

Solid revenue growth in Q2 2012

Improved Adjusted EBITDA in H1 2012

Paris (France), July 25, 2012 – The Board of Directors of Technicolor (Euronext Paris: TCH) met yesterday to review the Group's first half 2012 results.

H1 2012 highlights

- Group revenues up 5.6% at current currency compared to H1 2011, and up 0.6% at constant currency. Growth in Technology revenues driven by a strong Q2 2012 and the confirmed recovery of Connected Home fully offset the decline in Entertainment Services revenues;
- Adjusted EBITDA¹ up 18.5% at €198 million, or 12% of revenues, an increase of 1.3 point compared with H1 2011 resulting from a strong performance in Technology, a broadly stable contribution of Entertainment Services and the ongoing turnaround of Connected Home;
- Significant reduction in Group net loss at €(26) million compared to a loss of €(112) million in H1 2011;
- Positive Group Free Cash Flow² at €2 million, reflecting the control on working capital despite the strong recovery of Connected Home. Net debt at nominal value (non IFRS) amounting to €1,161 million at June 30, 2012.

In € million	Second Quarter			First Half		
	2011	2012	Change, reported	2011	2012	Change, reported
Group revenues from continuing operations <i>Change at constant currency (%)</i>	747	846	13.3% 5.9%	1,559	1,646	5.6% 0.6%
Adjusted EBITDA from continuing operations <i>As a % of revenues</i>				167 10.7%	198 12.0%	18.5%
Group's net Income				(112)	(26)	
Group free cash flow				32	2	
Cash position				370 ³	305	
Net debt IFRS				957 ³	1,020	
Net debt non IFRS				1,130 ³	1,161	

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

² Free Cash Flow from both continuing operations and discontinued operations

³ At December 31, 2011

Q2 2012 revenues highlights

Group revenues from continuing operations amounted to €846 million in Q2 2012, up 13.3% at current currency and up 5.9% at constant currency compared to Q2 2011.

- **Technology:** Licensing revenues recorded strong growth of 20.7% at constant currency, reflecting continuing strength of MPEG LA revenues and good performances across its programs, in particular in Digital TV and Set Top Boxes;
- **Entertainment Services:** Revenues were down 13.1% at constant currency and down only 6.1% excluding photochemical film activities which are at end of life. DVD Services reported an improvement compared with the first quarter of 2012 with volume growth in North America and softer volume decrease in Europe. Creation Services recorded another quarter of revenue growth;
- **Digital Delivery:** Confirmed recovery of Connected Home, with revenues up 34.7% at constant currency, reflecting a strong recovery in volumes and product mix. This recovery was also confirmed by additional customer wins for new solutions and services across Americas, EMEA and APAC.

A strengthened financial structure

- The financial structure will be strengthened in the second half of 2012 with the completion of the Broadcast Services disposal on July 2 and the ongoing capital increases that will lead to Vector Capital ("Vector"), through its private equity funds and the Luxembourg company Petalite Investment S.à r.l. ("Petalite"), becoming a significant shareholder of Technicolor.
- The €17.5 million of net proceeds resulting from the disposal of Broadcast Services will be fully applied to debt reduction, as well as 80% of total net proceeds of the two capital increases in accordance with the credit agreements.
- These capital increases, of an amount comprised between €167 million and €191 million, will allow Technicolor to strengthen its balance sheet and enhance its capabilities to implement its "Amplify 2015" strategic roadmap.
- A supplemental note to the *note d'opération* (the "Supplemental Note"), which principally includes the first half 2012 financial statements, is being filed with the *Autorité des Marchés Financiers* ("AMF") with a visa expected on July 26, 2012. In accordance with the law, a withdrawal period for investors who have exercised their rights and subscribed to new shares prior the publication of the Supplemental Note will open from July 27 to July 30, 2012. The Rights issue is open until August 2, 2012 post market opening hours.
- As a result of the settlement and delivery on July 16 of the reserved capital increase to Petalite, Technicolor has already received gross proceeds of €95 million. The Rights Issue that is ongoing will be closed on August 2 with a settlement on August 14 and will generate between €72million and €96million of gross proceeds.
- On a proforma basis, calculated in relation to the debt level at June 30, 2012, net debt at nominal value (non IFRS) would have been comprised between €960 million and €984 million at June 30, 2012 upon completion of the two transactions. Net debt as per consolidated financial statements would have been comprised between €821 million and €844 million at June 30, 2012.

