revenues across the Group's various licensing programs.

In the first half of 2013, Technology revenues totaled €227 million, down 4.0% at current currency and down 3.3% at constant currency compared to the first half of 2012. Licensing revenues were €226 million, reflecting a limited decrease of 3.0% at constant currency. Adjusted EBITDA for the Technology segment reached €164 million, or 72.2% of revenues, down 3.2 points year-on-year, as slightly improved Licensing margin of 88% was offset by increased operating expenses for M-GO.

Technology – Q2 2013 Business Highlights

Boris Teksler has been named President of the Technology Group, assuming responsibilities for both Research & Innovation and Intellectual Property & Licensing activities of the Group. His experience in protecting assets and driving focused innovation will strongly support the continued development of the Technology segment.

Regarding new strategic initiatives, Technicolor recently announced a significant intellectual property collaboration with Sony for smartphones, a licensing agreement which strengthens its strategic patent licensing initiative in the field of mobile devices. The combined portfolio covers a wide range of technologies found in leading smartphones and will offer the industry a comprehensive license to this unified portfolio.

In Technology Licensing, Technicolor has awarded the first 4K Image Certification to Marseille Networks for its system on chip to deliver content on 4K televisions. A first milestone has been reached with the signing of Toshiba as the first Blu-ray™ player manufacturer to be awarded 4K Image Certification by Technicolor.

During the quarter, the Group pressed its implication in standards with various contributions, especially in the MPEG High Efficiency Video Coding ("HEVC") standard. In particular, Technicolor proposes to improve the HEVC standard with support for more colors and bit depth for higher image quality and fidelity. Following through on its commitment to broadly support the industry in developing the quality of media delivered, synchronized contributions to application specifications such as DVB and ATSC for the transmission of UHDTV video on satellite, cable, IP or terrestrial networks has also been made. Recognizing the value of an immersive experience for consumers, Technicolor demonstrated through formal listening tests, the sound quality consumers would be able to enjoy from the Technicolor contributions made to the MPEG-H audio standard.

As a key enabler for 4K and UHDTV and its capacity to double compression efficiency versus other standards such as MPEG-4, the sustained and significant involvement of Technology teams in this MPEG standard is a key asset both for Entertainment Services and Connected Home segments.

Entertainment Services

Entertainment Services financial indicators

In € million	Q2 2012	Q2 2013	H1 2012	H1 2013
Revenues	362	356	757	732
Change as reported (%)		*(1.5)%*		*(3.3)%*
Change at constant currency (%)		*+0.6%*		*(2.5)%*
Revenues excluding legacy activities*	314	328	658	680
Change as reported (%)		*+4.6%*		*+3.4%*
Change at constant currency (%)		*+6.9%*		*+4.2%*
Adjusted EBITDA			67	84
Change as reported (%)				*+25.9%*
As % of revenues			*8.8%*	*11.5%*
Adjusted EBIT			(12)	14
As % of revenues			*(1.6)%*	*2.0%*
EBIT			(17)	(1)
As % of revenues			*(2.3)%*	*(0.1)%*

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

In the first half of 2013, Entertainment Services revenues amounted to €732 million, down 3.3% at current currency and down 2.5% at constant currency compared to the first half of 2012. Excluding legacy activities, Entertainment Services revenues increased by 4.2% at constant currency compared to the first half of 2012, as a result of strong performance in DVD Services associated with higher volumes and solid growth in Digital Creative Services. Adjusted EBITDA amounted to €84 million, or 11.5% of revenues, up 2.7 points year-over-year, driven by improved DVD Services results.

- In DVD Services, a total of 601 million discs were replicated in the first half of 2013, a 8% rise year-on-year, supported by resiliency of Standard Definition DVD, and continued growth in Blu-ray™. In the first half of 2013, DVD Services benefited from total disc volume growth, product mix improvement associated with greater Blu-ray™ volumes, as well as the impact of ongoing cost savings initiatives and efficiency improvement programs.

- Creative Services revenues decreased in the first half of 2013 compared to the first half of 2012, as a result of a drop in legacy activities. Digital Creative Services posted broadly stable revenues, driven by the return to growth of Digital Production in the second quarter, due to a strong level of activity in VFX for feature films, and the continued growth of other Digital Creative Services. In the first half of 2013, the revenue drop in legacy activities was mitigated by the related variable cost structure and additional cost cutting measures across the Group. Digital Creative Services margin improved, excluding the Italy-based operations that have been strongly affected by the significant weakness of local market.

