

2012: A robust performance

- **Revenue growth driven by Technology and Connected Home**
- **Adj. EBITDA and Free Cash Flow generation exceeding objectives and up vs. 2011**
- **Significant deleveraging and sharp reduction in net debt**
- **Return to net profit in H2 2012**

FY 2012 Financial Highlights

- Revenue growth at constant scope¹ and currency: up 2.2% at €3.5 billion, driven by Connected Home and Technology.
- Adjusted EBITDA² at €512 million, exceeding objectives.
- Net profit of €17 million excluding EU antitrust fine; net loss of €22 million including €38.6 million EU antitrust fine.
- Group Free cash flow³ up 31% at €106 million, exceeding objectives.
- Net debt at nominal value (non IFRS) at €839 million at December 31, 2012, a reduction of €291 million compared to end December 2011.

H2 2012 Financial Highlights

- Group revenues up 3.4% at constant scope and currency. Excluding legacy activities⁴ which affected Entertainment Services performance, revenues were up 7.2% at constant rate.
- Adjusted EBITDA at €314 million.
- Net profit of €4 million including the €38.6 million EU antitrust fine.
- Group Free Cash Flow more than doubled at €104 million.

¹ At constant scope: excluding Broadcast Services and IPTV activities sold in 2012, and VoIP activities sold in January 2013

² EBIT from continuing operations excluding other income (expense), and Depreciation & Amortization (including impact of provisions for risks, litigations and warranties)

³ Free Cash Flow from both continuing operations and discontinued operations

⁴ Legacy activities include photochemical film, compression & authoring and tape duplication

In €million	Second Half			Full Year		
	2011	2012	Change, reported	2011	2012	Change, reported
Group revenues from continuing operations	1,891	1,934	+2.2%	3,450	3,580	+3.8%
<i>Change at constant currency (%)</i>		(0.8)%			(0.2)%	
<i>Change at constant rate and scope</i>		+3.4%			+2.2%	
Adjusted EBITDA from continuing operations	308	314	+2.0%	475	512	+7.8%
<i>As a % of revenues</i>	16.3%	16.2%	(0.1)pt	13.8%	14.3%	+0.5pt
Net Income	(212)	4	+217	(324)	(22)	+302
Group Free cash flow	49	104	+55	81	106	+25
Cash position at 31 December				370	397	+7.3%
Net Debt IFRS at 31 December				957	718	(24.9)%
Net Debt non IFRS at 31 December				1,130	839	(25.8)%

Technicolor, on track to deliver on Amplify 2015

A strong 2012 business performance

- **Technology:** Solid growth in revenues driven particularly by the record performance of patent licensing programs and sustained MPEG LA revenues;
- **Entertainment Services:** Resiliency of DVD activities, which outperformed the market in 2012; strong reduction in exposure to legacy activities; growth in Digital Creative Services despite some softness in H2;
- **Connected Home:** Strong revenue growth driven by emerging markets; turnaround plan on track with a return to adjusted EBITDA positive in second half of 2012 and breakeven in FY 2012.

A strengthened financial position

- Technicolor's financial structure significantly improved in the second half of 2012 as a result of the capital increases completed in the third quarter and the significant positive free cash flow generation achieved by the Group in 2012.
 - Nominal gross debt (non IFRS) reduced by €264 million;
 - Increase of the Group's cash position to €397 million at end December 2012 compared to €370 million at end December 2011;
 - Net debt at nominal value (non IFRS) reduced by €291 million.
- Technicolor significantly deleveraged its balance sheet in 2012 with Net Debt to adjusted EBITDA ratio (as per Group's covenants) strongly improved to 1.41x versus 1.97x the previous year.

Ramping up new growth areas in 2012

- Sustained pace of Intellectual Property production and continued contribution to standards;
- Launch of **Color and Image Certification** programs in Technology licensing and development of the **Cinestyle** offer to target *prosumers*, leveraging on Technicolor's technology expertise in color fidelity and image enhancement and its Hollywood name recognition;
- Launch of innovative solutions to address expanding digital markets and more specifically **M-GO**, the Group's digital initiative which aims at becoming consumers' first stop to find and watch satisfying entertainment content, and **Magic Ruby**, the Group's second-screen initiative, offering broadcasters and advertisers new monetization solutions;
- Launch of several new added value services for content creators, in particular on-set services and **Cineglass**, an end-to-end digital solution platform for content creators and distributors.

2013 objectives

- Growth of adj. EBITDA between 5% to 10% compared to FY 2012 adj. EBITDA at constant scope⁵ (€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 (mainly the EU antitrust fine for €38.6 million).
- Net debt to adj. EBITDA ratio (as per Group's covenants) below 1.25x at end December 2013.

Confirmed value of Technicolor's Intellectual Property portfolio:

- Technicolor SA has increased its statutory shareholders' equity in December 2012, ahead of its legal obligation, through the intra-group transfer of Thomson Licensing SAS, the owner of all Technicolor patents. The sale by Technicolor SA to a fully-owned subsidiary at market value resulted in a material non cash profit as the shares were previously registered at their historical value of €40 million.
- Technicolor chose NERA Economic Consulting, a division of Marsh & McLennan Group, as an independent firm to value Thomson Licensing SAS. NERA performed the valuation using the DCF approach as the principal method, backed-up by a Market Multiple approach and achieved an average value of Thomson Licensing SAS of €2.2 billion.
- Consequently, the statutory equity of Technicolor SA amounted to €2.0 billion at the end of 2012. This intra-group transaction had no impact on the Group's consolidated financial statements.