Amplify 2015 recent developments

As part of its Amplify 2015 roadmap announced in February 2012, several initiatives have already been identified, with offers being designed for a potential market launch over the next 12 to 18 months. They include:

- M-Go, the innovative platform aiming at helping consumer discover, access and share effortless its media, which entered at the beginning of the summer 2012 in closed beta launch and is planned to be rolled-out mainstream before year-end;
- Innovative services to content creators such as on-set digital capture services successfully launched in the second quarter of 2012 with major project wins with Fox and other studios, digital production workflow management services and value-added content distribution services;
- Roll-out of the Technology licensing model to proactively disseminate content-based innovations around Color and Sound to the consumer electronic industry and digital platforms;
- A new venture set-up with digital advertising entrepreneurs to accelerate the development of advertising and content enrichment services based on Technicolor innovations for “second-screen”.

Confirmation of 2012 objectives

Based on H1 2012 achievements, Technicolor confirms its 2012 objectives:

- Adjusted EBITDA in the range of €475-500 million.
- Positive free cash flow generation despite higher restructuring expenses and investments in growth businesses.
- Operate within the financial covenants of credit agreements.



Frederic Rose, Chief Executive Officer of Technicolor, stated:

“Our solid first semester results in a difficult market environment are a good result, especially with regard to the confirmed recovery of the Connected Home business. These results demonstrate that we are on track to achieve the guidance provided earlier this year. The growth of our revenues, the improvement of our EBITDA and our positive Free Cash Flow, combined with the strengthening of our financial structure in the second half of 2012, are encouraging signs for the future”.

An analyst conference call hosted by Frederic Rose, CEO and Stéphane Rougeot, CFO and SEVP Strategy will be held on Wednesday, July 25, 2012 at 3:00 pm CET.

Financial Calendar

Q3 2012 Revenues	October 26, 2012
FY 2012 Results	February 22, 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 or indications of future events, trends, plans or objectives, based on certain assumptions or which do not directly relate to historical or current facts. Such forward-looking statements are based on management's current expectations and beliefs and are subject to a number of risks and uncertainties that could cause actual results to differ materially from the future results expressed, forecasted or implied by such forward-looking statements. For a more complete list and description of such risks and uncertainties, refer to Technicolor's filings with the French Autorité des marchés financiers."

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About Technicolor

Technicolor, a worldwide technology leader in the media and entertainment sector, is at the forefront of digital innovation. Our world class research and innovation laboratories enable us to lead the market in delivering advanced video services to content creators and distributors. We also benefit from an extensive intellectual property portfolio focused on imaging and sound technologies, based on a thriving licensing business. Our commitment: supporting the delivery of exciting new experiences for consumers in theaters, homes and on-the-go. Euronext Paris: TCH • www.technicolor.com

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First half 2012 financial highlights

Summary of consolidated first half 2012 results (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 of providing a more comparable view of the evolution of its operating performance compared to the first half of 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 €22 million in the first half of 2012 (€(25) million in the first half of 2011).

In € million	First Half (ending June 30)		
	2011	2012	Change, reported
Group revenues from continuing operations	1,559	1,646	5.6%
<i>Change at constant currency (%)</i>		0.6%	
Adjusted EBITDA from continuing operations	167	198	18.5%
<i>As a % of revenues</i>	10.7%	12.0%	1.3 pt
Adjusted EBIT from continuing operations	37	93	151.4%
<i>As a % of revenues</i>	2.4%	5.7%	+3.3pt
EBIT from continuing operations	12	115	103
Financial result	(92)	(116)	(24)
Share of profit/(loss) from associates	(1)	(4)	(3)
Income tax	(13)	(21)	(8)
Profit/(loss) from continuing operations	(94)	(26)	68
Loss from discontinued operations	(18)	0	18
Net income	(112)	(26)	86
Operating cash flow from continuing operations ⁴	62	101	39
Group free cash flow	32	2	(30)
	Dec. 2011	June 2012	Change, reported
Net financial debt as per consolidated financial statements	957	1,020	63
Net financial debt at nominal value (non IFRS)	1,130	1,161	31

⁴ Operating cash flow from continuing operations is defined as Adjusted EBITDA minus net capex and restructuring cash out.

Stable revenues and increased operating profitability in H1 2012

- In the first half of 2012, revenues from continuing operations amounted to €1,646 million compared with €1,559 million in the first half of 2011, an increase of 0.6% at constant currency.
- In the first half of 2012, gross margin amounted to €354 million, up 18.3%, and represented 21.5% of revenues, an improvement of 2.3 points year-on-year.
- Adjusted EBITDA from continuing operations amounted to €198 million compared with €167 million in the first half of 2011, a 18.5% increase year-on-year or 1.3 points margin growth.
- These increases resulted from the good level of activity across the three segments and tight cost containment due in particular to the Operational Excellence program that Technicolor implemented in December 2011 to improve its overall competitiveness through increased operational efficiency and a reduction of the cost structure.

