technicolor

# 2017 REGISTRATION DOCUMENT

including the Annual Financial Report

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technicolor

Société Anonyme with a share capital of €414, 461, 178
Registered Office: 1-5 , rue Jeanne d'Arc
92130 Issy-Les-Moulineaux
Nanterre Register of Commerce and Companies No. 333 773 174

# REGISTRATION DOCUMENT **2017**
## including the Annual Financial Report

AUTORITÉ DES MARCHÉS FINANCIERS
AMF

This Registration Document (Document de Référence) was filed with the Autorité des marchés financiers (AMF) on March 21, 2018 in accordance with Article 212-13 of the AMF General Regulations. It may be used in connection with a financial transaction provided it is accompanied by a transaction note (note d'opération) approved by the AMF. This document was prepared by the issuer and is the responsibility of the signatories thereof.

This Registration Document can be consulted on the website of the AMF (French version only (www.amf-france.org)) and on the website of Technicolor (www.technicolor.com).

This document is a free translation into English of the original French *"Document de référence"*. It is not a binding document. In the event of a conflict in interpretation, reference should be made to the French version, which is the authentic text filed with the French "*Autorité des marchés financiers*".

# OVERVIEW OF

## SHAREHOLDING
(As of 31 December 2017)

- Public 63.66%
- Oppenheimer Funds 11.75%
- Bpifrance Participations & Caisse des Dépôts et Consignations 7.96%
- J O Hambro 6.04%
- DNCA Finance 5.18%
- Cisco 5.17%

→ **TECHNICOLOR S.A.**
Parent Company of the Group

**87%** of Independent Directors (without the director representing the employees)

**4** Different nationalities

**50%** of female Directors (without the director representing the employees)

**53 years** average age of Directors

- **Bruce Hack** Independent Chairman of the Board of Directors
- **Frédéric Rose** Chief Executive Officer
- **Laura Quatela** Independent Director
- **Bpifrance Participations** Represented by Thierry Sommelet Independent Director
- **Hilton Romanski** Independent Director
- **Melinda J. Mount** Independent Director
- **Ana Garcia-Fau** Independent Director
- **Yann Debois** Director representing the employees
- **Birgit Conix** Independent Director

**Audit Committee**
Participation: 100%
Metings in 2017: 6

**Remunerations Committee**
Participation: 100%
Metings in 2017: 4

**Nominations & Gouvernance Committee**
Participation: 100%
Metings in 2017: 3

**Strategy Committee**
Participation: 93%
Metings in 2017: 25

**32** countries

**16,307** employees

**# 1 WW in VFX and post**

**# 1 WW in DVD services**

**140** sites

**4.2M€** revenues from continuing operations

**# 2 WW in CPE**

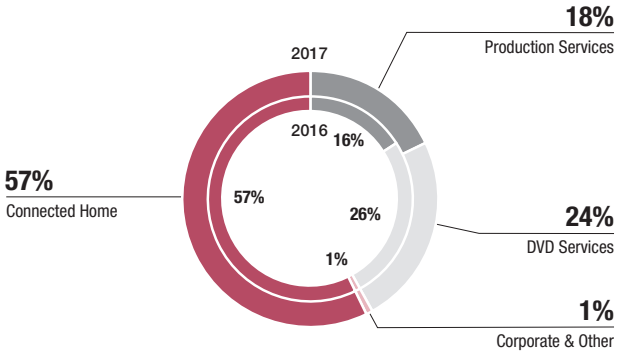
# TECHNICOLOR IN 2017

## CONTINUING OPERATIONS

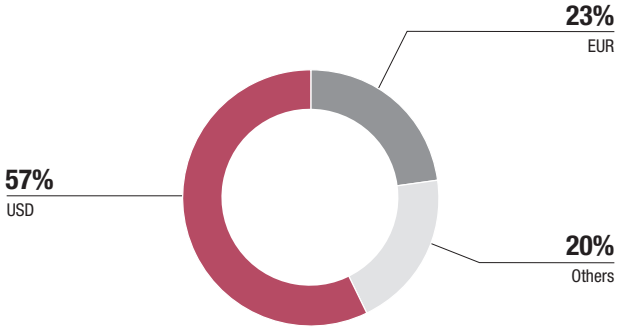
| Entertainment Services | | Connected Home | Corporate & Others |
|---|---|---|---|
| Production Services | DVD Services | | |
| Award-winning Visual Effects, Animation and Postproduction services for feature films, TV series, advertising, video games and other audiovisual content | Replication, packaging and distribution of video, game and music CD, DVD and Blu-ray™ discs | Complete portfolio of Broadband and Video Customer Premise Equipment to Pay-TV operators and Network Service Providers | Trademark Licensing Research & Innovation Corporate costs |

**Revenues from continuing operations €4,231m**

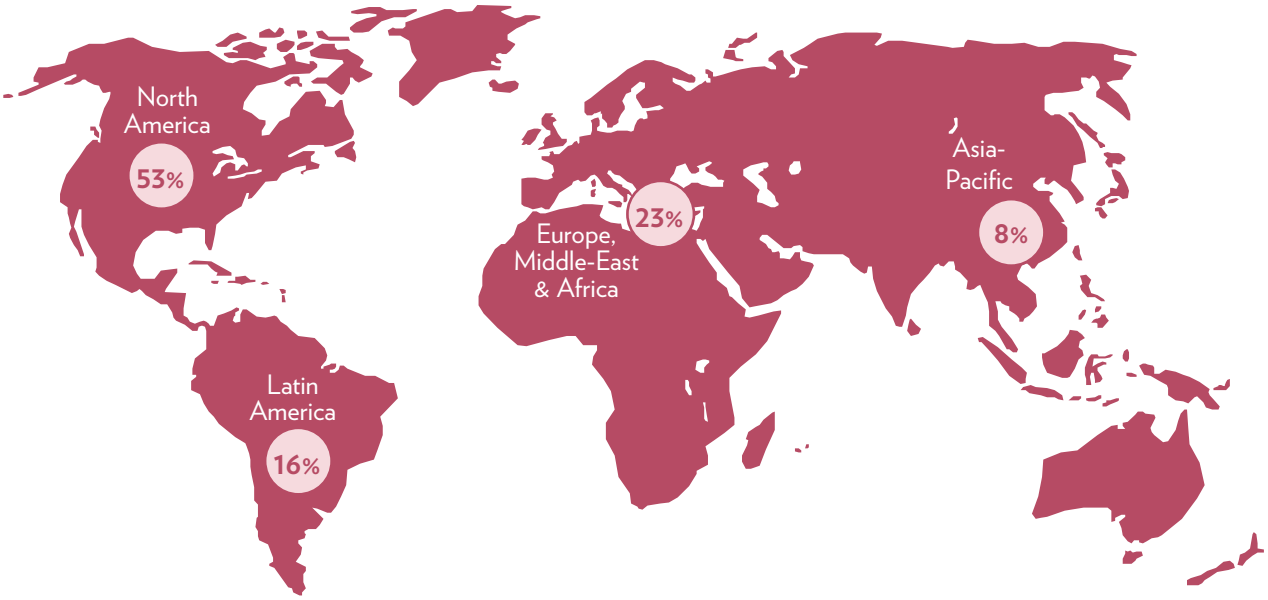
**Revenues by activity**




**Revenues by currency**




**Revenues by origin**



# FORWARD-LOOKING STATEMENTS

GRI [G4-18]

In this Registration Document, unless otherwise stated, the "Company" refers to Technicolor SA and "Technicolor" and the "Group" refers to Technicolor SA together with its consolidated affiliates.

This Registration Document includes:

(i) the Annual Financial Report (Rapport Financier Annuel) issued pursuant to Article L. 451-1-2-I and II of the French Monetary and Financial Code (Code monétaire et financier) and referred to in Article 222-3 of the AMF General Regulation (Règlement général de l'AMF) (a cross-reference table is set forth on page 314 between the documents referred to in Article 222-3 of the AMF General Regulation and the relevant sections of this Registration Document);

(ii) the management report (rapport de gestion) adopted by the Board of Directors of Technicolor SA pursuant to Article L. 225-100 et seq. of the French Commercial Code (Code de commerce) (the cross-reference table on page 315 mentions the elements of this report); and

(iii) the corporate governance report (*rapport sur le gouvernement d'entreprise*) adopted by the Board of Directors of Technicolor SA pursuant to Article L. 225-37 of the French Commercial Code (the cross-reference table on page 316 mentions the elements of this report).