⁵ Adjusted EBITDA at constant scope excluding Broadcast Services and IPTV activities sold in 2012, and VoIP activities sold in January 2013 (see table page 22)

Frederic Rose, Chief Executive Officer of Technicolor, stated:

“Our 2012 results demonstrate that Technicolor is fully on track to achieve its Amplify 2015 strategic roadmap and capture new opportunities to deliver an enhanced media experience to consumers and prosumers. With higher sales, improved profitability, free cash-flow above our targets and a strengthened balance sheet, 2012 was a year of significant financial and strategic achievements for Technicolor. Our strong operational performance demonstrates the robustness of our business model and our capacity to innovate”.

An analyst conference call hosted by Frederic Rose, CEO, and Stéphane Rougeot, CFO and SEVP Strategy, will be held on Friday, February 22, 2013 at 3:00 pm CET.

Financial Calendar

Q1 2013 Revenues	April 26, 2013
AGM 2013	May 23 2013
H1 2013 Results	July 26 2013
Q3 2013	25 October 2013

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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Fourth quarter and second half of 2012 financial highlights

Paris (France), 22 February 2013 – The Board of Directors of Technicolor (Euronext Paris: TCH) met yesterday to review the Group's full year 2012 results.

Summary of consolidated results for the second half and full year of 2012 (unaudited)

All figures are preliminary and subject to final completion of review procedures.

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 2011, a set of adjusted indicators which 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 on page 23, amounted to an impact on Group EBIT from continuing operations of €(58) million in the second half of 2012 (€(240) million in H2 2011).

In €million	Second Half			Full Year		
	2011	2012	Change, reported	2011	2012	Change, reported
Group revenues from continuing operations <i>Change at constant currency (%)</i>	1,891	1,933 (0.8)%	+2.2%	3,450	3,580 (0.2)%	+3.8%
Group gross margin <i>As a % of revenues</i>	436 23.1%	476 24.6%	+9.0% +1.5pt	736 21.3%	830 23.2%	+12.8% +1.9pt
Adjusted EBITDA from continuing operations <i>As a % of revenues</i>	308 16.3%	314 16.2%	+2.0% (0.1)pt	475 13.8%	512 14.3%	+7.8% +0.5pt
Adjusted EBIT from continuing operations <i>As a % of revenues</i>	195 10.3%	207 10.7%	+6.3% +0.4pt	232 6.7%	301 8.4%	+29.5% +1.7pt
EBIT from continuing operations	(45)	149	+194	(33)	264	+296
Financial result	(95)	(81)	+14	(187)	(197)	(9)
Share of profit/(loss) from associates	1	(1)	(2)	0	(5)	(6)
Income tax	(70)	(27)	+43	(83)	(49)	+34
Profit/(loss) from continuing operations	(209)	40	+249	(303)	13	+316
Loss from discontinued operations	(3)	(35)	(32)	(21)	(35)	(14)
Net income	(212)	4	+217	(324)	(22)	+302
Operating cash flow from continuing operations ⁶	199	211	+12	261	312	+51
Group Free cash flow	49	104	+54	81	106	+25
Net financial debt (IFRS)				957	718	(239)
Net financial debt at nominal value (non IFRS)				1,130	839	(291)

⁶ Operating cash flow from continuing operations is defined as adjusted EBITDA minus net capex and restructuring cash out.

Stable operating profitability in H2 2012

- In the second half of 2012, revenues from continuing operations amounted to €1,933 million compared with €1,891 million in the second half of 2011, a 2.2% increase at current currency but a 0.8% decrease at constant currency. At constant scope and currency, revenues were up 3.4%.
- In the second half of 2012, gross margin amounted to €476 million, up 9% at current currency, and represented 24.6% of revenues, an improvement of 1.5 points year-on-year.
- Adjusted EBITDA from continuing operations amounted to €314 million in the second half of 2012 compared with €308 million in the second half of 2011, a 2.0% increase year-on-year at current currency, with adjusted EBITDA margin of 16.2% of revenues, broadly stable.
- This improvement in adjusted EBITDA was driven by increased Technology profitability generated by strong Licensing performance and the return of Connected Home to positive adjusted EBITDA, which offset the weaker performance in Entertainment Services. Corporate costs increased year-on-year, as the reduction in costs of transversal functions was offset by higher incentive program costs related to the strong financial improvement recorded year-on-year, increased costs for growth initiatives and a negative comparison base versus 2011 that included several positive non-recurring impacts.

Positive net result in H2 2012, despite the European Union antitrust fine

- In the second half of 2012, adjusted EBIT from continuing operations amounted to €207 million compared to €195 million in the second half of 2011, an increase in margin of 0.4 point driven by lower depreciation & amortization expenses.
- EBIT from continuing operations totaled €149 million in the second half of 2012 compared with a loss of €45 million in the second half of 2011. EBIT from continuing operations included in the second half of 2012 a provision related to litigation with a third party for €17 million and restructuring costs (including the closure of Thomson Angers operations) just above 1% of revenues, down from 3.8% of revenues in the second half of 2011.
- In the second half of 2012, the Group's financial result amounted to €(81) million compared to €(95) million in the second half of 2011. The financial result included net interest charges of €69 million in the second half of 2012, compared to €75 million in the second half of 2011.
- Net result was a profit of €4 million in the second half of 2012, compared to a loss of €212 million in the second half of 2011. This figure includes the €38.6 million antitrust fine imposed by the European Commission, classified as a "Net loss from discontinued operations", as it related to a business discontinued by the Group in 2005, and the €17 million litigation provision mentioned above.