DVD Services – Q2 2013 Revenue Highlights

In the second quarter of 2013, combined Standard Definition DVD and Blu-ray™ volumes rose by 7% compared to the second quarter of 2012, leading to overall year-on-year volume growth of almost 8% for the first half of 2013. Blu-ray™ disc volumes demonstrated continued double-digit growth in the second quarter (+67%), while Standard Definition DVD volumes were stable, with slight growth in North America offsetting some softness in Europe. Disc replication for the quarter was driven by a number of major new release titles, including *42* (Warner), *Oz, the Great and Powerful* (Disney), *Identity Thief* (Universal), and *G.I. Joe: Retaliation* (Paramount). Games volumes declined slightly (down 1.4 million units), as a result of a smaller number of new title releases year-on-year. The second quarter is traditionally the lightest period of the year for major studio and game new releases, and the continuing volume growth experienced in the quarter demonstrated ongoing broad consumer appeal of packaged media products.

DVD volumes

In million units	Q2 2012	Q2 2013	H1 2012	H1 2013
Total DVD volumes	**262**	**279**	**559**	**601**
Change (%)		*+7%*		*+8%*
o/w SD-DVD (Standard Definition DVD)	221	221	469	470
Change (%)		*+0%*		*+0%*
o/w BD (Blu-ray™)	27	45	54	99
Change (%)		*+67%*		*+83%*
o/w Games	9	8	25	20
Change (%)		*(15)%*		*(22)%*
o/w Software	5	5	10	12
Change (%)		*+5%*		*+21%*

Creative Services – Q2 2013 Revenue Highlights

In the second quarter of 2013, Creative Services recorded a year-on-year decline in revenues, due to a 40% revenue drop at constant currency in legacy activities. Excluding legacy activities, Creative Services revenues grew compared to the second quarter of 2012. The continuing focus of Digital Post Production and Digital Distribution Services activities on their core strengths, in particular Video and Sound activities in Post Production and work on digital content libraries in Distribution, combined with the return to growth of Digital Production resulted in a solid year-on-year revenue expansion in the quarter.

Digital Creative Services

- **Digital Production** activities posted a solid revenue increase in the second quarter of 2013 compared to the second quarter of 2012, driven by a return to growth in Visual Effects ("VFX") for feature films, which grew double-digits in the quarter, benefiting from a strong workload across all facilities. During the second quarter, VFX teams completed work on *World War Z* (Paramount) and *The Lone Ranger* (Disney), while continuing work on *Maleficent* (Disney), *Percy Jackson: Sea of Monsters* (Fox), as well as *300: Rise of an Empire* (Warner). The teams also started new projects, including *Guardians of the Galaxy* (Marvel/Disney) and *Godzilla* (Warner/Legendary).

- **Digital Post Production** revenues increased in the second quarter of 2013 compared to the second quarter of 2012, lifted by a good level of activity in the US, especially in Theatrical and Broadcast Post work. This good performance fully offset the persistent weakness of European markets, which mainly affected Italian operations and Sound & Versioning activities in the UK and France. During the quarter, Digital Post Production teams continued to work on feature films such as *World War Z* (Paramount), *Delivery Man* (BVI) *and The Smurfs 2* (Sony) in Theatrical, and on successful TV series such as *Mad Men Season 5* (AMC), *True Blood Season 6* (HBO) and *Dexter Season 8* (Showtime) in Broadcast.

- **Digital Distribution Services** revenues decreased slightly in the second quarter of 2013 compared to the second quarter of 2012, due to further decline in Localization Services (subtitling) in North America and a lower level of activity in the UK, partially offset by continuing work on digital content libraries for major Studios and distributors, Video-on-Demand and Over-the-Top aggregators in the US.

- **Digital Cinema** activities recorded a slight increase in revenues in the second quarter of 2013 compared to the second quarter of 2012, as the launch of the business in France and solid volume growth in the UK helped to offset increasing competition in the US. Digital screen penetration is now at 93% in North America and 80% in Europe.