This Registration Document contains certain forward-looking statements with respect to Technicolor's financial condition, results of operations and business and certain plans and objectives of the Group. These statements are based on management's current expectations and beliefs in light of the information currently available and are subject to a number of factors and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements. In addition to statements that are forward-looking by reason of context, other forward-looking statements may be identified by use of the terms "may", "will", "should", "expects", "plans", "intends", "anticipates", "believes", "estimates", "projects", "predicts" and "continue" and similar expressions identify forward-looking statements. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that are anticipated to occur in the future. Such statements are also subject to assumptions concerning, among other things, Technicolor's anticipated business strategies; its intention to introduce new products and services; anticipated trends in its business; and Technicolor's ability to continue to control costs and maintain quality.

# 1 PRESENTATION OF THE GROUP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# 1.1 OVERVIEW AND HISTORICAL BACKGROUND

## 1.1.1 OVERVIEW

GRI [G4-2] [G4-4] [G4-9]

### Overview

Technicolor has been contributing to the development of video technologies, products and services for more than one hundred years. The Group is a worldwide leader operating in the Media & Entertainment ("M&E") sector.

Our mission: developing, creating and delivering immersive augmented digital life experiences that ignite our imagination.

Technicolor operates in three leading operating businesses:

- in Production Services, Technicolor is a leading provider of services to content creators, including Visual Effects/Animation and video and sound Postproduction Services ("Production Services");
- in DVD Services, Technicolor is a leader in replication, packaging and distribution of CD, DVD and Blu-ray™ discs ("DVD Services");
- in the Connected Home segment, Technicolor is a leader in the design and supply of solutions enabling the delivery of digital video entertainment, data, voice and Smart Home services to Pay-TV operators and Network Service Providers including broadband modems and gateways, digital set top boxes, and other connected devices.

Technicolor announced, on December 18, 2017, its decision to sell its Patent Licensing business and that it was in advanced negotiations with a third party. As a result, the Group reported the financial information of its patent Licensing business, previously included in the Technology segment, under Discontinued operations. 2016 results were re-presented for comparative purposes.

Technicolor now operates two business segments:

- the Entertainment Services segment that regroups Production Services and DVD Services activities;
- the Connected Home segment.

Unallocated Corporate functions and all other non-allocated activities, including Research & Innovation ("R&I") and Trademark Licensing activities are presented within the segment "Corporate & Other". For more information, please refer to section 1.3: "Organization & Business overview" of this Chapter.

In fiscal year 2017, Technicolor generated consolidated revenues from continuing operations of €4,231 million. As of December 31, 2017, the Group had 16,307 employees in 32 countries.

Publicly listed on Euronext Paris Exchange (TCH) with a market capitalization of €1,190 million as of December 31, 2017 and traded in the USA on the OTCQX marketplace (OTCQX: TCLRY).

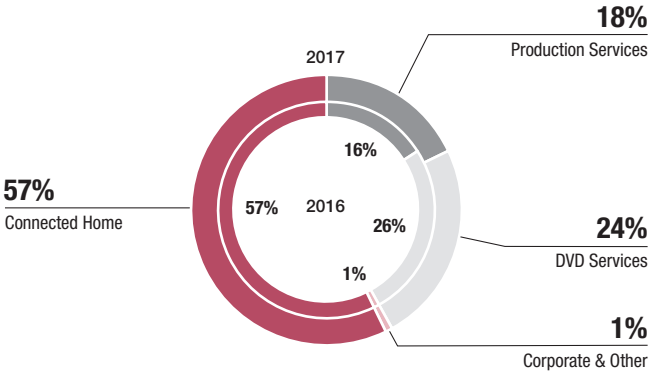
## Key Elements

**> 5,800**
**OPERATIONALS**

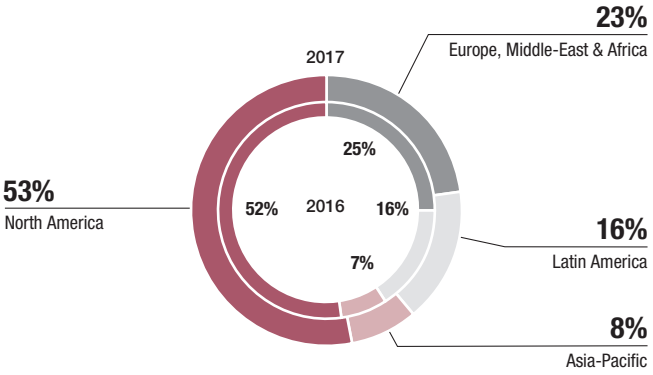
**> 1,400**
**RESEARCHERS & ENGINEERS**

**> 6,500**
**CREATIVES**

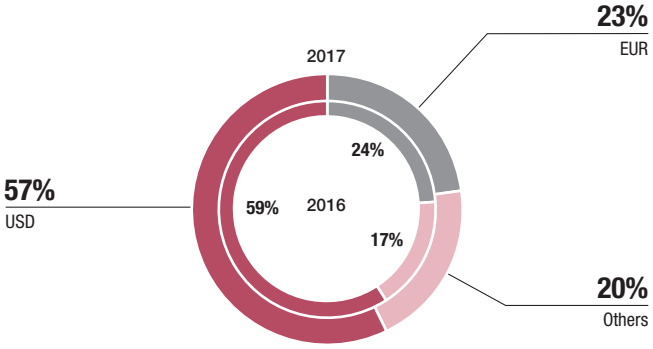
## 2017 Revenues of continuing operations by segment



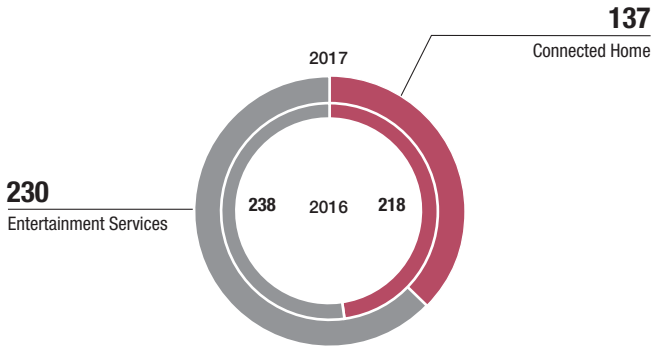

## 2017 Revenues of continuing operations by region



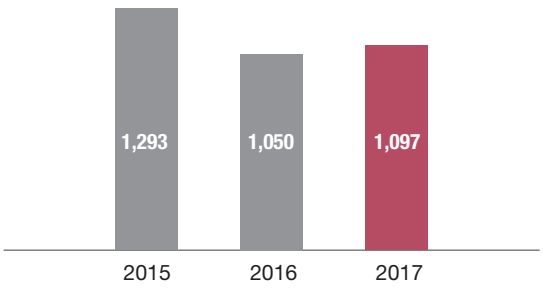

## 2017 Revenues of continuing operations by currency



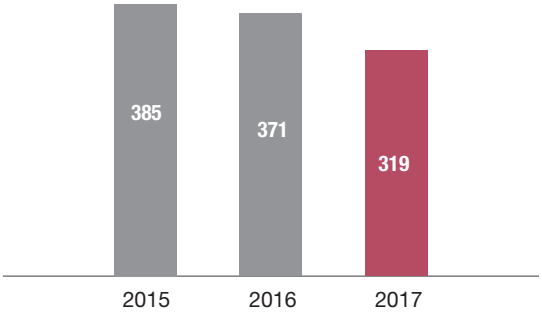

## 2017 Adjusted EBITDA by business segment



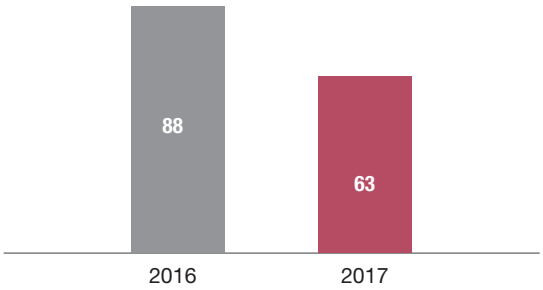
## Gross debt evolution (IFRS)