Sustained Operating Cash Flow from continuing operations in H2 2012

- Operating cash flow from continuing operations amounted to €211 million in the second half of 2012, an increase of €12 million compared with the second half of 2011, and represented 10.9% of revenues, a year-on-year increase of 0.4 point. In the second half of 2012, cash outflow for net capital expenditures amounted to €73 million, a €8.5 million year-on-year decrease resulting mostly from a decrease in capital expenditure in Creative Services, reflecting the completion of sizeable investments. Cash outflow related to restructuring amounted to €31 million, or 1.6% of revenues, broadly stable compared to the second half of 2011.

Group Free Cash Flow above €100 million in H2 2012

- Group Free Cash Flow amounted to €104 million in H2 2012, compared to €49 million in H2 2011.
- Main impacts on Group Free Cash Flow are as follows:
 - Cash financial charges amounted to €56 million in H2 2012;
 - Other cash charges, mainly related to tax, pensions and non-current items amounted to €49 million in H2 2012;
 - Free Cash Flow from continuing operations amounted to €106 million, while Free Cash Flow from discontinued operations resulted in a cash charge of €2 million.

Significant net debt reduction

- Nominal gross debt (non IFRS) amounted to €1,236 million (€1,115 million IFRS) at end December 2012 compared to €1,500 million (€1,327 million IFRS) at end December 2011, a reduction of €264 million. This improvement reflected prepayments of €162 million related to the capital increases and Broadcast disposal, scheduled senior debt repayments of €58 million, other net debt repayments of €8 million, excess free cash flow of €25 million in 2011 and a foreign exchange impact of €11 million.
- The Group's cash position also improved and amounted to €397 million at end December 2012 compared to €370 million at end December 2011 reflecting strong free cash flow generation of €106 million in 2012, positive contribution of the capital increases of €179 million, debt reimbursement for €(253) million (nominal basis) and others for €(5) million.
- Net debt at nominal value (non IFRS) amounted to €839 million at end December 2012 compared to €1,130 million at end December 2011, a decrease of €291 million.
- Net debt as per consolidated financial statements (IFRS) amounted to €718 million at end December 2012 compared to €957 million at end December 2011, a decrease of €239 million.
- Technicolor has received a firm offer for a new €50 million receivables backed credit facility replacing the existing €100m facility which expires in April 2013. The replacement facility, at improved terms versus the existing one, is currently under negotiation. Technicolor's other receivables backed credit facility, a \$125 million facility with Wells Fargo in the U.S, was amended in Q1 2012, extending the maturity to 2016 and improving the terms and conditions.

Financial covenants

As of December 31, 2012, the Group met its financial covenants.

Covenants*		Actual on 31 December, 2012
Interest cover	EBITDA/Financial Interests above 3.65x	4.53x
Leverage	Net debt/EBITDA below 2.25x	1.41x
Capital expenditure (in € million)		140

* 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 23.

Fourth quarter, second half and full year of 2012 segment review

Summary of Group financial indicators by segment (unaudited)

In €million	Q4 2011	Q4 2012	H2 2011	H2 2012	FY 2011	FY 2012
Group revenues*	1,054	1,005	1,891	1,933	3,450	3,580
<i>Change as reported (%)</i>		(4.7)%		+2.2%		+3.8%
<i>Change at constant currency (%)</i>		(6.2)%		(0.8)%		(0.2)%
o/w Technology	130	150	237	279	456	515
<i>Change as reported (%)</i>		+15.7%		+17.6%		+12.9%
<i>Change at constant currency (%)</i>		+20.0%		+23.3%		+13.5%
o/w Entertainment Services	594	524	1,048	973	1,832	1,730
<i>Change as reported (%)</i>		(11.8)%		(7.2)%		(5.6)%
<i>Change at constant currency (%)</i>		(15.1)%		(12.4)%		(11.0)%
o/w Digital Delivery	329	330	604	681	1,157	1,334
<i>Change as reported (%)</i>		+0.3%		+12.8%		+15.3%
<i>Change at constant currency (%)</i>		(0.4)%		+10.0%		+12.0%
o/w Connected Home	283	326	517	671	989	1,244
<i>Change as reported (%)</i>		+15.1%		+29.9%		+25.7%
<i>Change at constant currency (%)</i>		+14.2%		+26.6%		+22.0%
Adjusted EBITDA*			308	314	475	512
<i>Change as reported (%)</i>				+2.0%		+7.8%
As % of revenues			16.3%	16.2%	13.8%	14.3%
o/w Technology			183	222	346	400
<i>Change as reported (%)</i>				+21.7%		+15.7%
As % of revenues			77.2%	79.8%	75.9%	77.8%
o/w Entertainment Services			163	132	230	199
<i>Change as reported (%)</i>				(18.8)%		(13.3)%
As % of revenues			15.6%	13.6%	12.5%	11.5%
o/w Digital Delivery			(2)	15	(20)	14
<i>Change as reported (%)</i>				nm		nm
As % of revenues			(0.4)%	2.1%	(1.7)%	1.1%
o/w Connected Home			(17)	12	(43)	1
<i>Change as reported (%)</i>				nm		nm
As % of revenues			(3.4)%	1.8%	(4.4)%	0.1%
Adjusted EBIT*			195	207	232	301
As % of revenues			10.3%	10.7%	6.7%	8.4%
o/w Technology			180	225	337	400
As % of revenues			76.1%	80.7%	73.9%	77.8%
o/w Entertainment Services			75	39	53	26
As % of revenues			7.1%	4.0%	2.9%	1.5%
o/w Digital Delivery			(23)	(0)	(73)	(20)
As % of revenues			(3.9)%	0.0%	(6.3)%	(1.5)%
o/w Connected Home			(32)	(2)	(81)	(34)
As % of revenues			(6.2)%	(0.2)%	(8.2)%	(2.7)%

* Continuing operations.

