

## Q1 2011 Revenues

**Paris (France), 28 April 2011** - The Board of Directors of Technicolor (Euronext Paris: TCH) met on 27 April 2011 to review the Group's revenues for the quarter ending 31 March 2011.

### Q1 2011 revenues

In the first quarter of 2011, Group revenues from continuing operations amounted to €812 million, up 15.4% at current currency compared to the first quarter of 2010, and up 16.2% at constant currency.

- Technology activities benefited from a strong increase in revenues from MPEG LA, mainly reflecting the growth in worldwide consumer electronics products shipments which occurred in the second half of 2010.
- Entertainment Services revenues increased significantly during the quarter, driven by continued capacity expansion and strengthening of market positions in Creation Services, as well as market share gains and strong Blu-ray™ growth in DVD Services.
- Digital Delivery revenues increased slightly compared to the first quarter of 2010, reflecting continued strong growth in global shipments of Digital Home Products, partly offset by a less favorable overall mix year-over-year.

### Update on financial situation and objectives

- Estimated net financial debt at the end of the first quarter of 2011 was not materially different compared to the 31 December 2010 level, which stood at 993 million euros as per financial statements.
- The Group's objectives for 2011, as communicated on 28 February 2011 (Full Year 2010 Results), are unchanged: achieve slight revenue growth overall at constant rates for the full year and generate an adjusted EBITDA<sup>1</sup> comparable or slightly up compared to the level achieved in 2010.

### Comment by Frederic Rose, CEO

*"I am pleased that we are reporting another quarter of revenue growth and that we are on track to deliver on our 2011 commitments. While we are moving in the right direction, we are determined to stay focused on generating innovation, expanding our customer base and improving operational efficiencies."*

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<sup>1</sup> EBIT from continuing operations minus Depreciation & Amortization (including impact of provisions for risks, litigations and warranties), minus net restructuring and impairment charges, and minus other income and expenses.



**Revenues of the first quarter 2011 (ending 31 March)**

In € million unless otherwise stated	Q1 2010	Q1 2011	Change, reported
Technology revenues	93	130	+38.9%
<i>Change at constant currency</i>		+47.9%	
Entertainment Services revenues	326	391	+19.8%
<i>Change at constant currency</i>		+19.7%	
Digital Delivery revenues	283	291	+2.8%
<i>Change at constant currency</i>		+1.9%	
<b>Total revenues from continuing operations</b>	<b>704</b>	<b>812</b>	<b>+15.4%</b>
<i>Change at constant currency</i>		+16.2%	

Note: Revenues are presented in accordance with IFRS, and therefore include only revenues from continuing operations. At the end of 2010, the PRN business was reclassified from discontinued operations to continuing operations. Q1 2010 revenues from continuing operations have been restated accordingly (Q1 2010 revenues of PRN amounted to €13 million).

## First quarter 2011 segment review

### Technology

In the first quarter of 2011, Technology revenues were up 38.9% at current currency and up 47.9% at constant currency compared to the first quarter of 2010.

#### Technology revenues

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

In the first quarter of 2011, revenues from Licensing business grew by 47.4% compared to the first quarter of 2010 at constant rates. The Group benefited from a strong increase in the contribution from MPEG LA, mainly reflecting the growth in worldwide consumer electronics products shipments seen in the second half of 2010.

In the first quarter, the flow of technology from Research & Innovation to other businesses focused on delivering optimized image quality and color continuity across content creation workflows as those workflows transition from physical media to file-based workflows. This includes traditional and special effects processing for new content and the enhancement and restoration of images through renewal of aged visual content to a guaranteed and consistent level of quality. These in-house technologies contribute to rendering content more attractive and valuable to consumers, whilst optimizing content creation services.



## Entertainment Services

In the first quarter of 2011, Entertainment Services revenues were up 19.8% at current currency and up 19.7% at constant currency compared to the first quarter of 2010.

### Entertainment Services revenues

In € million	Q1 2010	Q1 2011
Revenues	326	391
<i>Change, as reported (%)</i>		+19.8%
<i>Change at constant currency (%)</i>		+19.7%

## Creation and Theatrical Services

### • Creation Services

- In the first quarter of 2011, the Digital Production activities delivered strong revenue growth compared to the first quarter of 2010. Visual Effects (VFX) activities benefited from further market share gains in feature film, increased capacity resulting from investments made in 2010, and growth in the advertising market. In the quarter, the VFX activities completed work on *Fast Five* and continued work on *Harry Potter and the Deathly Hallows - Part 2* and *Pirates of the Caribbean: On Stranger Tides*. Animation activities experienced strong growth due to increased capacity. In the first quarter, the Digital Production business also launched and started generating revenues from its 2D to 3D conversion activity.
- Postproduction revenues increased in the first quarter of 2011, driven by further strengthening of market positions in TV Broadcast in the US and language versioning, improved mix in the theatrical feature business and market share gains in the theatrical trailer activities.