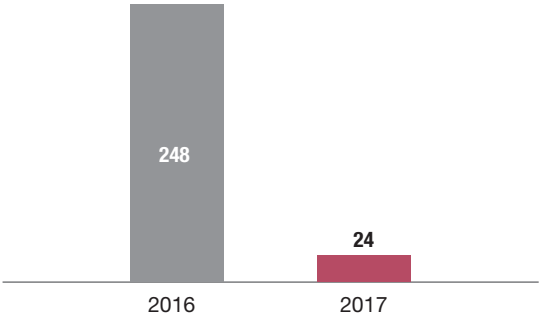

## Cash position evolution




## Free Cash Flow of continuing operations




## Group Free Cash Flow




For more information, please refer to section 1.1.3: “Organization”.

## 1.1.2 HISTORICAL BACKGROUND

GRI [G4-2] [G4-13] [G4-23]

### Refocusing our Businesses & Strategic Acquisitions

Technicolor launched a strategic roadmap in February 2015 focused on improving the scale of Connected Home and at growing Production Services by expanding its offering in the Animation, Games and Advertising segments.

Technicolor completed in the second half of 2015 two acquisitions aligned with the above strategic plan: Cisco Connected Devices, the Customer Premise Equipment business of Cisco, was integrated in Technicolor's Connected Home Division. Technicolor's Production Services Division acquired London-based The Mill. In addition, the Group also won additional large studio customers (Fox and Lionsgate) in DVD Services and acquired the North American assets of Cinram to onboard these customers immediately.

### Financing Structure

While investing in its future Technicolor has continuously sought to strengthen its financial structure through refinancing, repricing and amendment transactions, thus allowing the Group to significantly reduce the cost of its debt, while enhancing its financial and operational flexibility and extending the Group's debt maturity profile.

In March 2017, Technicolor raised incremental term loans of €275 million and $300 million, the proceeds of which were used to entirely repay its old term loans maturing in 2020. This allowed the Group to simplify its financial structure as the term loans were issued under the new term loan debt agreement signed in December 2016 which is covenant-lite and maturing in 2023. The refinancing transactions and debt repayments that occurred in 2016 and 2017 year-to-date will result in around €30 million of interest cost savings on an annual run rate basis.

For more information about the refinancing and the Group's debt covenants, please refer to Chapter 2.3: "Liquidity and Capital resources" and to Chapter 6: "Financial Statements", section 6.2: "Main events of the year".

# 1.2 ORGANIZATION & BUSINESS OVERVIEW

GRI [G4-4]

The Group operates three leading operating businesses under two business segments. Unallocated corporate functions and all other non-allocated activities, including R&I and Trademark Licensing activities are presented within the segment "Corporate & Other".

The Group reports the results of its businesses that have been disposed or put up for sale as discontinued operations, under certain criteria, under IFRS. The Patent Licensing business is thus reported as discontinued operations.

## 1.2.1 ENTERTAINMENT SERVICES

The Entertainment Services segment, which generated consolidated revenues of €1,790 million in 2017, accounting for 42% of the Group's reported consolidated revenues, supports content creators from creation to postproduction (Production Services), while offering global distribution solutions through its replication and distribution services for DVD, Blu-ray™ discs and CD (DVD Services).

The Entertainment Services segment is organized in two divisions:

- the Production Services Division provides a full set of award-winning Visual Effects ("VFX"), Animation, digital video and sound Postproduction services;
- the DVD Services Division replicates, packages and distributes video, game and music for DVD, Blu-ray™ discs and CD.

### 1.2.1.1 Production services

GRI [G4-4] [G4-8] [G4-21] [G4-DMA Market presence]

#### *Business overview*

Technicolor offers award-winning Visual Effects, Animation and Postproduction services for feature films, TV series, advertising, video games and other audiovisual content. The Group's VFX studios offer pre-visualization, asset creation, texturing, Animation, rigging, rotoscoping, lighting, match move and compositing. Technicolor's Animation businesses offer solutions for the creation of high-quality Computer-Generated Imagery ("CGI" or "CG") Animation. Through its Postproduction Services activities, Technicolor supports its clients from camera capture on the production set through creation of final distribution masters, including on-set services, color correction, VFX integration and sound.

Technicolor continues to extend the range and depth of its product and service offerings, and to develop new innovative solutions, including state-of-the-art technologies and creative tools. In this division, Technicolor is also committed to the growth of immersive experiences and has made great strides in the virtual reality ("VR") landscape. Technicolor expanded its sound team to provide sound design and mixing for immersive experiences and launched the Technicolor Experience Center in Culver City, California to develop high-concept content, platforms and Technology for VR, Augmented Reality ("AR") and other immersive media applications. The Group offers a large portfolio of VR/AR work, resources and technical expertise for clients and consumers looking for a truly immersive experience.

The division works primarily on an individual project basis and builds teams around key creative and production talent. Production Services also builds dedicated teams and spaces for clients who desire guaranteed capacity and talent across multiple projects.

## *Organization*

Following the rapid growth of Production Services these past few years, the Group decided at the end of 2017 to align the organization to fast changing markets while respecting the creative diversity of Technicolor's brands. This new organization transitions Production Services from a brand-organized strategic alignment to a structure based upon four primary service lines — Film & TV VFX, Advertising, Animation & Games, and Postproduction— to foster deeper collaboration and synergies among complementary brands within each service line. This also reinforces the division's drive towards innovation, as this structure positions Technicolor to lead future technological waves across its primary market segments.

| PS Brands | Film & TV VFX | Advertising | Post Production | Animation & Games | Primary Focus Areas | Locations |
|---|---|---|---|---|---|---|
| **MPC Film** | ● | | | | • VFX for tentpole films, servicing all major studios | • London, Montreal, Vancouver LA, Bangalore |
| **Mr. X** | ● | | | | • VFX for TV/OTT and genre / international films | • Toronto, Montreal, LA, NY, Bangalore |
| **The Mill** | | ● | | | • VFX, production & delivery for agencies, production companies and brands | • London, LA, NY, Chicago, Mumbai, Bangalore |
| **MPC Advertising** | | ● | | | • VFX & production for agencies, production companies and brands | • London, LA, NY, Amsterdam, Paris, Shanghai, Bangalore |
| **Mikros** | | ● | ● | ● | • Feature animation<br>• VFX/Post services in France for Film/TV & Advertising | • Paris, Montreal, London, Brussels, Liège Bangalore |
| **Technicolor** | ● | | ● | ● | • Film & TV/OTT post, including beauty fixes & other just-in-time VFX<br>• Animation services for TV/OTT & Games | • LA, Toronto, London, Paris, Montreal, Vancouver, Bangalore |

Approximately 8,500 people (including approximately 6,200 digital artists) worked for the Production Services Division at the end of December 2017 in India (36%), Canada (22%), USA (18%), UK. (15%), France (8%) and Other (1%).

## *Industry trends and market position*

The demand for high-end content creation has increased significantly over the past few years, driven by the strong development of premium original content across all segments, particularly by OTT providers like Netflix and Amazon; in addition to continued growth from the U.S. major studios on VFX-heavy feature film tentpoles and franchises like Disney's Marvel Cinematic Universe and Warner Bros., DC Extended Universe. As a global market leader in Film & TV VFX, Technicolor continues to focus its resources in these activities to benefit from the market growth and volume.