Technology

Technology financial indicators

In €million	Q4 2011	Q4 2012	H2 2011	H2 2012	FY 2011	FY 2012
Revenues	130	150	237	279	456	515
<i>Change as reported (%)</i>		15.7%		17.6%		+12.9%
<i>Change at constant currency (%)</i>		20.0%		23.3%		+13.5%
o/w Licensing revenues	129	150	234	278	451	512
<i>Change as reported (%)</i>		16.6%		18.4%		+13.6%
<i>Change at constant currency (%)</i>		20.9%		24.2%		+14.2%
Adjusted EBITDA			183	222	346	400
<i>Change as reported (%)</i>				21.7%		+15.7%
<i>As % of revenues</i>			77.2%	79.8%	75.9%	77.8%
Adjusted EBIT			180	225	337	400
<i>As % of revenues</i>			76.1%	80.7%	73.9%	77.8%
EBIT			186	225	343	403
<i>As % of revenues</i>			78.3%	80.7%	75.2%	78.3%

In the second half of 2012, Technology revenues reached €279 million, up 17.6% at current currency and up 23.3% at constant currency compared to the second half of 2011. adjusted EBITDA margin for the Technology segment increased by 2.6 points year-on-year to 79.8% of revenues, driven by a particularly strong performance in Licensing, as well as continuing cost optimization.

For the full year 2012, Technology revenues totaled €515 million, up 12.9% at current currency and up 13.5% at constant currency compared to the full year 2011, with Licensing revenues recording an all-time high. As a result, adjusted EBITDA margin for the Technology segment rose by 1.9 points year-on-year to 77.8% of revenues.

Q4 2012 Revenue Highlights

In the fourth quarter of 2012, Technology revenues amounted to €150 million, up 15.7% at current currency and up 20.0% at constant currency compared to the fourth quarter of 2011.

Licensing

In the fourth quarter of 2012, Licensing revenues recorded year-on-year growth of 20.9% at constant currency, as a result of the strong performance of the Group's non MPEG LA patent Licensing programs. In line with the trends of the third quarter of 2012, the patent licensing programs experienced strong growth, notably across the Digital TV programs, benefiting from additional new contracts and contract renewals, along with good volume performances by some of the Group's licensees in the fourth quarter of 2012.

Research and Innovation ("R&I") activities in 2012

In 2012, the Research and Innovation ("R&I") division sustained the pace of high quality Intellectual Property production and its contributions in key standardization bodies.

Over 2012, R&I significantly increased its contribution to standards, representing Technicolor in more than 10 Standardization bodies, including MPEG, ATSC, DVB, SMPTE, DVB & VQEG.

R&I focused on areas where Technicolor has strong differentiation, specifically in High Efficiency Video Coding ("HEVC") and MPEG/ITU, in coding sound and image. HEVC is the next generation video compression standard jointly developed between MPEG and ITU-T VCEG. Technicolor has participated from the outset, chairing or co-chairing core experiments during development of the standard and contributing innovative technologies. Technicolor was instrumental in the creation of the Main10 profile for improved video quality, likely to play a key role in Ultra-High Definition (UHD). A further extension of the standard, Scalable HEVC (SHVC) is at the centre of new activity in R&I, underlining the commitment of Technicolor to the evolution of industry standards. Similarly, R&I has developed ground-breaking technology to underpin its active participation in the MPEG Call for Proposal on 3D Audio Coding. This standard is envisaged to deliver a highly immersive audio experience to home theaters and personal devices, bringing incomparable quality to the combined Home and Consumer Electronic markets.

Technicolor also significantly increased its investment in ATSC 3.0 (Advanced Television Systems Committee). This project capitalizes on Technicolor's existing and developing technologies, in which Technicolor is one of the historical participants. Specifically, Technicolor's interests are focused on the physical, transport and application layers, including audio/video coding.

In 2012, Technicolor filed 444 priority applications with respect to new inventions. The maintained pace of filings underpins the commitment to focus on high quality patents in targeted technology areas (such as Video and Audio Compression, Image enhancement, Networking, Content security & Privacy), creating long term monetization opportunities for Patent Licensing and Technology Licensing. Technicolor was also granted 2,300 patents in 2012 compared to 2,000 granted patents on average per year over the 2004-2011 period. At the end of 2012, over 66% of Technicolor's patent portfolio has a lifetime of 10 years or more.

R&I significantly raised its scientific excellence and reputation in 2012. Scientific excellence is measured through publications (that in turn lead to strong Intellectual Property differentiation) and collaboration with the best academic research institutions worldwide. R&I published in 2012 more than 40 articles in top tier scientific events (per the international research community ranking). Collaborations have been established with four among the top six universities (per the Shanghai ranking): Berkeley, Stanford, MIT, and Cambridge. In France, the IP agreement with INRIA, a public research institute, has been renewed.

Entertainment Services

Entertainment Services include Creative Services, DVD Services and IZ-ON Media (formerly PRN). Technicolor has been developing new technology solutions to support the transition of its customers to digital and is managing its digital creative services business to capture growth opportunities, while limiting exposure to fast declining legacy activities. Therefore, Technicolor is now presenting the performances of its Creative Services business in two categories: Digital Creative Services (Digital Production, Digital Postproduction and Distribution, Digital Cinema) and legacy activities (Photochemical film, Compression & Authoring, Tape duplication).

