



PRESS RELEASE

**Technicolor accelerates its cost reduction actions
to address a more challenging European environment**

Paris (France) – 19 December, 2011 – Following a meeting of the Board of Directors of [Technicolor](#) (Euronext Paris: TCH), the Group provides an update on its full year 2011 objectives and announces it considers accelerated restructuring actions to adapt its cost structure to what is expected to be a continuing challenging macroeconomic environment in Europe throughout 2012.

Update on full year 2011 objectives

On 27 October, 2011, Technicolor announced the Group required a strong Q4 2011 performance in Technology and Entertainment Services, which would compensate for the deterioration in Digital Delivery, in order to deliver on its objective of a FY 2011 adjusted EBITDA¹ comparable or slightly up compared to 2010.

Since October 2011, the deterioration in the European market which the Group saw in Q3 2011 has continued affecting principally its Digital Delivery business.

As a result, Digital Delivery now anticipates to report a FY 2011 adjusted EBITDA of approximately €(39) million, mainly due to Connected Home for around €(47) million, which is €(6) million below the Group's previous expectations.

In contrast, Technology and Entertainment Services are expected to report for the FY 2011 increased adjusted EBITDA compared to 2010.

Regarding Q4 2011 performances:

- Technology expects to report a solid performance, although results will not be as strong as expected in October as the Group has decided to continue some licensing contracts negotiations given its focus on preserving royalty rates.
- In Entertainment Services, Technicolor anticipates results slightly below its October expectations, with good performances in North America and slightly lower performances in Europe across the different activities.

Technicolor anticipates overall stable year-over-year revenue growth from continuing activities in FY 2011 at constant currency, and forecasts an adjusted EBITDA of approximately €475 million. The Group confirms that it will generate a positive free cash flow in 2011.

¹ EBIT from continuing operations excluding other income (expense), and Depreciation & Amortization (including impact of provisions for risks, litigations and warranties).



2012 business environment

Based on recent Eurozone 2012 GDP growth outlooks and conversations with key European customers, the Group now expects the weakness to continue throughout 2012. This will principally affect Digital Delivery, with customers continuing to delay capital expenditures and turning to lower-end products.

Acceleration of cost reduction actions

In this degraded environment, the Group is considering a number of cost reduction action plans detailed hereafter which will be conducted in accordance with local law and regulations, including applicable European Works Council consultation requirements. These action plans should lead to a reduction in the Group's global workforce of around 600 employees in 2012.

The Group estimates it will recognize a pre-tax restructuring charge related to these action plans of around €50 million in the fourth quarter of 2011 and an equivalent cash restructuring expense in 2012.

Action plan to turnaround Connected Home business in 2012

Following its October 2011 announcement of an organization and management change, Technicolor is considering a set of initiatives aiming to return the Connected Home business to adjusted EBITDA breakeven in 2012. This action plan is centered on five main initiatives:

- Top-line growth and product roadmap, with the objective to return to year-over-year revenue growth in 2012. The Group intends to reinforce its leading market position in the Americas, supported by recent customer wins in North America, particularly in the Cable market, as well as continued robust demand from its Latin American customers. The Group also expects to benefit from a solid growth in its Asian operations, especially in India and Australia. Overall market conditions in Europe are however expected to remain weak throughout 2012.
- Product cost improvement, with a particular focus on optimizations in design to cost, component sourcing and industrialization in order to support the Group's competitiveness against its global competitors worldwide.
- Improvement in operations, with an increased emphasis on generating operational efficiencies at the Group's production facility in Manaus (Brazil) and with its contract manufacturing partners, especially in the management of supply chain, product quality and manufacturing operations. With regard to its Angers (France) facility, the Group is soliciting potential partners to compensate for the drop in European orders. A successful partnership agreement with a third party early in 2012 will be essential to ensure continued workload for this facility.
- Rationalization of R&D activities. Despite adverse market conditions, the Group will preserve its R&D capabilities by further rationalizing its hardware and software operations and increasing recourse to Original Design Manufacturer ("ODM") for the design and manufacturing of low- and middle-end set-top boxes.
- Streamlining of global & support functions.

As a result of the four cost and operational improvement initiatives, Technicolor expects to generate savings of €32 million in its Connected Home business in 2012.

Optimization of European photochemical film activities

The Group plans to implement subcontracting agreements with Deluxe for all Technicolor release printing services in Europe subject to satisfaction of customary conditions.

These subcontracting agreements should allow the Group to cease its photochemical film release print manufacturing operations in Rome, Madrid and London. London will maintain its front-end lab in London in accordance with the July agreement with Deluxe. This would enable the Group to benefit from a highly flexible cost structure for its declining film release printing activities in Europe through a reduction of its annualized fixed costs by €24 million.

Streamlining support functions

The Group has identified several initiatives to be implemented in 2012 in order to address the cost structure of its support functions. Through these initiatives, it expects to generate annualized savings of €10 million.

Operational Excellence program

Technicolor has initiated a program to improve its overall competitiveness through increased operational efficiency and a reduction of its cost structure. This program focuses in particular on quality, operations improvements, the transformation of the information systems, the optimization of sourcing and real estate, and an overall cost containment framework.

The Group will provide a complete review of this Operational Excellence program at the publication of its FY 2011 results.

2012 operational roadmap

Technology is expected to continue to benefit from the breadth of its licensing programs, with several renewal contracts and new contracts expected to occur. In addition, a key milestone is expected in 2012 with the commercial launch in the second quarter of MediaNavi, the Group's initiative to develop emerging digital content distribution models. More detailed information on the launch of MediaNavi will be unveiled in January 2012 at the Consumer Electronics Show ("CES") in Las Vegas (US).

Entertainment Services will focus on strengthening its overall digital capabilities and expects in particular to develop its digital footprint in Europe. The Group will in addition remain strongly focused on the cash generation of its DVD Services business.

Digital Delivery is expected to benefit from the return of the Connected Home business to adjusted EBITDA breakeven in 2012, with a positive adjusted EBITDA expected in the second half of 2012.

Technicolor expects to generate a positive free cash flow in 2012 notwithstanding higher than usual restructuring expenses.

Thus, the Group anticipates to operate within the financial covenants of its credit agreements in 2012.



An analyst and investors conference call hosted by Frederic Rose, CEO and Stéphane Rougeot, CFO will be held on Monday 19 December 2011 at 9:00 am CET. The presentation document will be made available on Technicolor's website prior to the call.

Financial Calendar

FY 2011 Results	24 February 2012
Q1 2012 Revenues	26 April 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 is home to industry-leading creative and technology professionals committed to the creation, management and delivery of entertainment content to consumers around the world. Propelled by a culture of innovation and underpinned by a dedicated research organization, the company's thriving licensing business possesses an extensive intellectual property portfolio focused on imaging and sound technologies. Serving motion picture, television, and other media clients, the company is a leading provider of high-end visual effects, animation, and postproduction services. In support of network service providers and broadcasters globally, Technicolor ranks among the worlds' leading suppliers of digital content delivery services and home access devices, including set-top boxes and gateways. The company also remains a large physical media service provider, being one of the world's largest film processors and independent manufacturers and distributors of DVDs and Blu-ray™ discs.

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