For the first time, global digital advertising spends exceeded that of traditional television in 2017 (source: IPG's Magna); and rapidly evolving consumer Technology choices are driving new ad, content and device formats, accelerating audience fragmentation and complexity. Technicolor's Advertising businesses are well-positioned to address this market evolution and utilize emerging technologies to create the high-end imagery required by advertisers across all screens, strengthening its leadership in high-end Advertising content creation.

The digital postproduction market is relatively mature, and the demand is mainly driven by new theatrical and TV productions. Technicolor focuses on key talent production hubs to increase its market share with tentpole movies, while reinforcing its leading position on premium content for TV broadcasters and OTT providers.

While the major studios' Computer generated animated films lead the Feature Animation box office, there is growth in the number of mid-level budgeted animated features, like DreamWorks Animation's Captain Underpants, being produced each year as studios have become more open to outsourcing Feature Animation services. The Games services market is expanding as mobile game developers have become a more relevant market as mobile game art quality increases. Broadening the Group's position in these two emerging markets is a key element of the Technicolor growth strategy.

Through its portfolio of brands, Technicolor is the leading VFX and Postproduction services provider for feature films, TV/OTT, games and advertising worldwide.

## *Key customers and Main competitors*

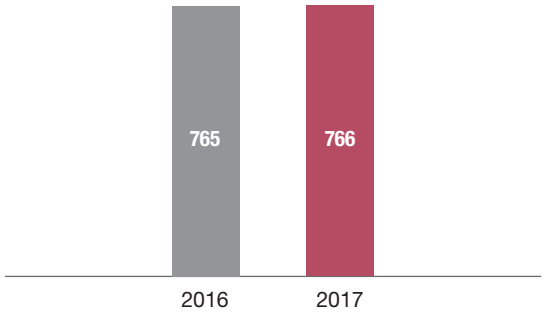
Technicolor's customer base includes major and independent film studios, and non-studio customers such as TV broadcasters, independent content producers, game developers/publishers and OTT service providers developing their own original content. In the past few years the Group has been strategically strengthening its market position with leading studios while also increasing its collaborations with non-studio customers.

- **In Film & TV VFX**, Technicolor's key competitors are ILM, Weta Digital, Double Negative/Prime Focus, and Framestore.
- **In Advertising VFX**, key competitors include Method (Deluxe), Framestore, the in-house production arms of the global advertising holding companies (e.g., WPP's Hogarth, Publicis' Prodigious, IPG's Craft, Omnicom's eg+ Worldwide, etc.), and many local boutiques.
- **In Postproduction Services**, key competitors include Deluxe, FotoKem, several boutique vendors, as well as the in-house facilities of certain major Studios, depending on market segment and geography.
- **In CG Animation & Games services**, key competitors are Animal Logic, Sony Pictures Imageworks, Cinesite, Ilion Animation Studios, Reel FX, Bardel Entertainment, CGCG, DQ Entertainment, Virtuos Ltd.. and Keywords Studios.

| | Film & TVVFX | Advertising | PostProduction | Animation & Games |
|---|---|---|---|---|
| **Key Customers** | • Major U.S. studios<br>• Mini-majors and independent studios<br>• TV production companies<br>• OTT providers | • Global ad agencies<br>• Production companies<br>• Smaller agencies<br>• Brands | • Major U.S. studios<br>• Mini-majors and independent studios<br>• TV production companies<br>• OTT providers | • Major and independent Animation studios<br>• Key children's TV networks<br>• Publishers and developers of AAA game titles |
| **Key Competitors** | • ILM (Disney)<br>• Weta Digital<br>• Double Negative (Prime Focus)<br>• Method, Iloura, Encore (Deluxe)<br>• Framestore | • Method, Company 3 (Deluxe)<br>• Framestore<br>• In-house production arms of the global ad holding companies<br>• Several local boutiques | • Deluxe<br>• FotoKem<br>• In-house facilities of certain major U.S. studios<br>• Several local boutiques | • Animal Logic<br>• Sony Pictures Imageworks<br>• Cinesite<br>• Ilion Animation Studios<br>• Bardel Entertainment<br>• CGCG<br>• Virtuos Ltd..<br>• Keywords Studios |
| **Key Data(2017)** | • 11,800 VFX shots for feature films<br>• 5,100 VFX shots for TV content | • 6,100 commercials | • 415 theatrical features<br>• Nearly 350 TV/OTT series, mini-series and/or pilots | • Over 2,800 minutes of Animation for TV and film<br>• 17,400 CG assets for top selling video games, TV series and films |

## *Revenue and key highlights*

### Production Services revenue




Revenues grew 3.0% at constant currency, driven by growth in Animation & Games and Postproduction Services offsetting a flat year for Film & TV VFX and Advertising.

In 2017:

- **Film & TV VFX:**
  - key awards: MPC Film's work on Disney's The Jungle Book garnered numerous prestigious industry awards and recognition, including the Academy Award for Achievement in Visual Effects,
  - selected Film projects completed: Blade Runner 2049 (Warner Bros./Columbia), Ghost in the Shell (Paramount/DreamWorks), Jumanji: Welcome to the Jungle (Sony), Justice League (Warner Bros.), The Mummy (Universal), Pirates of the Caribbean: Dead Men Tell No Tales (Disney), The Shape of Water (Fox Searchlight), Transformers: The Last Knight (Paramount), Wonder Woman (Warner Bros.),
  - selected TV projects completed: American Gods season 2 (Starz), Bates Motel season 5 (NBC Universal / A&E), Mr. Robot season 3 (USA), The Shannara Chronicles season 2 (Spike), The Strain season 4 (FX), Tom Clancy's Jack Ryan (Amazon), Vikings season 5 (History),
  - she Group provided nearly 11,800 VFX shots for feature films and over 5,100 VFX shots for TV content;

- **Advertising:**
  - 2017 was a record year for the number of awards won by The Mill, MPC and Mikros. Selected awards include:
    - Cannes Lions Festival of Creativity: At this prestigious event, the Group received six Lions (2 Gold, 3 Silver, 1 Bronze),
    - London International Advertising Awards: The Mill won Global Post-Production Company of the Year and Regional Post-Production Company of the Year for North America, while MPC won Regional Post-Production Company of the Year for Europe. Across all our Advertising brands, the Group won a Grand Prix LIA for Jay-Z, 'The Story of OJ', in addition to 9 Golds, 4 Silvers and 3 Bronze across several projects,
    - CICLOPE Festival 2017: MPC took home Visual Effects Company of the Year, while The Mill won Animation Company of the Year,
    - MPC's Mark Gethin won at the UK. Music Video Awards for Best Colour Grading in a Video for Mick Jagger's 'Gotta Get A Grip';
  - highlight projects: Chevrolet "The Human Race", John Lewis "Moz the Monster", Netto "The Easter Surprise", Strongbow "A Nature Dream", Microsoft "Holiday Harmony", Nissan "The Last Jedi", Samsung, "Ostrich", Heineken, "The Trailblazers", Kia "Hero's Journey",
  - Technicolor contributed to over 6,100 commercials for advertising;
- **Postproduction:**
  - Main awards: Emmy® for Outstanding Sound Editing for a Series for Netflix's Stranger Things; HPA (Hollywood Professional Association) Awards for Outstanding Feature Film Color Grading on Ghost in the Shell and Outstanding TV Sound for both Stranger Things and American Gods,
  - Highlight Film projects include Guardians of the Galaxy Vol. 2 (Disney/Marvel), Thor: Ragnarok (Disney/Marvel), Logan (Fox), The Post (Fox/Amblin Partners), Molly's Game (STX), Ghost In The Shell (Paramount/DreamWorks), Trainspotting 2 (Sony),
  - Highlight TV projects include Criminal Minds, Blacklist, Scandal, This Is Us, The Big Bang Theory, Mozart In The Jungle, Man in the High Castle,
  - Technicolor provided Postproduction services on 415 theatrical features and nearly 350 TV/OTT series, mini-series and/or pilots;
- **Animation & Games:**
  - Current pipeline: In Feature Animation production on Fun Academy's SGT. STUBBY: AN AMERICAN HERO, Paramount's Sherlock Gnomes and M6's Asterix – The secret of the magic potion; and in TV Animation production on Alvinnn!!! and The Chipmunks season 3 (Nickelodeon/M6), Monchhichi (TF1), Spirit Riding Free season 2 (DreamWorks Animation/Netflix), Elena of Avalor season 2 (Disney) and Mickey and the Roadster Racers season 2 (Disney),
  - In 2017, completed work on DreamWorks Animation's Captain Underpants: The first epic movie, Sonic Boom! season 2, Alvinnn!!! and The Chipmunks season 2, Les Legendaires and EA Sports' NHL 18,
  - The Group created more than 2,800 minutes of animation for leading animated TV shows and feature films. The Group also created over 17,400 CG assets for top selling video games, animated TV series and feature films.