Entertainment Services financial indicators

In €million	Q4 2011	Q4 2012	H2 2011	H2 2012	FY 2011	FY 2012
Revenues	594	524	1,048	973	1,832	1,730
Change as reported (%)		(11.8)%		(7.2)%		(5.6)%
Change at constant currency (%)		(15.1)%		(12.4)%		(11.0)%
Adjusted EBITDA			163	132	230	199
Change as reported (%)				(18.8)%		(13.3)%
As % of revenues			15.6%	13.6%	12.5%	11.5%
Adjusted EBIT			75	39	53	26
As % of revenues			7.1%	4.0%	2.9%	1.5%
EBIT			10	29	(29)	12
As % of revenues			0.9%	3.0%	(1.6)%	0.7%

In the second half of 2012, Entertainment Services revenues totaled €973 million, down 7.2% at current currency and down 12.4% at constant currency. Excluding legacy activities, revenues were down 2.4% at current currency and down 7.9% at constant currency reflecting some softness in Digital Production and Digital Cinema and a revenue decrease in DVD Services largely driven by the decline in Standard Definition volumes. In the second half of 2012, combined Standard Definition DVD and Blu-ray™ volumes decreased by 5%, with Blu-ray™ growth of 26% and Games growth of 8%. Adjusted EBITDA amounted to €132 million or 13.6% of revenues, down 2.0 points, due to the revenue decline.

In the full year of 2012, Entertainment Services experienced a decrease in revenues largely due to legacy activities, which represented in 2012 only 5% of the Group's total revenues compared to 8% in full year 2011. Excluding legacy activities, revenues were flat at current currency and down 5.8% at constant currency. Adjusted EBITDA amounted to €199 million in full year 2012 or a margin of 11.5%, down 1.0 point compared to full year 2011. Performances by division are as follows:

- Creative Services experienced a year-on-year decrease in revenues, with continued weakness in legacy activities partly offset by slight growth in Digital Creative Services revenues, despite some softness in the second half of the year. The activity of Visual Effects ("VFX") for feature film recorded a weak performance due to the delay in some sizeable projects, leading to a particularly low level of VFX activity for feature films in the London facilities.

The Group implemented cost reduction measures in its Creative Services division in the second half of 2012 to mitigate the impact of lower sales on its profitability. Profitability has been progressively restored and in the fourth quarter adjusted EBITDA margin recorded a decrease of only 0.5 point compared to the fourth quarter of 2011 despite the softness experienced in the quarter.

- In DVD Services, a total of 1.45 billion units were replicated in 2012, a 6% decrease compared to the full year 2011, which benefited from several successful Harry Potter-related releases. Blu-ray™ shipments accelerated throughout the year and Standard Definition DVD volumes were resilient in the North American market – despite continued pressure in the TV-DVD category.

For the full year 2012, adjusted EBITDA margin for DVD Services remained stable, despite an 8% year-on-year contraction in revenues and a slight margin decline in the second half of 2012. This performance was driven by multiple factors, including an improved products mix, the positive impact of ongoing cost savings initiatives and efficiency improvement programs, and reduction of offload, which offset specific customer price reductions. The DVD Services division posted solid free cash flow generation in the second half of 2012, largely due to continuing focus on cost savings and tight management of working capital requirements.

- In 2012, IZ-ON Media experienced a decline in revenues resulting from a weak US advertising market during the course of the year which has impacted its contribution to the adjusted EBITDA margin.

Creative Services - Q4 2012 Revenue Highlights

In the fourth quarter of 2012, Creative Services recorded a year-on-year decline in revenues, due to the sharp drop of legacy activities and continued weakness in VFX for feature films. The Group continued to take actions to adjust its cost base to lower revenues and changing activity mix.

Digital Creative Services

- **Digital Production** activities recorded a year-on-year decrease in revenues in the fourth quarter of 2012, reflecting softness in Visual Effects (“VFX”) for feature films, offset in part by stable revenues in VFX for commercials. The softness in feature film VFX activities was due to delays in some sizeable projects that impacted the London facility, while customer workload was ramping up at the Vancouver facility. Commercial VFX activities recorded stable revenues following three quarters of strong performance, especially at Los Angeles and New York facilities.

In the fourth quarter of 2012, VFX teams completed work on *Man of Steel* (Warner), while continuing work on *Maleficent* (Disney), *The Seventh Son* (Warner), *The Lone Ranger* (Disney) and *47 Ronin* (Universal). They also started work on *Percy Jackson: Sea of Monsters* (Fox). VFX teams won the BAFTA award for *Life of Pi* (Fox), and have been nominated for Oscars for their work on *Prometheus* (Fox) and *Life of Pi*. This was another demonstration of Technicolor’s excellence in servicing its studio customers.

- **Digital Postproduction and Distribution Services** activities experienced mixed trends in the fourth quarter of 2012, following several straight quarters of sustained revenue growth. Sound activities continued to expand at a fast pace, thanks to the ramp-up of the Group’s new facilities, notably in Hollywood, whereas Video activities suffered from market softness. During the quarter Hollywood Postproduction teams maintained their leading position in Broadcast TV series, and gained market share with tent-pole movies.

Technicolor's excellence in servicing was also demonstrated as the Group served 19 projects that have received Oscar nominations, including 6 of the 9 films nominated for the Best Picture Oscar and award nominations for its sound mixing team on *Skyfall* (Sony).

Digital Distribution Services activities delivered another quarter of strong year-on-year revenue growth in the fourth quarter of 2012, benefiting from continued work on the catalogs of titles of major Over-the-Top and Video-on-Demand players, as well as initial work on new delivery formats for in-flight entertainment.

- **Digital Cinema** activities reported a slight year-on-year revenue decline in the fourth quarter of 2012, with a significant rebound in volume offset by specific customer price reductions given early in the year. At the end of December 2012, digital screen penetration was 84% in North America and 70% in Europe.