Net loss reduced by €86 million in H1 2012

- In the first half of 2012, adjusted EBIT from continuing operations amounted to €93 million compared to €37 million in the first half of 2011, an increase in margin of 3.3 points reflecting the increase in Adjusted EBITDA margin and lower depreciation & amortization expenses.
- EBIT from continuing operations amounted to €115 million in the first half of 2012 compared with €12 million in the first half of 2011. Other impacts amounted to €22 million compared with €(25) million in the first half of 2011, reflecting a €4 million loss related to the deconsolidation of Angers, lower restructuring and impairment charges and a positive curtailment gain of €41 million. This gain resulted from Technicolor's decision to align its retirees life insurance benefits in the US with the practice of other US companies. As a result, future cash out related to the retirement benefit obligations in the US will be reduced.
- In the first half of 2012, the Group's financial result amounted to €(116) million, including net interest charges of €76 million, of which €18 million non-cash charges related to IFRS effective interest rate impact (in accordance with IAS 39-43 the reinstated debt was initially valued at its fair value, resulting in a gain of €229 million as of May 26, 2010 and is subsequently measured at amortized cost using the effective interest rate method).
- Net result amounted to a loss of €26 million in the first half of 2012 compared with a loss of €112 million in the first half of 2011.

Sustained Operating Cash Flow from continuing operations in H1 2012

- Operating cash flow from continuing operations amounted to €101 million in the first half of 2012, an increase of €39 million compared with the first half of 2011, and represented 6.1% of revenues, a year-on-year increase of 2.1 points. In the first half of 2012, cash outflow for net capital expenditures amounted to €74 million, a €10 million year-on-year decrease resulting from a decrease in capacity expansion in Blu-ray™, and with the bulk of the investment in the US sound facility already done. Cash outflow related to restructuring amounted to €23 million, broadly stable year-on-year.



Positive Group Free Cash Flow in H1 2012

- The Group generated positive Free Cash Flow of €2 million in H1 2012 compared with €32 million in H1 2011 which benefited from a strong contribution from working capital due in particular to the drop in the Connected Home business. The Group generated positive Free Cash Flow for the third consecutive semester.
- Main impacts on Group Free Cash Flow are as follows:
 - Free Cash Flow from continuing operations amounted to €5 million, resulting from an improved Adjusted EBITDA, tight control of working capital despite the significant growth reported by Connected Home and a sustained level of restructuring costs;
 - Working capital improved by €13 million in H1 2012;
 - Cash financial charges amounted to €72 million in H1 2012.
 - Other cash charges, mainly related to tax, pensions and discontinued activities, amounted to €40 million in H1 2012.

Cash position and financial debt

- Gross debt at nominal value amounted to €1,466 million on 30 June 2012, a decrease of €34 million compared with 31 December 2011, reflecting:
 - Debt reimbursement for €56 million resulting in particular from a normal scheduled repayment of €22 million and an excess cash flow mandatory prepayment of €25 million;
 - An increase in the debt level due to a negative forex impact of €22 million on the Group's debt denominated in US dollar.
- The Group's cash position amounted to €305 million on 30 June 2012, compared with €370 million at 31 December 2011. The change in cash position resulted from:
 - Positive Group Free Cash Flow of €2 million;
 - Debt reimbursement for €(56) million;
 - Other for €(11) million, including in particular the impact of a joint-venture with Indoor Direct and the acquisition of French assets in Postproduction.
- Net debt at nominal value (non IFRS) amounted to €1,161 million on June 30, 2012, compared to €1,130 million at December 31, 2011;
- Net debt as per consolidated financial statements amounted to €1,020 million on June 30, 2012, compared to €957 million at December 31, 2011.



Financial covenants

On 30 June 2012, the Group met its financial covenants.

Covenant*		Actual on 30 June 2012
Interest cover	EBITDA/Financial Interests above 3.35x	4.28x
Leverage	Net debt/EBITDA below 2.70x	1.94x
Capital expenditure		N/A (tested only at year end)

* 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, except for some perimeter differences.