### 1.2.1.2 DVD Services

GRI [G4-4] [G4-8] [G4-21] [G4-DMA Market presence]

#### *Business overview*

Technicolor is the worldwide leader in the replication, packaging and distribution of video, game and music CD, DVD and Blu-ray™ discs for global content producers. The Group provides turnkey integrated supply-chain solutions including mastering, replication, packaging, direct-to-retail distribution of both new releases and catalog products, returns handling and freight management, as well as procurement and selected other inventory management and related services. DVD Services' deeply integrated customer relationships and highly scalable, optimized low cost operational platform are strong assets to the Group.

Technicolor runs strategically positioned key replication facilities in Guadalajara (Mexico) and Piaseczno (Poland), while packaging and distribution in the United States and Europe are supported by a multi-region/multi-site facility platform. In the U.S., the Group operates primarily from its Memphis (Tennessee) facility, while continuing to grow its existing packaging and distribution platform in Mexicali (Mexico), located on the U.S. border. Through recent acquisitions, Technicolor has added additional facilities in North America, including an integrated replication and distribution facility in Huntsville (Alabama) and a full-service distribution center with direct-to-consumer fulfillment capabilities in Nashville (Tennessee).

Technicolor believes it has the most efficient cost base in the packaged media industry, and the Group continuously seeks to implement further operational and productivity improvements.

Technicolor is also actively diversifying its business outside of packaged media, offering supply chain solutions, including transportation management and direct-to-consumer fulfillment services, for clients across a variety of consumer product and related segments.

## *Industry trends and market position*

While at an industry level, global shipments of packaged media products have declined in recent years and are expected to continue to decline, Technicolor believes it is well positioned to outperform overall market trends, driven by increased penetration of existing customers and the addition of new customers.

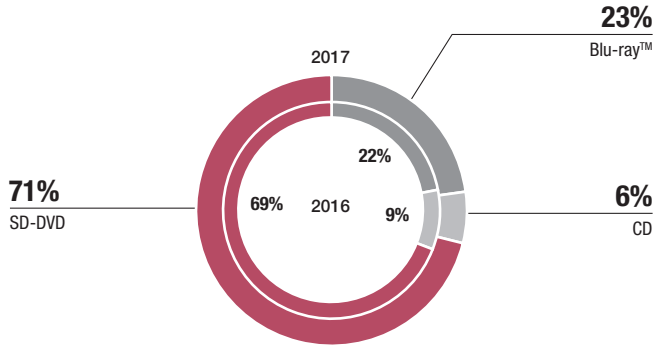
The package media business has proven to be more resilient than general market expectations. Technicolor believes there will be continuing significant consumer demand for physical ownership of content. Given a highly variable cost structure, activity optimization and cost reductions as well as ongoing revenue diversification efforts, Technicolor expects to maintain profitability in this maturing market environment.

As a global market leader, Technicolor's key customers include major Hollywood Studios such as Warner Bros., The Walt Disney Company, Paramount, Universal, Fox and Lionsgate, independent film studios, software and games publishers, and major music publishers including Universal Music group and Warner Music group. Most major customers are covered by multi-year contracts (generally, two to four years), which typically contain volume exclusivity and/or time commitments. Major client relationships typically consist of multiple contractual arrangements for specific types of services within specific geographical areas. Technicolor's key competitors in the DVD market include in Europe Sony and Arvato.

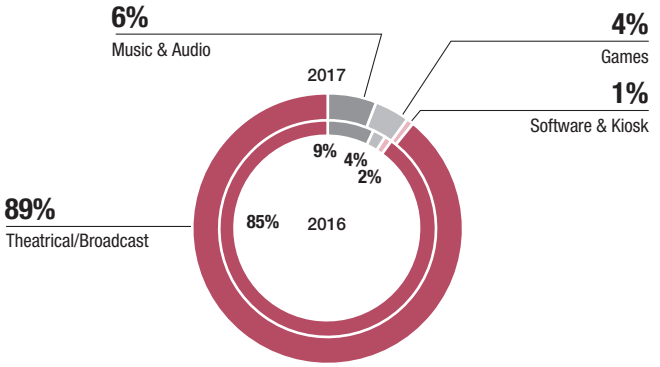
## *Revenue highlights*

Technicolor sold a total of 1,345 million DVD, Blu-ray™ discs and CD, in 2017 compared with 1,552 million discs in 2016. Operations are supported by approximately 12 million square feet of dedicated replication and distribution space, with unique capability for the timely delivery of discs to more than 40,000 locations.

### Volumes by format




### Volumes by segment




Selected major feature film titles produced by Technicolor in 2017 included:

Rogue One: A Star Wars Story (Disney), Moana (Disney) Beauty and the Beast (Disney), Guardians of the Galaxy Volume 2 (Disney), Fantastic Beasts and Where to Find Them (Warner Bros), Dunkirk (Warner), Wonder Woman (Warner), Sing (Universal), The Fate of the Furious (Universal), Despicable Me 3 (Universal), Trolls (Fox), Logan (Fox), War for the Planet of the Apes (Fox), Transformers: The Last Knight (Paramount), and John Wick, Chapter Two (Lionsgate). Major games produced in 2017 included; Destiny 2 (Activision); Call of Duty WWII (Activision); Star Wars Battlefront II (Electronic Arts), FIFA 2018 (Electronic Arts), Assassins Creed: Origins (Ubisoft), NBA 2K18 (Take Two Interactive).

## 1.2.2 CONNECTED HOME

GRI [G4-4] [G4-8] [G4-21] [G4-DMA Market presence]

### *Business overview*

Connected Home segment offers a complete portfolio of Broadband and Video Customer Premise Equipment ("CPE") to Pay-TV operators and Network Service Providers ("NSPs"), including broadband modems and gateways, digital set top boxes, and Internet of Things ("IoT") connected devices.

The CPE portfolio of the Connected Home segment can be further described as follows:

- in Broadband, modem and gateway CPE are access devices designed for Cable, Telecom and Mobile operators to allow the delivery of multiple-play services (video, voice, data, and mobility) to their residential and business subscribers over fixed wire and wireless networks (cable, xDSL, fiber, LTE/5G). Connected Home offers a complete range of broadband CPE devices, including high-end triple and quad-play gateways, business gateways, integrated access devices, double-play wireless gateways with data and VoIP functionalities, as well as Wi-Fi routers, extenders, and IoT connected devices;
- in Video, digital set top box CPE are designed for Cable, Satellite, Telecom and Mobile operators to enable the delivery of digital video entertainment and advanced services to their subscribers over broadband, broadcast, and hybrid networks. Connected Home offers a wide range of products including IP set top boxes, broadcast set top boxes, hybrid set top boxes, and media servers. These products enable NSPs to offer access to Broadcast TV, Internet TV and OTT services in Standard ("SD"), High ("HD") and Ultra High Definition ("UHD").

Technicolor typically provides the design and validation of the CPE. In addition, the segment manages all the logistics and supervises the manufacturing and assembly on behalf of its customers. The manufacturing and assembly services are performed by CEMs ("Contract Electronic Manufacturers"). For tax reasons, the Company operates a single manufacturing facility in Manaus (Brazil), to serve the Brazilian market.

### *Organization*

With the acquisition of Cisco Connected Devices in November 2015, Connected Home doubled its size, and increased its industrial and technological scale across all major geographies, particularly in North America, the largest market in volume and value.