Legacy activities

As expected, legacy activities continued to decline sharply in the fourth quarter of 2012, in particular photochemical film activities with photochemical film footage down 59% and revenues down 40% year-on-year. Technicolor continued in the quarter to reduce its exposure to such activities, which represented 4.3% of Group revenues.

DVD Services - Q4 2012 Revenue Highlights

In the fourth quarter of 2012, combined Standard Definition DVD and Blu-ray™ volumes decreased by 8% compared to the fourth quarter of 2011. This decline was driven by a decrease in Standard DVD volumes, attributable to an overall weaker title release slate year-on-year, as well as a challenging comparison base in Europe, which benefited from the release of multi-disc and special edition collector's box-sets for the *Harry Potter* franchise in the fourth quarter of 2011.

These factors were partially offset by strengthening growth in Blu-ray™, with volumes up 27% in the fourth quarter of 2012 following a 25% increase in the third quarter of 2012, as well as stronger Games shipments, driven by several major title releases for Microsoft's Xbox video game console. Major titles produced in the fourth quarter of 2012 included *Brave* (Walt Disney), *The Dark Knight Rises* (Warner Bros.), *Ted* (Universal) and *Paranormal Activity 4* (Paramount).

DVD / Blu-ray™ volumes

In million units	Q4 2011	Q4 2012	H2 2011	H2 2012	FY 2011	FY 2012
Total Volumes	529	487	947	895	1540	1,454
Change (%)		(8)%		(5)%		(6)%
o/w SD-DVD (Standard Definition)	423	365	772	691	1270	1,160
Change (%)		(14)%		(10)%		(9)%
o/w Blu-ray™	57	72	101	127	152	182
Change (%)		+27%		+26%		+19%
Games	38	40	57	62	85	88
Change (%)		+6%		+8%		+4%
Software and Kiosk	10	9	16	15	33	25
Change (%)		(9)%		(10)%		(25)%

Digital Delivery

Following the sale of the Broadcast Services, the SmartVision (television-over-IP) businesses and the Cirpack softswitch operations (voice-over-IP), Technicolor has renamed the existing “Digital Delivery” segment to “Connected Home”. The business review is focused on Connected Home activities. Digital Delivery financial indicators are presented for reconciliation purposes.

Digital Delivery financial indicators

In €million	Q4 2011	Q4 2012	H2 2011	H2 2012	FY 2011	FY 2012
Revenues	329	330	604	681	1,157	1,334
<i>Change, as reported (%)</i>		0.3%		12.8%		15.3%
<i>Change at constant currency (%)</i>		(0.4)%		10.0%		12.0%
Adjusted EBITDA			(2)	15	(20)	14
<i>As % of revenues</i>			(0.4)%	2.1%	(1.7)%	1.1%

Connected Home financial indicators

In €million	Q4 2011	Q4 2012	H2 2011	H2 2012	FY 2011	FY 2012
Revenues	283	326	517	671	989	1,244
<i>Change, as reported (%)</i>		15.1%		29.9%		25.7%
<i>Change at constant currency (%)</i>		14.2%		26.6%		22.0%
Adjusted EBITDA			(17)	12	(43)	1
<i>As % of revenues</i>			(3.4)%	1.8%	(4.4)%	0.1%
Adjusted EBIT			(32)	(2)	(81)	(34)
<i>As % of revenues</i>			(6.2)%	(0.2)%	(8.2)%	(2.7)%
EBIT			(183)	(43)	(242)	(56)
<i>As % of revenues</i>			(35.5)%	(6.5)%	(24.4)%	(4.5)%

In the second half of 2012, Connected Home revenues totaled €671 million, up 29.9% at current currency and up 26.6% at constant currency compared to the second half of 2011. This performance was primarily driven by sustained customer demand across Latin America, strong growth in the Asia-Pacific region, as well as increasing mix of higher-end Cable devices in North America. Connected Home adjusted EBITDA amounted to €12 million in the second half of 2012 compared to €(17) million in the second half of 2011 and €(12) million in the first half of 2012, due to very strong revenue growth and the benefit of cost savings initiatives. Gross margin improved by 3.5 points at 14.5% in the second half of 2012, driven by Connected Home’s new customer wins for solutions and services across all regions over the period and cost savings initiatives completed in the second half of 2012. Cost savings achieved in full year 2012 amounted to €27 million, a gap of €5 million compared to the target announced in December 2011 and mainly due to some delay in the restructuring in Europe.

For the full year 2012, Connected Home revenues were €1,244 million, up 25.7% at current currency and up 22.0% at constant currency compared to the full year 2011, driven by record product volumes of more than 30 million units (+27%), an all-time high. Connected Home adjusted EBITDA amounted to €1 million in the full year 2012 compared to €(43) million in the full year 2011, reflecting the positive outcome of the turnaround plan launched by the Group in December 2011. This performance was in line with the Group's objective to achieve adjusted EBITDA breakeven for the Connected Home segment in 2012. Gross margin also improved by 2.6 points year-on-year to 13.0%. Free cash flow was impacted by restructuring expenses associated with cost reduction actions initiated as part of the turnaround plan of the Connected Home segment and by operating working capital needs associated with the significant growth of the business in 2012.

Connected Home - Q4 2012 Revenue Highlights

In the fourth quarter of 2012, Connected Home revenues amounted to €326 million, up 15.1% at current currency and up 14.2% at constant currency compared to the fourth quarter of 2011, confirming the solid trend experienced in the second and third quarters of 2012 (revenues up in double-digits). This performance principally reflected strong customer demand across emerging markets, particularly in Latin America and Asia-Pacific, as well as improved overall product mix in North America, driven by Cable customers.