Second quarter and first half 2012 segment review

Summary of Group financial indicators by segment (unaudited)

In € million	Q2 2011	Q2 2012	H1 2011	H1 2012
Group revenues*	747	846	1,559	1,646
<i>Change as reported (%)</i>		13.3%		5.6%
<i>Change at constant currency (%)</i>		5.9%		0.6%
o/w Technology	89	115	219	236
<i>Change as reported (%)</i>		28.5%		7.9%
<i>Change at constant currency (%)</i>		19.7%		2.9%
o/w Entertainment Services	379	362	784	757
<i>Change as reported (%)</i>		(4.6)%		(3.4)%
<i>Change at constant currency (%)</i>		(13.1)%		(9.2)%
o/w Digital Delivery	277	370	554	653
<i>Change as reported (%)</i>		33.5%		18.0%
<i>Change at constant currency (%)</i>		28.0%		14.2%
Adjusted EBITDA*			167	198
<i>Change as reported (%)</i>				18.5%
<i>As % of revenues</i>			10.7%	12.0%
o/w Technology			163	178
<i>Change as reported (%)</i>				9.0%
<i>As % of revenues</i>			74.6%	75.4%
o/w Entertainment Services			67	67
<i>Change as reported (%)</i>				0.1%
<i>As % of revenues</i>			8.5%	8.8%
o/w Digital Delivery			(18)	(0)
<i>Change as reported (%)</i>				nm
<i>As % of revenues</i>			(3.2)%	(0.0)%
Adjusted EBIT*			37	93
<i>As % of revenues</i>			2.4%	5.7%
o/w Technology			156	176
<i>As % of revenues</i>			71.4%	74.4%
o/w Entertainment Services			(21)	(12)
<i>As % of revenues</i>			(2.7)%	(1.6)%
o/w Digital Delivery			(50)	(20)
<i>As % of revenues</i>			(9.0)%	(3.1)%

* Continuing operations.

Technology

Technology financial indicators

In € million	Q2 2011	Q2 2012	H1 2011	H1 2012
Revenues	89	115	219	236
<i>Change as reported (%)</i>		28.5%		7.9%
<i>Change at constant currency (%)</i>		19.7%		2.9%
o/w Licensing revenues	88	114	217	235
<i>Change as reported (%)</i>		29.6%		8.4%
<i>Change at constant currency (%)</i>		20.7%		3.3%
Adjusted EBITDA			163	178
<i>Change as reported (%)</i>				9.0%
<i>As % of revenues</i>			74.6%	75.4%
Adjusted EBIT			156	176
<i>As % of revenues</i>			71.4%	74.4%
EBIT			157	178
<i>As % of revenues</i>			71.8%	75.5%

In the first half of 2012, Technology revenues totaled €236 million, up 7.9% at current currency and up 2.9% at constant currency compared to the first half of 2011, with Licensing revenues up 8.4% at current currency and 3.3% at constant currency. Adjusted EBITDA margin for the Technology segment increased by 0.8 point year-on-year to 75.4% of revenues, driven by the growth in Licensing business, as well as stable operating costs.

Licensing revenue trends and Research & Innovation (“R&I”) milestones in Q2 2012

In the second quarter of 2012, Technology revenues amounted to €115 million, up 28.5% at current currency and up 19.7% at constant currency compared to the second quarter of 2011.

- Licensing revenues increased strongly by 20.7% at constant currency in the second quarter of 2012, reflecting good performances across the different programs, including renewals in Digital TV and Digital SetTop Boxes. MPEG LA revenues were strong in the second quarter of 2012, with Technicolor remaining a key contributor to the pool.
- In the second quarter of 2012, Research & Innovation (“R&I”) transferred several innovations to the Group’s other businesses. For example, a new postproduction tool was transferred to Technicolor India. Using this tool, artists can pre-visualize in real time lighting and texturing of complex animated sequences that would otherwise require hours of rendering on a dedicated, expensive render farm. Technicolor’s technology produces near to final rendering quality at standard playback speed, where competing pre-visualization solutions provide lower rendering quality in order to reach interactivity. Content creators can thus focus on crucial tasks and unleash their creativity, one of the key objectives of Technicolor’s 2012-2015 research orientation. This solution has been tested by Technicolor Digital Production’s animation studio in India during the authoring of its most recent direct-to-video title.



Other innovations for content creators as well as content distributors were also displayed during the Science and Technology week that took place on June 25- 27 at Technicolor's Headquarter in Issy-les-Moulineaux. 26 technologies were showcased during the Open Days, some of which being in active transfer to the Group's other businesses. Other advanced technologies slated for transfer later in 2012 and early 2013 were demonstrated as well as 'on the horizon' exploratory topics which will drive technology in Technicolor in the years to come. This included Color Sciences, 3D, Restoration and Archiving, Visual Effects (VFX), Synchronization technologies, Content Interactivity, Recommendation and Targeted Profiling, and Smart Home. This event created an opportunity for innovation at Technicolor to openly connect with the Group's customers and partners.