Legacy activities

Legacy activities continued to significantly decline in the second quarter of 2013, with the ongoing digital conversion of theatres. Legacy activities accounted only for approximately 3% of Group revenues in the first half of 2013 compared to approximately 6% in the first half of 2012.

Connected Home

Following the sale of Broadcast Services and 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.

Connected Home financial indicators

In € million	Q2 2012	Q2 2013	H1 2012	H1 2013
Revenues	330	356	572	630
Change, as reported (%)		*+7.8%*		*+10.0%*
Change at constant currency (%)		*+10.8%*		*+13.1%*
Adjusted EBITDA			(12)	2
As % of revenues			*(2.0)%*	*0.3%*
Adjusted EBIT			(32)	(18)
As % of revenues			*(5.6)%*	*(2.8)%*
EBIT			(33)	(20)
As % of revenues			*(5.8)%*	*(3.2)%*

In the first half of 2013, Connected Home revenues totaled €630 million, up 10.0% at current currency and up 13.1% at constant currency compared to the first half of 2012. This sustained performance mainly reflected continued strong volume growth across the emerging markets, particularly in Brazil and India, as well as further improvement in overall product mix, led by the North American Cable market.

Global shipments in Europe grew slightly during the period, amid persistent economic softness across the region, and recent customer wins will start to positively impact revenue growth in the second half of 2013. Revenues in North America were principally affected by the phase-out of some Satellite products and the decline of digital-to-analog Cable adaptor deliveries as compared to the first half of 2012, while shipments of new products started as expected during the second quarter, and in particular in June. The introduction of new, higher-end devices will generate strong growth in the region in the second half of 2013. Based on the current backlog, Connected Home will grow revenues in all regions on a full year basis.

In the first half of 2013, Adjusted EBITDA amounted to €2 million, an increase of €13 million compared to the first half of 2012, supported by sustained top-line growth and improved gross margin. The continuous optimization of Connected Home operations generated further cost savings, as expected, and resulted in a gross margin of 11.7% in the first half of 2013, a 1.1 percentage point increase compared to the first half of 2012. The strong revenue performance, good execution of the turnaround plan and tight management of working capital resulted in a positive free cash flow for Connected Home in the second quarter of 2013, comforting the Group’s objective to generate a positive free cash flow for the full year.

Connected Home – Q2 2013 Revenue Highlights

In the second quarter of 2013, Connected Home revenues were €356 million, up 10.8% at constant currency compared to the second quarter of 2012, marking the fifth consecutive quarter of double-digit year-on-year expansion. This performance reflected continued strong demand across Latin America and Asia-Pacific, relatively stable shipments to European customers amid difficult market conditions, as well as the benefit of new product deployments on overall mix in North America, despite lower volumes.

- In **North America,** Connected Home product volumes fell in the second quarter of 2013, but registered a sequential improvement over the first quarter of 2013, reflecting a drop in set top box shipments related to the phase-out of some Satellite products and reduced deliveries of digital-to-analog Cable adaptors, partly offset by strong growth in volumes of broadband Cable gateways. As expected, new product deployments started at the end of the quarter and shipments will accelerate in the second half. Overall product mix improved significantly year-on-year, driven by higher share of higher-end devices in Cable, partly offset by lower shipments of High Definition PVRs in Satellite.
- In **Latin America**, Connected Home product volumes recorded another quarter of double-digit growth, driven by continued strong demand across the region, particularly for Satellite and Cable devices. This performance also benefited from the rollout of new generation Satellite set top boxes, notably in Brazil. Overall product mix improved year-on-year, due to higher proportion of High Definition products.
- In **Europe, Middle-East and Africa**, Connected Home product volumes remained relatively stable in the second quarter of 2013, despite still difficult market environment, as sustained growth in shipments of Cable modems offset reduced deliveries of other product categories. Overall product mix was lower year-on-year, due notably to lower shipments of High Definition PVRs.
- In **Asia-Pacific**, Connected Home product volumes experienced buoyant growth in the second quarter of 2013, driven by strong shipments of Satellite set top boxes, especially in India, as well as increased deliveries of broadband Telecom gateways. Overall product mix improved strongly compared to last year, benefiting from the introduction of new devices for several customers during the quarter.