The segment is structured around dedicated teams focused on the development of our partnership with Pay-TV operators and Network Service Providers.

The segment also benefits from a strong transversal services organization including operations, global supply chain management, procurement, sales operations, quality assurance, and hardware performance. This organization also hosts all business re-engineering and transformation programs for Connected Home.

Connected Home had approximately 1,900 employees at the end of December 2017, of which around 340 employees belong to the Manaus manufacturing facility in Brazil.

### *Contract structuration and process*

In most cases, a Connected Home customer issues a request for proposal ("RFP") or a request for quotation ("RFQ") for a product they wish to procure. All vendors, including Technicolor, quote their best terms, based on their understanding of the product. Typically, a shortlist of considered vendors is created and technical discussions are held with those vendors. A best and final offer is made, and one or two vendors are awarded. The offers, which includes pricing, are made considering the best view we have on forward looking component costs, the R&D effort to develop the product, and fixed costs.

The standard contractual process is divided into four main steps:

- 1. Request for Price/Request for Quote process
- 2. Development, which ranges widely from about 9 to 18 months
- 3. Deployment
- 4. Maintenance

### *Industry Trends*

Global Internet traffic is growing, fueled by increasing service consumption, particularly video through Over-The-Top services, as well as the connectivity of millions of additional devices, often referred to as IoT. With the increasing amount of data that will cross global IP networks in the next few years, households will demand greater connectivity speed, which will drive transition to new standards and technologies (HEVC, DOCSIS 3.1, G.fast, 10G Fiber, and 5G). The Smart Home and IoT ecosystems can increase customer retention and generate additional revenue as NSPs go beyond traditional triple-/quad-play offerings and develop new services to increase Average Revenue Per User ("ARPU").

The CPE industry continues to evolve towards more powerful, more open, and more complex platforms and devices. This evolution will continue to provide more and more opportunity for new software services opportunities, sending CPE device information to the cloud for the application of artificial intelligence and deep learning algorithms, to arrive at richer insight of the health of the access and home network for the NSPs, as well as new service offerings to consumers.

## *Market Position in 2017*

Technicolor achieved a market share of c. 17% worldwide excluding China (sources: Dell'Oro, IHS Markit, Technicolor estimates). The Group's market position differs depending on market segments and geography.

By product category, Technicolor was number two worldwide in value for broadband modems and gateways, with industry-recognized leadership in wireless and broadband technologies for Cable and Telecom operators. Technicolor was also number two worldwide in value for digital set top boxes, with leading positions in the Cable and Satellite segments.

Technicolor's key competitors in the CPE market include Arris, Humax, Huawei, Sagemcom, Samsung, and ZTE.

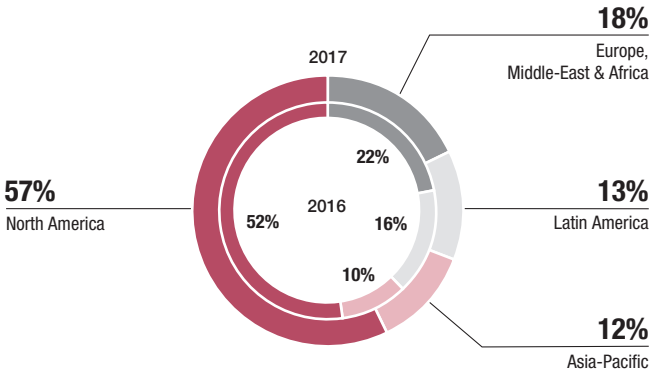
## *Revenue highlights*

The Connected Home segment generated consolidated revenues of €2,419 million in 2017, accounting for 57% of the Group's reported consolidated revenues.

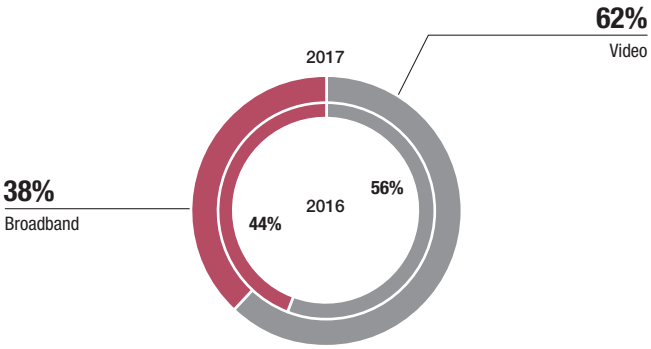
Connected Home shipped a total of 42.9 million products in 2017, or more than 800,000 devices per week. By product category, video devices represented 59% of total volumes in 2017 (2016: 52%), while broadband devices represented 41% of total shipments (2016: 48%).

On the video side, Ultra-High definition products represented around 22% of the Group's digital set top box revenues in 2017.

### Revenues by region




### Revenues by product



### Customer concentration

Technicolor's customer base includes most of the largest Pay-TV operators and Network Service Providers worldwide.

The Group's top 20 customers make up approximatively 46% of the total market, and Technicolor holds a material market share position at each.

Technicolor's main customers include America Movil, AT&T (DIRECTV), CenturyLink, Charter Comcast, Cox, Liberty Global, Megacable, Proximus, Tata Sky, Telecom Italia, Telefonica, Telstra, Telus, and Vodafone...

### By Geography

| | | North America | Europe, Middle-East & Africa | Latin America | Asia-Pacific |
|---|---|---|---|---|---|
| Revenues | 2017 | €1,364 million | €434 million | €324 million | €297 million |
| | 2016 | €1,380 million | €592 million | €409 million | €256 million |
| Volumes | Video | 11,031 | 2,269 | 6,135 | 6,151 |
| (in million units) | Broadband | 6,043 | 4,910 | 4,300 | 2,065 |
| | Total | 17,074 | 7,129 | 10,435 | 8,216 |

Connected Home recorded strong commercial activity in 2017 in North America, in particular with major cable operators. The acquisition of Cisco Connected Devices has allowed Technicolor to significantly increase its penetration of the North American market with several deployments of flagship products.

Connected Home was affected by the demand weakness in the Europe, Middle-East, Africa region. This was exacerbated by some delays in the roll-out of new products. The Group succeeded in maintaining a solid leadership in telecom and cable gateways and in OTT boxes.

Notwithstanding a difficult macro-economic environment, the Latin America market continues to experience strong demand for broadband and Pay-TV services. Technicolor, well established in the region, with a high market share both in value and volume.

In Asia-Pacific, Connected Home is not present in all markets and is focusing where the Group can build solid market positions. The largest segments of this market are digital satellite set top boxes and telecom broadband gateways. In 2017, Connected Home recorded solid growth in South Korea and in Japan, where Technicolor wants to grow its position, following investment in LG and Pioneer.

## 1.2.3 CORPORATE & OTHER [G4-4]

GRI

The "Corporate & Other" segment comprises unallocated corporate functions and all other continuing activities.

Corporate & Other operations are as follows:

- unallocated Corporate functions, which comprise the operation and management of the Group's Head Office, together with various Group functions centrally performed, such as sourcing, Human Resources, IT, finance, marketing and communication, corporate legal operations and real estate management, and that cannot be strictly assigned to a particular business within the two operating segments;
- post-disposal service operations and commitments related to former consumer electronics operations, mainly pension and legal costs;
- Research & Innovation ("R&I") aims at fostering organic growth in close collaboration with the businesses by innovating in next generation video technologies and experiences. A solution-driven-portfolio is built to serve content creators, particularly Hollywood Studios, Network Service Providers and Consumer Electronics manufacturers when facing the Technology challenges of emerging formats and digital platforms. Under this model, R&I and the operating businesses sustain a joint project portfolio driven to maximize impact with a clear path to deployment:
  - R&I employs around 180 world-class researchers and scientists as of December 31, 2017, with a mix of scientists and engineers with skills spanning from video compression, color science, computer vision and computer graphics, to emerging fields such as virtual/augmented reality, light fields, cognitive science, human/computer interaction, network virtualization, heterogeneous networks and deep/machine learning,

- R&I is organized around four Laboratories (Imagine Science, immersive, Artificial Intelligence and Home Experience) which aim at developing breakthrough technologies that not only provide solutions to current industry challenges, but also lead the way towards new business opportunities. Each Laboratory concentrates on complementary technological areas in order to ensure a broad array of in-depth scientific excellence and to maintain comprehensive coverage of the key Technology domains that drive the Media & Entertainment markets,
- In addition to its core research pillars, Technicolor conducts a number of exploratory programs with the ambition to foster new-to-market innovation proposals that allow significant competitive advantage,
- As innovation time to market shortens year after year, R&I teams carefully monitor emerging trends to understand where the Media & Entertainment industry is headed. The Group invests in a forward-looking, ambitious research agenda for tomorrow, fostering open research with industrial partners and academics to transform current ecosystems;

- Trademark Licensing business monetizes valuable brands such as RCA™ and Thomson™ which were operated by the Group when it was a leading stakeholder in the Consumer Electronics business.