Entertainment Services

Entertainment Services financial indicators

In € million	Q2 2011	Q2 2012	H1 2011	H1 2012
Revenues	379	362	784	757
<i>Change as reported (%)</i>		(4.6)%		(3.4)%
<i>Change at constant currency (%)</i>		(13.1)%		(9.2)%
Adjusted EBITDA			67	67
<i>Change as reported (%)</i>				0.1%
<i>As % of revenues</i>			8.5%	8.8%
Adjusted EBIT			(21)	(12)
<i>As % of revenues</i>			(2.7)%	(1.6)%
EBIT			(39)	(17)
<i>As % of revenues</i>			(4.9)%	(2.3)%

In the first half of 2012, Entertainment Services revenues totaled €757 million, down 3.4% at current currency and down 9.2% at constant currency compared with the first half of 2011, resulting from the continuing rapid decline of Photochemical Film activities and some weakness in Europe for DVD Services, partially offset by the DVD volume improvement in North America, some growth in Digital Production and strong revenue growth in Postproduction and Media Services. In the first half of 2012, digital services represented 67% of Creation Services and Theatrical Services revenues compared with 53% in 2011.

Entertainment Services Adjusted EBITDA was stable year-on-year and margin improved by 0.3 point compared with the first half of 2011. The improved mix resulting from the increased weight of digital services and further cost savings initiatives in particular in DVD Services compensated the contraction in revenues and the continuing ramp up costs related to the additional postproduction facilities in the US and in France.

- Creation Services posted a year-on-year decrease in margin, due to the delayed release of two movies, which impacted the level of activity of Digital Production, and to the continuing ramp up in the second quarter of 2012 of the Group's new postproduction facilities in the US and in France, which will reach full capacity by the end of the year;
- Theatrical Services margin was up compared with the first half of 2011, reflecting further improvement in the mix between Photochemical Film and Digital Cinema Distribution activities.
- DVD Services margin remained stable, driven by multiple factors, notably the positive impact of ongoing cost savings initiatives and efficiency improvement programs and the sustained volume performance in North America.

Entertainment Services revenue trends in Q2 2012

In the second quarter of 2012, Entertainment Services revenues amounted to €362 million, down 4.6% at current currency and down 13.1% at constant currency compared with the second quarter of 2011, and only down 6.1% at constant currency excluding Photochemical Film activities.

- **Creation Services**

Creation Services posted strong revenue growth in the second quarter of 2012 compared with the second quarter of 2011, with growing digital revenues in Postproduction and Media Services.

- Digital Production experienced slight revenue growth in the second quarter of 2012 compared to the second quarter of 2011. Visual Effects ("VFX") for commercials remained strong, without fully offsetting a weaker quarter for feature films. The feature film VFX activity was affected by the delay in two sizeable projects, *World War Z* and *47 Ronin*, with the bulk of the workload being pushed back toward the end of the year. In the second quarter of 2012, VFX teams completed work on *Prometheus* while continuing work on *Superman* and *Life of Pi* and starting to work on *The Lone Ranger*.
- Postproduction revenues increased significantly in the second quarter of 2012 compared to the second quarter of 2011, as the Group continued to benefit from its investments in both talents and technologies. This activity reported strong growth in the US and in Europe with a positive contribution of the new sound facilities in the US and in France. During the second quarter, the Group successfully launched its on-set digital capture services with major project wins with Fox (*The Internship*) and other studios. An agreement was also signed with Colorworks (Sony) to deploy the F65 new Sony Camera workflow.
- Media Services revenues were up in the second quarter of 2012, as Digital Distribution Services benefited from strong growth of the Group's digital solutions for Over-the-Top and Video-on-Demand players, especially in the UK.

- **Theatrical Services**

Revenues from Theatrical Services decreased in the second quarter of 2012 compared with the second quarter of 2011 mainly due to the drop of 53% in photochemical film footage and to the slowdown in Digital Cinema Distribution. Digital Cinema Distribution reported a decrease in the second quarter of 2012 reflecting the weaker slate of titles released by the Group's Studio clients and increased pricing pressure particularly in Europe, but also in North America. At the end of June 2012, digital screen penetration reached 73% in North America and 62% in Europe. At this level of penetration, the strong growth in revenues generated over the past years by the rapid conversion of the screens is going to slowdown.

DVD Services

In the second quarter of 2012, combined SD-DVD and Blu-ray™ volumes decreased by 2% compared to the second quarter of 2011. This marked improvement over the 9% decrease experienced in the previous quarter resulted in a limited volume decline of 6% in the first half of 2012, notwithstanding an unusually weak release slate from the Group's Studio clients over the period. In the quarter, Technicolor also commenced operations on a new multi-year distribution services agreement with Universal Pictures Home Entertainment for the Canadian territory.