- In **North America**, Connected Home product volumes recorded a year-on-year decline in the fourth quarter of 2012, reflecting softer shipments in Satellite set top boxes and digital-to-analog Cable adaptors. Overall product mix however significantly improved year-on-year, driven by growing contribution from new products introduced in the third quarter of 2012 and higher-end devices in Cable, partly offset by weaker deliveries of HD PVRs in Satellite compared to the prior-year quarter.
- In **Latin America**, global demand was strong in the fourth quarter of 2012, as reflected by double-digit year-on-year growth in Connected Home product volumes, driven by stronger shipments of Satellite set top boxes, particularly in Brazil, as well as increased deliveries of broadband gateways to Telecom customers, especially in Mexico. However overall product mix was less favorable year-on-year, principally as a result of a decreased proportion of HD devices in total volumes compared to the prior-year quarter.
- In **Europe, Middle-East and Africa**, Connected Home products posted a slight year-on-year volume decline in the fourth quarter of 2012, as strong growth in shipments of Telecom broadband gateways and Cable modems largely offset softer set top box deliveries, due primarily to the phase-out of some Satellite and Telecom devices. Overall product mix was slightly lower year-on-year, driven principally by a reduced contribution of HD set top boxes in total shipments compared to the prior-year quarter.
- In **Asia-Pacific**, customer demand remained at a high level across the region in the fourth quarter of 2012, as reflected by more than a three-fold increase in Connected Home product volumes year-on-year, primarily as a result of a sharp growth in set top box shipments to Satellite customers, especially in India and Malaysia and new high-end solutions delivered to Telecom customers, in particular in Australia.

Connected Home Product Volumes

In million units		Q4 2011	Q4 2012	H2 2011	H2 2012	FY 2011	FY 2012
Total Connected Home Product Volumes*		6.4	7.9	11.6	15.7	23.7	30.1
<i>Change (%)</i>			+22%		+35%		+27%
<u>o/w</u>	North America	1.9	1.1	3.5	2.8	7.7	6.8
	<i>Change (%)</i>		(39)%		(19)%		(12)%
	Latin America	2.9	3.8	4.7	7.6	8.9	13.7
	<i>Change (%)</i>		+31%		+63%		+53%
	Europe, Middle-East and Africa	1.3	1.3	2.4	2.5	4.9	5.4
	<i>Change (%)</i>		(2)%		+2%		+10%
	Asia-Pacific	0.4	1.7	1.0	2.8	2.2	4.3
	<i>Change (%)</i>		+311%		+172%		+99%

* Including tablets and other connected devices

UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS

(in € million)

	Year ended December 31,	
	Unaudited 2012	2011
Continuing operations		
Revenues	3,580	3,450
Cost of sales	(2,750)	(2,714)
Gross margin	830	736
Selling and administrative expenses	(397)	(376)
Research and development expenses	(132)	(128)
Restructuring costs	(29)	(83)
Net impairment losses on non-current operating assets	(10)	(188)
Other income (expense)	2	6
Profit (loss) from continuing operations before tax and net finance income (expense)	264	(33)
Interest income	4	5
Interest expense	(149)	(154)
Other financial income (expense)	(52)	(38)
Net finance income (expense)	(197)	(187)
Share of loss from associates	(5)	-
Income tax	(49)	(83)
Profit (loss) from continuing operations	13	(303)
Discontinued operations		
Net loss from discontinued operations	(35)	(21)
Net income (loss)	(22)	(324)
Attributable to:		
- Equity holders	(20)	(323)
- Non-controlling interests	(2)	(1)

(in euros, except number of shares)

	Year ended December 31,	
	2012	2011
Weighted average number of shares outstanding (basic net of treasury shares held) ⁽¹⁾	275,885,374	211,364,435
Earnings (loss) per share from continuing operations		
- basic	0.05	(1.4)
- diluted	0.05	(1.3)
- basic	(0.12)	(0.1)
- diluted	(0.12)	(0.1)
Total earnings (loss) per share		
- basic	(0.07)	(1.5)
- diluted	(0.07)	(1.4)

(1) According to IAS 33.26 and IAS 33.27b, the weighted average number of shares outstanding was adjusted in 2012 and 2011 to take into account the share capital increase with preferential subscription rights that occurred on August 14, 2012. The 2011 earnings (loss) per share was adjusted accordingly.

UNAUDITED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(in € million)

	Unaudited December 31, 2012	December 31, 2011
ASSETS		
Non-current assets		
Property, plant and equipment	350	401
Goodwill	478	481
Other intangible assets	433	459
Investments in associates and joint ventures	18	14
Investments and available-for-sale financial assets	7	7
Derivative financial instruments	-	1
Contract advances and up-front prepaid discount	42	49
Deferred tax assets	388	394
Income tax receivable	20	20
Other non-current assets	66	67
Cash collateral and security deposits	15	14
Total non-current assets	1,817	1,907
Current assets:		
Inventories	112	118
Trade accounts and notes receivable	526	585
Income tax receivable	12	13
Other current assets	340	325
Cash collateral and security deposits	29	35
Cash and cash equivalents	397	370
Assets classified as held for sale	4	66
Total current assets	1,420	1,512
Total assets	3,237	3,419

UNAUDITED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(in € million)

EQUITY AND LIABILITIES

Shareholders' equity:

Common stock (335,543,841 shares at December 31, 2012 with nominal value of €1 per share)
 Treasury shares
 Additional paid-in capital
 Subordinated perpetual notes
 Notes redeemable in shares
 Other reserves
 Retained earnings (accumulated deficit)
 Cumulative translation adjustment