Connected Home product volumes

In million units	Q2 2012	Q2 2013	H1 2012	H1 2013
Total volumes*	**8.2**	**8.8**	**14.5**	**15.8**
Change (%)		*+7%*		*+9%*
o/w North America	2.0	1.3	4.0	*1.9*
Change (%)		*(34)%*		*(51)%*
o/w Latin America	3.6	*4.5*	6.1	*8.2*
Change (%)		*+27%*		*+35%*
o/w Europe, Middle-East and Africa	1.6	*1.6*	2.9	*2.9*
Change (%)		*(1)%*		*+1%*
o/w Asia-Pacific	1.0	*1.3*	1.5	*2.8*
Change (%)		*+33%*		*+83%*

** Including tablets and other connected devices.*

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CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

(in € million)	Six months ended June 30, 2013 Unaudited	Six months ended June 30, 2012 Unaudited
Continuing operations		
Revenues	1,589	1,646
Cost of sales	(1,243)	(1,295)
Gross margin	**346**	**351**
Selling and administrative expenses	(164)	(196)
Research and development expenses	(71)	(61)
Other income (expense)	(24)	21
Profit from continuing operations before tax and net finance income (expense)	**87**	**115**
Interest income	2	2
Interest expense	(65)	(78)
Other financial income (expense)	(9)	(40)
Net finance income (expense)	**(72)**	**(116)**
Share of loss from associates	(5)	(4)
Income tax	(20)	(21)
Profit (loss) from continuing operations	**(10)**	**(26)**
Discontinued operations		
Net profit from discontinued operations	16	-
Net income (loss)	**6**	**(26)**
Attributable to:		
- Equity Holders	8	(25)
- Non-controlling interests	(2)	(1)

(in euro, except number of shares)	Six months ended June 30, 2013 Unaudited	Six months ended June 30, 2012 Unaudited
Weighted average number of shares outstanding (basic net of treasury stock)	334,962,901	229,671,152
Earnings (loss) per share from continuing operations		
- basic	(0.02)	(0.11)
- diluted	(0.02)	(0.11)
Earnings (loss) per share from discontinued operations		
- basic	0.04	-
- diluted	0.04	-
Total earnings (loss) per share		
- basic	0.02	(0.11)
- diluted	0.02	(0.11)

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UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(in € million)	June 30, 2013 Unaudited	December 31, 2012 Audited
ASSETS		
Non-current assets:		
Property, plant and equipment	330	350
Goodwill	484	478
Other intangible assets	422	433
Investments in associates	15	18
Investments and available-for-sale financial assets	7	7
Contract advances and up-front prepaid discount	35	42
Deferred tax assets	387	388
Income tax receivable	21	20
Other non-current assets	68	66
Cash collateral and security deposits	16	15
Total non-current assets	**1,785**	**1,817**
Current assets:		
Inventories	142	112
Trade accounts and notes receivable	471	526
Income tax receivable	13	12
Other current assets	355	340
Cash collateral and security deposits	31	29
Cash and cash equivalents	370	397
Assets classified as held for sale	-	4
Total current assets	**1,382**	**1,420**
Total assets	**3,167**	**3,237**

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UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(in € million)	June 30, 2013 Unaudited	December 31, 2012 Audited
EQUITY AND LIABILITIES		
Shareholders' equity:		
Common stock *(335,709,392 shares at June 30, 2013 with nominal value of €1 per share)*	335	335
Treasury shares	(156)	(156)
Additional paid-in capital	940	940
Subordinated perpetual notes	500	500
Other reserves	15	-
Retained earnings (accumulated deficit)	(1,133)	(1,142)
Cumulative translation adjustment	(261)	(240)
Shareholders' equity	**240**	**237**
Non-controlling interests	2	4
Total equity	**242**	**241**
Non-current liabilities:		
Borrowings	998	1,019
Retirement benefits obligations	336	353
Restructuring provisions	-	1
Other provisions	75	76
Deferred tax liabilities	156	158
Other non-current liabilities	94	96
Total non-current liabilities	**1,659**	**1,703**
Current liabilities :		
Borrowings	103	96
Retirement benefits obligations	32	35
Restructuring provisions	34	45
Other provisions	51	78
Trade accounts and notes payable	466	445
Accrued employee expenses	128	164
Income tax payable	12	13
Other current liabilities	440	414
Liabilities classified as held for sale	-	3
Total current liabilities	**1,266**	**1,293**
Total liabilities	**2,925**	**2,996**
Total equity and liabilities	**3,167**	**3,237**