Standard Definition DVD volumes continued to show resiliency, with the European market declining less than in the previous quarter and the North American market experiencing a slight year-on-year increase. Blu-ray™ volumes rebounded from an unusually soft first quarter, with a 17% increase in the second quarter of 2012. Games volumes deteriorated somewhat due to a weaker slate of new release titles compared to the second quarter of 2011.

The second quarter is traditionally the lightest period of the year for major studio and games new releases, and the ongoing stability of volumes in the quarter demonstrates continued consumer appetite for packaged media products.

DVD volumes

In million units	Q2 2011	Q2 2012	H1 2011	H1 2012
Total DVD volumes	267	262	593	559
<i>Change (%)</i>		<i>(2)%</i>		<i>(6)%</i>
o/w SD-DVD (Standard Definition DVD)	223	221	498	470
<i>Change (%)</i>		<i>(1)%</i>		<i>(6)%</i>
o/w BD (Blu-ray™)	23	27	51	54
<i>Change (%)</i>		<i>+17%</i>		<i>+6%</i>
o/w Games	13	9	27	25
<i>Change (%)</i>		<i>(27)%</i>		<i>(6)%</i>
o/w Software and Kiosk	8	5	17	10
<i>Change (%)</i>		<i>(29)%</i>		<i>(41)%</i>

PRN

PRN experienced a slight year-on-year decline in revenues in the second quarter of 2012, due to lower advertising revenues compared to the second quarter of 2011.

Digital Delivery (Connected Home)

Digital Delivery financial indicators

In € million	Q2 2011	Q2 2012	H1 2011	H1 2012
Revenues	277	370	554	653
<i>Change, as reported (%)</i>		33.5%		18.0%
<i>Change at constant currency (%)</i>		28.0%		14.2%
o/w Connected Home revenues	234	330	473	572
<i>Change, as reported (%)</i>		40.9%		21.0%
<i>Change at constant currency (%)</i>		34.7%		16.8%
Adjusted EBITDA			(18)	(0)
<i>As % of revenues</i>			(3.2%)	(0.0%)
Adjusted EBIT			(50)	(20)
<i>As % of revenues</i>			(9.0)%	(3.1)%
EBIT			(59)	(29)
<i>As % of revenues</i>			(10.7)%	(4.4)%

In the first half of 2012, revenues were up 18% at current currency and 14.2% at constant currency, driven by strong growth of Connected Home in the second quarter following the stabilization reported in the first quarter. In the first half of 2012, Adjusted EBITDA for the Digital Delivery segment was at breakeven. Connected Home Adjusted EBITDA amounted to €(12) million compared with €(26) million in the first half of 2011. The turnaround plan of Connected Home launched in December 2011 is on track and Connected Home is well positioned to achieve Adjusted EBITDA breakeven in 2012 and to generate a positive Adjusted EBITDA in the second half of 2012.

Connected Home performed extremely well in the first half of 2012 with a top line growth of 16.8% year-on-year at constant currency. In addition, Connected Home had new customer wins for new solutions and services in all regions. Gross margin in the first half of 2012 was up 1.4 point at 11.2%. The impact of the cost saving initiatives was slightly behind expectations (by €4.6 million), due to delays in the restructuring in Europe, which will only be completed in the third quarter of 2012.

Connected Home revenue trends in Q2 2012

In the second quarter of 2012, Digital Delivery revenues amounted to €370 million, up 33.5% at current currency and up 28% at constant currency compared to the second quarter of 2011. This increase was due to the strong recovery reported by Connected Home.

In the second quarter of 2012, Connected Home recorded revenue growth of 34.7% at constant currency with revenues growing in all regions compared with the second quarter of 2011. Volumes were up 31% in the second quarter and 20% in the first half of 2012, reflecting an overall improvement in the product mix since the beginning of the year. With 14.5 million units of Connected Home products delivered in the first half of 2012, volumes have returned to their 2009 level.

The Group reported a strong performance in Latin America and Asia-Pacific as well as a significant improvement of the Europe, Middle-East and Africa region:

- In **North America (NAM)**, Connected Home product volumes were down year-on-year, as volumes in the second quarter of 2011 were driven by particularly strong shipments of digital-to-analog adaptors (DTAs). This decline in volumes was more than offset however by an improved product mix. The Group remains confident in its ability to deliver stable revenue year-on-year in North America on a full year basis.
- In **Europe, Middle-East and Africa (EMEA)**, Connected Home was strongly up in the second quarter of 2012, with increased deliveries of Gateways and Modems & Routers. This sharp increase in volumes and larger deliveries of HD PVRs in Cable have been partially offset by the phase-out of some Set Top Box contracts. The Group expects its European operations to continue improving throughout 2012 despite adverse market conditions.
- In **Latin America (LATAM)**, volumes reported another quarter of strong growth compared with an already strong second quarter of 2011, with shipments of Set Top Boxes more than doubling year-on-year. This region is set to be Technicolor's largest market over the next few years, backed by strong demand and the move upmarket by the Group's customers. Technicolor expects continuous strong revenue growth over the course of the year.
- In **Asia-Pacific (APAC)**, more than 1 million Connected Home products were delivered over the second quarter of 2012 mainly due to a strong increase in Set Top Boxes. The Asia-Pacific market is now significant, with dynamic growth in the Group's revenues in particular in India. Technicolor expects that revenues will keep on growing strongly in Asia-Pacific in the second half of 2012.

Connected Home product volumes by region

In million units	Q2 2011	Q2 2012	H1 2011	H1 2012
Total Connected Home product volumes*	6.2	8.2	12.1	14.5
<i>Change (%)</i>		+31%		+20%
o/w NAM	2.4	2.0	4.2	4.0
<i>Change (%)</i>		(17)%		(6)%
o/w EMEA	1.2	1.7	2.8	3.0
<i>Change (%)</i>		+37%		+4%
o/w LATAM	2.1	3.5	3.9	6.0
<i>Change (%)</i>		+70%		+56%
o/w APAC	0.5	1.0	1.1	1.5
<i>Change (%)</i>		+83%		+34%

* Including tablets and other connected devices



Other continuing operations

Adjusted EBITDA for the “Other” segment amounted to €(47) million in the first half of 2012 compared with €(45) million in the first half of 2011.

Thomson Angers SAS

At the end of May 2012, Thomson Angers SAS filed for insolvency (“cessation de paiement”) with the Nanterre Commercial Court (France) and has petitioned the Court to open rehabilitation proceedings (“redressement judiciaire”) for Thomson Angers SAS, which was approved by the Court on June 1, 2012 for a duration of 6 months. An independent Legal Administrator was named on June 1, 2012. The production workload of Thomson Angers SAS is secured until mid September with Set Top Boxes orders committed by Technicolor expiring at this date. The Group has no further orders in the European region that it could entrust to Thomson Angers SAS. The ongoing rehabilitation proceedings are still ongoing.

CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

	Six months ended June 30,	
	2012 Unaudited	2011 Unaudited
<i>(€ in millions)</i>		
Continuing operations		
Revenues	1,646	1,559
Cost of sales	(1,292)	(1,260)
Gross margin	354	299
Selling and administrative expenses	(199)	(197)
Research and development expenses	(61)	(65)
Other income (expense)	21	(25)
Profit from continuing operations before tax and net finance income (expense)	115	12
Interest income	2	4
Interest expense	(78)	(78)
Other financial income (expense)	(40)	(18)
Net finance income (expense)	(116)	(92)
Share of loss from associates	(4)	(1)
Income tax	(21)	(13)
Profit (loss) from continuing operations	(26)	(94)
Discontinued operations		
Net loss from discontinued operations	-	(18)
Net income (loss)	(26)	(112)
Attributable to:		
- Equity Holders	(25)	(112)
- Non-controlling interests	(1)	-
<i>(in euro, except number of shares)</i>		
Weighted average number of shares outstanding (basic net of treasury stock)		
	224,773,855	206,807,162
Earnings (loss) per share from continuing operations		
- basic	(0.11)	(0.45)
- diluted	(0.11)	(0.42)
Earnings (loss) per share from discontinued operations		
- basic	-	(0.09)
- diluted	-	(0.08)
Total earnings (loss) per share		
- basic	(0.11)	(0.54)
- diluted	(0.11)	(0.50)

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

<i>(€ in millions)</i>	<u>June 30, 2012</u> <u>Unaudited</u>	<u>December 31,</u> <u>2011 Audited</u>
ASSETS		
Non-current assets:		
Property, plant and equipment	386	401
Goodwill	495	481
Other intangible assets	464	459
Investments in associates	20	14
Investments and available-for-sale financial assets	7	7
Derivative financial instruments	-	1
Contract advances and up-front prepaid discount	43	49
Deferred tax assets	399	394
Income tax receivable	19	20
Other non-current assets	68	67
Cash collateral and security deposits	16	14
Total non-current assets	<u>1,917</u>	<u>1,907</u>
Current assets:		
Inventories	130	118
Trade accounts and notes receivable	491	585
Income tax receivable	33	13
Other current assets	343	325
Cash collateral and security deposits	31	35
Cash and cash equivalents	305	370
Assets classified as held for sale	66	66
Total current assets	<u>1,399</u>	<u>1,512</u>
Total assets	<u>3,316</u>	<u>3,419</u>