	Unaudited December 31, 2012	December 31, 2011
	335	224
	(156)	(156)
	940	857
	500	500
	-	13
	-	60
	(1,142)	(1,122)
	(240)	(225)
Shareholders' equity	237	151
Non-controlling interests	4	4
Total equity	241	155
Non-current liabilities:		
Borrowings	1,019	1,242
Retirement benefits obligations	353	349
Restructuring provisions	1	2
Other provisions	76	83
Deferred tax liabilities	158	167
Other non-current liabilities	96	97
Total non-current liabilities	1,703	1,940
Current liabilities:		
Borrowings	96	85
Derivative financial instruments	-	1
Retirement benefits obligations	35	37
Restructuring provisions	45	79
Other provisions	78	58
Trade accounts and notes payable	445	499
Accrued employee expenses	164	138
Income tax payable	13	14
Other current liabilities	414	361
Liabilities classified as held for sale	3	52
Total current liabilities	1,293	1,324
Total liabilities	2,996	3,264
Total equity and liabilities	3,237	3,419

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

(in € million)

	Year ended December 31	
	Unaudited 2012	2011
Net income (loss)	(22)	(324)
Loss from discontinued operations	(35)	(21)
Profit (loss) from continuing operations	13	(303)
<i>Summary adjustments to reconcile profit from continuing operations to cash generated from continuing operations</i>		
Depreciation and amortization	219	261
Impairment of assets ⁽¹⁾	16	191
Net changes in provisions	(75)	1
Gain on asset disposals	-	(8)
Interest (income) and expense	145	149
Other non-cash items (including tax)	77	80
Changes in working capital and other assets and liabilities	26	20
Cash generated from continuing operations	421	391
Interest paid	(117)	(124)
Interest received	4	5
Income tax paid	(49)	(7)
Net operating cash generated from continuing activities	259	265
Net operating cash used in discontinued operations	(6)	(19)
Net cash from operating activities (I)	253	246
Acquisition of subsidiaries, associates and investments, net of cash acquired	(10)	(12)
Net cash impact from sale of investments	17	14
Purchases of property, plant and equipment (PPE)	(80)	(106)
Proceeds from sale of PPE and intangible assets	2	5
Purchases of intangible assets including capitalization of development costs	(69)	(64)
Cash collateral and security deposits granted to third parties	(4)	(7)
Cash collateral and security deposits reimbursed by third parties	8	31
Loans (granted to) / reimbursed by third parties	(1)	1
Net investing cash used in continuing activities	(137)	(138)
Net investing cash used in discontinued operations	(5)	(20)
Net cash used in investing activities (II)	(142)	(158)
Increase in capital (net of fees paid)	179	-
Changes in ownership interests with no gain / loss of control, net of transaction fees	-	3
Proceeds from borrowings	2	4
Repayments of borrowings	(255)	(55)
Fees paid linked to the debt and capital restructuring	(1)	(9)
Hedge accounting	2	-
Net financing cash generated used in continuing activities	(73)	(57)
Net financing cash used in discontinued operations	-	-
Net cash used in financing activities (III)	(73)	(57)
Net increase in cash and cash equivalents (I+II+III)	38	31
Cash and cash equivalents at beginning of year	370	332
Exchange gains/(losses) on cash and cash equivalents	(11)	7
Cash and cash equivalents at end of year	397	370

(1) Including €6 million and €3 million of impairment of assets as part of restructuring plans in 2012 and 2011, respectively.

Summary of consolidated results at constant scope (unaudited)

At constant scope: excluding Broadcast Services activities, sold by the Group in July 2012, as well as IPTV/VoIP activities.

In €million	Second Half			Full Year		
	2011	2012	Change, reported	2011	2012	Change, reported
Group revenues from continuing operations <i>Change at constant currency (%)</i>	1,804	1,923 +3.4%	+6.6%	3,282	3,489 +2.2%	+6.3%
Group gross margin <i>As a % of revenues</i>	415 23.0%	469 24.4%	+13.0% +1.4pt	703 21.4%	800 22.9%	+13.9% +1.5pt
Adjusted EBITDA from continuing operations <i>As a % of revenues</i>	293 16.2%	312 16.2%	+6.5% 0.0pt	452 13.8%	498 14.3%	+10.3% +0.5pt
Adjusted EBIT from continuing operations <i>As a % of revenues</i>	186 10.3%	206 10.7%	+10.6% +0.4pt	225 6.8%	287 8.2%	+27.8% +1.4pt
EBIT from continuing operations	(37)	152	+189	(23)	263	+286

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 2011, a set of adjusted indicators which 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 the Group EBIT from continuing operations of €(36) million for the full year of 2012 (€(266) million for the full year of 2011).

In €million	H2 11	H2 12	Change	FY 11	FY 12	Change
EBIT from continuing operations	(45)	149	+194	(33)	264	+297
Restructuring charges, net	(73)	(21)	+52	(83)	(29)	+55
Net impairment losses on non-current operating assets	(175)	(5)	+170	(189)	(10)	+179
Other income / (expense)	8	(32)	(40)	6	3	(4)
Adjusted EBIT from continuing operations	195	207	+12	232	301	+68
<i>As a % of revenues</i>	<i>10.3%</i>	<i>10.7%</i>	<i>+0.4pt</i>	<i>6.7%</i>	<i>8.4%</i>	<i>+1.7pt</i>
Depreciation and amortization (D&A)*	113	107	(6)	243	211	(32)
Adjusted EBITDA from continuing operations	308	314	+6	475	512	+37
<i>As a % of revenues</i>	<i>16.3%</i>	<i>16.2%</i>	<i>(0.1)pt</i>	<i>13.8%</i>	<i>14.3%</i>	<i>+0.5pt</i>

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