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

(in € million)	Six months ended June	
	2013 Unaudited	2012 Unaudited
Net income (loss)	**6**	**(26)**
Loss from discontinued operations	**16**	**-**
Profit (loss) from continuing operations	**(10)**	**(26)**
Summary adjustments to reconcile profit (loss) from continuing operations to cash generated from continuing operations		
Depreciation and amortization	94	104
Impairment of assets (net)	2	8
Net changes in provisions	(11)	(66)
(Profit) / loss on asset disposals	2	3
Interest (income) and expense	63	76
Other non cash items (including tax)	17	39
Changes in working capital and other assets and liabilities	27	22
Cash generated from continuing operations	**184**	**160**
Interest paid	(50)	(61)
Interest received	2	1
Income tax (paid) / received	(22)	(21)
Net operating cash generated from continuing activities	**114**	**79**
Net operating cash used in discontinued operations (*)	(38)	(3)
Net cash from operating activities (I)	**76**	**76**
Acquisition of subsidiaries, associates and investments, net of cash acquired	(5)	(9)
Net cash impact from sale of investments	(1)	(2)
Purchases of property, plant and equipment (PPE)	(26)	(39)
Proceeds from sale of PPE and intangible assets	1	1
Purchases of intangible assets including capitalization of development costs	(27)	(36)
Cash collateral and security deposits granted to third parties	(2)	(4)
Cash collateral and security deposits reimbursed by third parties	2	8
Net investing cash used in continuing activities	**(58)**	**(81)**
Net investing cash used in discontinued operations	(1)	(4)
Net cash used in investing activities (II)	**(59)**	**(85)**
Proceeds from borrowings	4	1
Repayments of borrowings	(38)	(56)
Fees paid linked to the debt and capital restructuring	(2)	(1)
Net financing cash used in continuing activities	**(36)**	**(56)**
Net financing cash used in discontinued operations	-	-
Net cash used in financing activities (III)	**(36)**	**(56)**
Net (decrease) / increase in cash and cash equivalents (I+II+III)	**(19)**	**(65)**
Cash and cash equivalents at beginning of period	**397**	**370**
Exchange losses on cash and cash equivalents	(8)	-
Cash and cash equivalents at end of period	**370**	**305**

(*) In 2013, corresponds mainly to the fine of €38.6 million from the European Commission related to Thomson's former Cathode Ray Tubes (CRT) business.

Summary of consolidated results at constant scope (unaudited)

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 financial indicators for the first half of 2012 and the first half of 2013 (excluding Broadcast Services, IPTV and VoIP activities).

	Second Quarter			First Half		
In € million	**2012**	**2013**	*Change, reported*	**2012**	**2013**	*Change, reported*
Group revenues from continuing operations	807	814	*+0.9%*	1,566	1,589	*+1.5%*
Change at constant currency (%)		*+4.0%*			*+3.1%*	
Group gross margin				328	346	*18*
As a % of revenues				*20.9%*	*21.8%*	*+0.9pt*
Adjusted EBITDA from continuing operations				186	207	*+11.0%*
As a % of revenues				*11.9%*	*13.0%*	*+1.1pt*
Adjusted EBIT from continuing operations				81	111	*30*
As a % of revenues				*5.2%*	*7.0%*	*+1.8pt*
EBIT from continuing operations				111	89	*(22)*
As a % of revenues				*7.1%*	*5.6%*	*-1.5pt*

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 with the first half of 2012, a set of adjusted indicators that 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 Group EBIT from continuing operations of €(24) million in the first half of 2013 (€22 million in H1 2012).

In € million	**H1 2012**	**H1 2013**	***Change***
EBIT from continuing operations	**115**	**87**	***(27)***
Restructuring charges, net	(8)	(19)	*(11)*
Net impairment losses on non-current operating assets	(5)	(2)	*+3*
Other income / (expense)	35	(3)	*(38)*
Adjusted EBIT from continuing operations	**93**	**111**	***18***
As a % of revenues	*5.7%*	*7.0%*	*+1.3pt*
Depreciation and amortization (D&A)*	104	96	*(9)*
Adjusted EBITDA from continuing operations	**198**	**207**	***+9***
As a % of revenues	*12.0%*	*13.0%*	*+1.0pt*

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