### • Theatrical Services

- Digital Cinema distribution activities continued to grow strongly as a result of increasing digital screen penetration in the US and in Europe.
- Photochemical film footage decreased by 39% in the first quarter of 2011 compared to the first quarter of 2010, resulting from the termination of the film printing contract with Universal Studios in the fourth quarter of 2010 and from the impact of the continuing transition of theaters to digital.

## PRN

In the first quarter of 2011, revenues from PRN were lower than in the first quarter of 2010, which was not yet fully impacted by the change in the scope of the relationship with Walmart which occurred at the end of 2009. However, this negative impact was partly offset by stronger advertising sales to other customers and by the addition of new retail clients in the course of 2010.



**DVD Services**

In the first quarter of 2011, combined DVD and Blu-ray™ volumes increased by 51%, mainly reflecting market share gains and continued strong growth in Blu-ray™, driven by increased household penetration of Blu-ray™ disc players and by the sustained performance of Blu-ray™ new release and catalog sales.

Excluding the impact of Warner Bros., volumes increased slightly in the first quarter of 2011 compared to the first quarter of 2010, reflecting a positive trend associated with lower year-on-year decline in Standard Definition DVD and acceleration in Blu-ray™ growth.

**DVD volumes**

In million units	Q1 2010	Q1 2011
<b>DVD volumes</b>	<b>216</b>	<b>326</b>
<i>Change (%)</i>		+51%
o/w SD DVD (Standard Definition DVD)	192	275
<i>Change (%)</i>		+44%
o/w BD (Blu-ray™)	7	28
<i>Change (%)</i>		+311%
o/w Games and Kiosk	18	23
<i>Change (%)</i>		+31%

**Digital Delivery**

In the first quarter of 2011, Digital Delivery revenues were up 2.8% at current currency and up 1.9% at constant currency compared to the first quarter of 2010.

**Digital Delivery revenues**

In € million	Q1 2010	Q1 2011
Revenues	283	291
<i>Change, as reported (%)</i>		+2.8%
<i>Change at constant currency (%)</i>		+1.9%

**Connect**

In the first quarter of 2011, the Connect business recorded a slight increase in revenues compared to the first quarter of 2010, reflecting continued strong growth in global shipments of Digital Home Products, particularly set-top boxes for Cable and Satellite customers, partly offset by a less favorable overall mix year-over-year.

- In **Satellite**, set-top box volumes grew significantly, primarily driven by strong customer demand in South America and India, as well as by increased shipments of higher-end products such as HD-PVRs to a key customer in North America. The Satellite product mix was nevertheless less favorable year-over-year.



- In **Cable**, growth in set-top box volumes was strong, principally as a result of higher shipments of digital-to-analog adapters to a key North American customer, partly offset by lower deliveries of cable modems despite solid demand from European and South American customers. The Cable product mix was however less favorable compared to the first quarter of 2010.
- In **Telecom**, the decline in volumes primarily reflected lower shipments of broadband gateways and IP set-top boxes to European customers, partly offset by robust growth in deliveries of basic DSL modems.

**Digital Home Products Indicators**

In million units	Q1 2010	Q1 2011
<b>Total Digital Home Products</b>	<b>4.7</b>	<b>5.7</b>
<i>Change (%)</i>		+21%
o/w Satellite	1.6	2.2
<i>Change (%)</i>		+42%
o/w Cable	1.1	1.6
<i>Change (%)</i>		+44%
o/w Telecom	2.1	1.9
<i>Change (%)</i>		(8)%

**Digital Content Delivery Services**

Digital Content Delivery Services revenues increased slightly in the first quarter of 2011 compared to the first quarter of 2010, driven by growth in revenues from Media Services activities, partly offset by a slight decline in revenues from Broadcast Services activities.

- **Media Services** revenues principally benefited from higher volumes of Compression & Authoring services, driven by increased customer demand, particularly for Blu-ray™ titles, as well as market share gains, partly offset by lower revenues from Distribution services, as a result of the continued decline of traditional Tape Duplication services, and despite higher volumes of Digital services. In the first quarter, Technicolor and Verizon Digital Media Services launched a strategic partnership to bring scale, expertise and end-to-end digital workflow support to the digital media industry.
- **Broadcast Services** revenues primarily suffered from an unfavorable comparison base with a first quarter of 2010 positively impacted by the Winter Olympic Games. Market trend for the migration of TV broadcast networks to high definition continued in the quarter.



**Update on disposals**

- On 23 February 2011, the Group announced it had received a fully documented binding offer from the FCDE (Fonds de Consolidation et de Développement des Entreprises) for the acquisition of its Head-end business. As previously indicated, the transaction is expected to close in the first half of 2011, subject to the relevant customary regulatory administrative approvals and consultations.
- On 4 April 2011, the Group announced the completion of the sale of its Transmission business to PARTER Capital Group.

An analyst conference call hosted by Frederic Rose, CEO and Stéphane Rougeot, CFO will be held on Thursday 28 April 2011 at 16:00 CET. The presentation document will be made available on the Technicolor website prior to the call.

**Financial Calendar**

Annual General Meeting	8 June 2011
H1 2011 Results	28 July 2011
Q3 2011 Revenues	27 October 2011

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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 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.*

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## **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 world's 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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