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(€ in millions)		June 30, 2012 Unaudited	December 31, 2011 Audited
EQUITY AND LIABILITIES			
Shareholders' equity:			
Common stock (223,759,083 shares at June 30, 2012 with nominal value of €1 per share)		224	224
Treasury shares	(156)	(156)	(156)
Additional paid-in capital	857	857	857
Subordinated perpetual notes	500	500	500
Notes redeemable in shares	13	13	13
Other reserves	24	24	60
Retained earnings (accumulated deficit)	(1,147)	(1,147)	(1,122)
Cumulative translation adjustment	(221)	(221)	(225)
Shareholders' equity		94	151
Non-controlling interests		5	4
Total equity		99	155
Non-current liabilities:			
Borrowings	1,093	1,093	1,242
Retirement benefits obligations	340	340	349
Restructuring provisions	-	-	2
Other provisions	83	83	83
Deferred tax liabilities	174	174	167
Other non-current liabilities	88	88	97
Total non-current liabilities		1,778	1,940
Current liabilities :			
Borrowings	232	232	85
Derivative financial instruments	1	1	1
Retirement benefits obligations	34	34	37
Restructuring provisions	63	63	79
Other provisions	63	63	58
Trade accounts and notes payable	467	467	499
Accrued employee expenses	133	133	138
Income tax payable	26	26	14
Other current liabilities	371	371	361
Liabilities classified as held for sale	49	49	52
Total current liabilities		1,439	1,324
Total liabilities		3,217	3,264
Total equity and liabilities		3,316	3,419

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

(€ in millions)

	Six months ended June 30,	
	2012 Unaudited	2011 Unaudited
Net income (loss)	(26)	(112)
Loss from discontinued operations	-	(18)
Profit (loss) from continuing operations	(26)	(94)
<i>Summary adjustments to reconcile profit (loss) from continuing operations to cash generated from continuing operations</i>		
Depreciation and amortization	104	121
Impairment of assets (net)	8	14
Net changes in provisions	(66)	(20)
(Profit) / loss on asset disposals	3	(2)
Interest (income) and expense	76	74
Other non cash items (including tax)	39	24
Changes in working capital and other assets and liabilities	22	65
Cash generated from continuing operations	160	182
Interest paid	(61)	(62)
Interest received	1	3
Income tax (paid) / received	(21)	4
Net operating cash generated from continuing activities	79	127
Net operating cash used in discontinued operations	(3)	(12)
Net cash from operating activities (I)	76	115
Acquisition of subsidiaries, associates and investments, net of cash acquired	(9)	(5)
Net cash impact from sale of investments	(2)	(2)
Purchases of property, plant and equipment (PPE)	(39)	(59)
Proceeds from sale of PPE and intangible assets	1	4
Purchases of intangible assets including capitalization of development costs	(36)	(29)
Cash collateral and security deposits granted to third parties	(4)	(12)
Cash collateral and security deposits reimbursed by third parties	8	20
Loans (granted to) / reimbursed by third parties	-	(2)
Net investing cash used in continuing activities	(81)	(85)
Net investing cash generated used in discontinued operations	(4)	(1)
Net cash used in investing activities (II)	(85)	(86)
Proceeds from borrowings	1	1
Repayments of borrowings	(56)	(11)
Fees paid linked to the debt and capital restructuring	(1)	(2)
Net financing cash used in continuing activities	(56)	(12)
Net financing cash used in discontinued operations	-	(1)
Net cash used in financing activities (III)	(56)	(13)
Net (decrease) / increase in cash and cash equivalents (I+II+III)	(65)	16
Cash and cash equivalents at beginning of period	370	332
Exchange gain / (losses) on cash and cash equivalents	-	(22)
Cash and cash equivalents at end of period	305	326

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 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 €22 million in the first half of 2012 (€(25) million in the first half of 2011).

In € million	H1 2011	H1 2012	Change
EBIT from continuing operations	12	115	103
Restructuring charges, net	(10)	(8)	+2
Net impairment losses on non-current operating assets	(14)	(8)	+6
Other income / (expense)	(1)	38	+38
Adjusted EBIT from continuing operations	37	93	56
<i>As a % of revenues</i>	<i>2.4%</i>	<i>5.7%</i>	<i>+3.3pts</i>
Depreciation and amortization (D&A)*	130	105	(25)
Adjusted EBITDA from continuing operations	167	198	31
<i>As a % of revenues</i>	<i>10.7%</i>	<i>12.0%</i>	<i>+1.3pt</i>

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