## 1.2.4 DISCONTINUED OPERATIONS

GRI [G4-13] [G4-23]

Technicolor has finalized a number of disposals over the last few years, the results of which are, under certain criteria, reported as discontinued operations under IFRS.

For a description of the financial implications of discontinued operations on the Group's results of operations, please refer to Chapter 2: "Operating and Financial Review and Prospects", section 2.2.7: "Profit (loss) from discontinued operations".

Technicolor announced, on December 18, 2017, it decided to sell its patent Licensing business and was in advanced negotiations with a third party. As a result, the Group reported the financial information of its patent Licensing business, previously included in the Technology segment, under Discontinued operations. 2016 results were re-presented for comparative purposes.

The Patent Licensing business was organized around four key pillars and has been maximizing its efforts to increase the performance of Licensing programs derived from these pillars:

- **digital TV program**: Technicolor and Sony developed a joint Licensing program for Digital Television ("DTV") and Computer Display Monitors ("CDM") with Technicolor being the exclusive Patent Licensing agent;
- **video Coding program**: Technicolor has developed a very complete portfolio of patented compression technologies and Technicolor has been investing in compression technologies for years, including work on the most advanced standards such as HEVC, ATSC 3.0 and DVB, which are implemented in existing products and will be implemented in future products;
- **smartphone & Tablet program**: Technicolor has also a valuable patent portfolio for Smartphone and Tablets, that seems more difficult to license but includes patent assets that Technicolor believes significant for that field. Since the launch of this Licensing program, Technicolor signed two agreements (Sony and LG);
- **connected Home program**: this program consists in Licensing the IP portfolio covering technologies embedded in set-top-boxes and gateways. Technicolor owns key patents covering a broad array of technologies such as, for example, video broadcasting technologies, security, user interface, wifi, personal video recording, to name a few.

Most patent license agreements were structured on a royalty-bearing basis, while others were structured on a lump sum basis or a combination thereof. Upon entering into a new patent license agreement, the licensee typically agreed to pay consideration for sales made prior to the effective date of the license agreement (*i.e.*, past patent royalties) and also agreed to pay royalties or license fees on licensed products sold during the term of the agreement. In circumstances where Technicolor received consideration for past patent royalties or for standards on which the Group stopped working for matured technologies, Technicolor recognized such payments as revenue in the period in which the patent license agreement was signed.

Rather than Licensing individual patents, Technicolor's Licensing policy has always been to grant the right to use the patent portfolio as applicable to particular licensed products, providing licensees with the ability to understand their rights on a product-centric basis. Licensing agreements were usually renewable and had a typical duration of five years.

In addition to supporting Licensing programs, Technicolor always sought protection of its operating businesses by building a strong exclusive and defensive portfolio.

# 1.3 STRATEGY

GRI [G4-2] [G4-13] [G4-23]

As a result of the strategic transaction for its Patent Licensing activities, Technicolor will focus on developing its two operating business segments as follows:

- Entertainment Services:
  - Technicolor will continue to develop Production Services as it pursues growth opportunities driven by the continued increase in original content and the emergence of immersive content. Available Group capital will continue to be allocated in priority to opportunities in this business, organically or by acquisition, including the development of market leading tools,
  - DVD Services will maximize cash generation while continuing to develop further opportunities for its world class operating platform;
- Connected Home: going forward, Connected Home will focus on new opportunities in home networking and streaming solutions, including through alliances and partnerships. It will also concentrate its efforts to durably improve its profitability. In this context, the Group has decided to exit from a number of customers and countries which are a drag on the division's profitability.

The Group will continue to rely on its world class Research and Innovation Group to develop new tools, such as mixed reality production and new in-home services.

Technicolor's operational and financial profile will also be strengthened by corporate cost reductions and by applying all cash proceeds related to the Patent Licensing business to pay down debt. This will also include the cash settlement received from Samsung in the first *quarter* of 2018.

# 1.4 SHARE CAPITAL AND SHAREHOLDING

## 1.4.1 SHARE CAPITAL

### Number of shares and voting rights as of December 31, 2017

During 2017, the Company carried out several capital increases in respect of the delivery of shares following the exercise of stock options and the delivery of restricted shares.

As of December 31, 2017, the Company's share capital was divided in 414,461,178 shares with a nominal value of €1, fully paid-up (ISIN FR0010918292) and all of the same class (see below paragraph "Changes to share capital" of this Chapter).

| Date | Number of Outstanding Shares | Number of Voting Rights |
|---|---|---|
| December 31, 2017 | 414,461,178 | Number of Theoretical Voting Rights[1]: 414,461,178<br>Number of Voting Rights Exercisable at Shareholders' Meeting[2]: 413,483,127 |

(1) *Calculated, pursuant to Article 223-11 of the General Regulations of the Autorité des marchés financiers, based on the total number of outstanding shares to which voting rights are attached, including shares with suspended voting rights.*
(2) *Excluding shares with suspended voting rights, entirely composed of the treasury shares (i.e. 978,051 shares)*

### Holding of share capital and voting rights

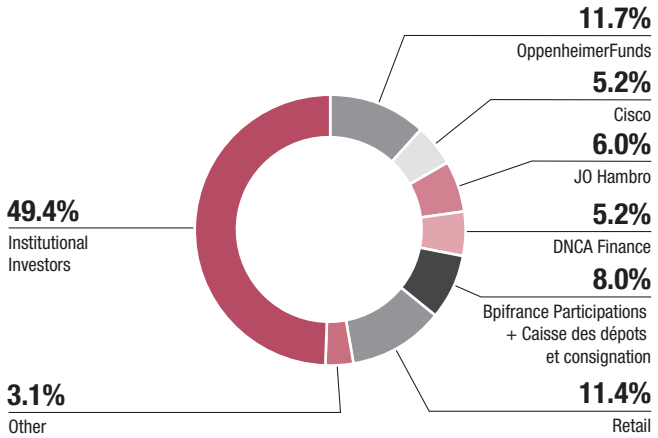
GRI [G4-9] [G4-24]

The table below shows the Company's shareholding structure over the past three fiscal years:

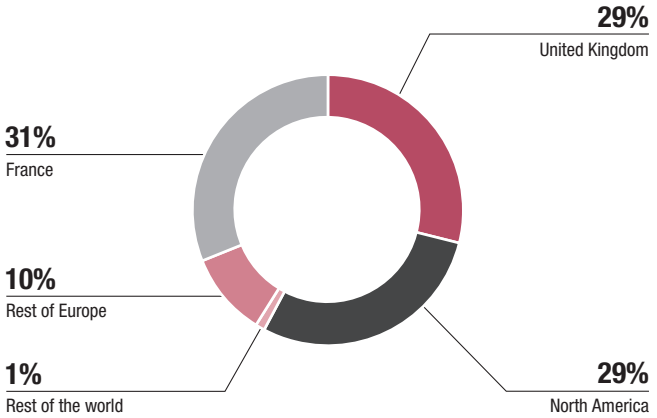
| | December 31, 2017 | | | December 31, 2016 | | | December 31, 2015 | | |
|---|---|---|---|---|---|---|---|---|---|
| shareholders | Number of shares | % of share capital | % of voting rights[4] | Number of shares | % of share capital | % of voting rights[4] | Number of shares | % of share capital | % of voting rights[4] |
| Public[1][2] | 263,865,487 | 63.66% | 63.82% | 295,782,293 | 71.58% | 71.71% | 356,719,358 | 86.70% | 86.78% |
| OppenheimerFunds, Inc. | 48,679,165 | 11. 75% | 11.77% | 41,484,036 | 10.04% | 10.06% | - | - | - |
| Bpifrance Participations | 21,853,869 | 5.27% | 5.29% | 21,853,869 | 5.29% | 5.30% | 21,823,622 | 5.30% | 5.31% |
| Caisse des Dépôts et Consignations | 11,129,059 | 2.69% | 2.69% | 11,116,440 | 2.69% | 2.69% | 11,110,851 | 2.70% | 2.70% |
| Total Bpifrance Participations + Caisse des Dépôts et Consignations | 32,982,928 | 7.96% | 7.98% | 32,970,309 | 7.98% | 7.99% | 32,934,473 | 8.00% | 8.01% |
| J O Hambro Capital Management Limited | 25,047,689 | 6.04% | 6.06% | - | - | - | - | - | - |
| DNCA Finance, SA and DNCA Finance Luxembourg | 21,489,718 | 5.18% | 5.20% | 20,838,421 | 5.04% | 5.05% | - | - | - |
| Cisco Systems, Inc. | 21,418,140 | 5.17% | 5.18% | 21,418,140 | 5.18% | 5.19% | 21,418,140 | 5.21% | 5.21% |
| Treasury shares | 978,051 | 0.24% | - | 752,768 | 0.18% | - | 371,319[3] | 0.09% | - |
| TOTAL | 414,461,178 | 100% | 100% | 413,245,967 | 100% | 100% | 411,443,290 | 100% | 100% |

(1) *Estimate obtained by subtraction.*
(2) *Including equity held by major shareholding funds.*
(3) *Direct registered shares, excluding shares allocated to the Share Management Agreement.*
(4) *Net of shares deprived of voting rights.*

## Total shareholding evolution




## Institutional holders by geography




## Individuals or entities holding control of the Company and shareholders' agreements

No entity controls the Company and, to the Company's knowledge, there are no shareholders' agreements among its shareholders.

## Share ownership thresholds' crossings notified to the Company in 2017 and shareholders holding more than 5% of the Company's capital

In accordance with Article L. 233-13 of the French Commercial Code, and to the Company's knowledge, the following legal share ownership thresholds' crossings were notified to the Company and the *Autorité des marchés financiers* (AMF) during 2017 fiscal year:

| Shareholders | Date on which threshold crossed | Threshold crossed upwards or downwards | Threshold crossed | Percentage of share capital held on the date of notification | Number of shares |
|---|---|---|---|---|---|
| J O Hambro Capital Management Limited *(D&I AMF n° 217C1920)* | August 16, 2017 | Upwards | 5% | 5.01% | 20,733,324 |

As of December 31, 2017:

- OppenheimerFunds held 11.75% of the share capital and 11.77% of the voting rights;
- *Caisse des Dépôts et Consignations* held, jointly with Bpifrance Participations SA, 7.96% of the share capital and 7.98% of the voting rights;
- J O Hambro Capital Management held 6.04% of the share capital and 6.06% of the voting rights;
- DNCA Finance held 5.18% of the share capital and 5.20% of the voting rights; and
- Cisco Systems, Inc. held 5.17% of the share capital and 5.18% of the voting rights of the Company.

To the Company's knowledge, no shareholder, other than those mentioned above, held more than 5% of its share capital or voting rights on March 21, 2018.

In addition, to the Company's knowledge, no Board member or Executive Committee member currently holds more than 1% of the Company's share capital or voting rights, except for Bpifrance Participations SA. Moreover, Cisco Systems, Inc., a legal entity connected to Mr. Romanski, a Director, holds 5.17% of the Company's share capital (for further information on Board Members' holdings see section 4.1.1.5: "Directors' holdings in the Company's share capital" under Chapter 4 "Corporate governance and internal control" of this Registration Document).

## Modifications in the holding of share capital over the past three years

GRI [G4-13]

**In 2017**, J O Hambro Capital Management Limited built up significant stakes through the purchase of shares on the market, to reach 5.01% of the Company's share capital and voting rights.

**In 2016**, two shareholders built up significant stakes through the purchase of shares on the market. :

- The holding of DNCA Finance reached 5.06% of the Company's share capital and voting rights;
- OppenheimerFunds' holding reached 5.06% of the Company's share capital and voting rights, and subsequently 10.04% of the Company's share capital and voting rights.

**In 2015**, Vector Capital proceeded with the disposal of several blocks of shares of the Company directly on the market, and in particular, on March 24, 2015, with the disposal of 13,390,354 shares. Following various other sales on the market, Vector Capital no longer held shares in the Company as of December 31, 2015.

Furthermore, on November 20, 2015, Cisco Systems, Inc.. received 21,418,140 newly issued shares in consideration of the acquisition by the Company of Cisco Connected Devices. Out of these shares, 16,795,834 were subject to a lock-up which expired on May 20, 2017.

## Changes to the share capital

GRI [G4-13]

| Transaction date | Number of shares issued or canceled | Increase/ reduction in capital (in euros) | Total amount of share capital at closing (in euros) | Additional paid-in capital variation (in euros) | Carrying amount of additional paid-in capital (in euros) | Cumulative number of shares at closing | Nominal value (in euros) |
|---|---|---|---|---|---|---|---|
| **As of December 31, 2014** | | | **335,907,670** | | **1,160,748,146** | **335,907,670** | **1** |
| June 8, 2015 | | | | | | | |
| Increase of Capital | 738,205 | 738,205 | | (738,205) | | | 1 |
| Creation of new shares under LTIP 2011 | | | | | | | |
| on October 6, 2015 | | | | | | | |
| Increase of Capital | 1,989,525 | 1,989,525 | | 4,689,553 | | | 1 |
| Creation of new shares under MIP 2015 | | | | | | | |
| on November 17, 2015 | | | | | | | |
| Capital increase with preferential subscription rights | 48,376,485 | 48,376,485 | | 178,992,994 | | | 1 |
| on November 20, 2015 | | | | | | | |
| Capital increase reserved to Cisco Systems, Inc.. | 21,418,140 | 21,418,140 | | 115,756,071 | | | 1 |
| Costs related to capital increases | | | | (8,939,178) | | | |
| Tax impact of costs related to capital increases | | | | 764,300 | | | |
| From November 18, 2015 to December 31, 2015 | | | | | | | |
| Increase of Capital | 3,013,265 | 3,013,265 | | 6,959,239 | | | 1 |
| Creation of new shares under MIP 2010 & MIP 2015 | | | | | | | |
| Allocation of net loss for FY 2014 to retained earnings by the Shareholders' General Meeting of April 9, 2015 | | | | (317,150,857) | | | |
| Dividend distribution decided by the Shareholders' General Meeting of April 9, 2015 | | | | (16,795,384) | | | |
| **As of December 31, 2015** | | | **411,443,290** | | **1,124,286,679** | **411,443,290** | **1** |
| From January 1, 2016 to January 29, 2016 | | | | | | | |
| Increase of Capital | 533,909 | 533,909 | | 1,308,865 | | | 1 |
| Creation of new shares under MIP 2015 | | | | | | | |
| From February 1, 2016 to December 31, 2016 | | | | | | | |
| Increase of Capital | 1,268,768 | 1,268,768 | | 2,944,099 | | | 1 |
| Creation of new shares under MIP 2015 | | | | | | | |
| Allocation of net loss for FY 2015 to retained earnings by the Shareholders' General Meeting of April 29, 2016 | | | | (186,444,553) | | | |
| Dividend distribution decided by the Shareholders' General Meeting of April 29, 2016 | | | | (24,745,266) | | | |
| **As of December 31, 2016** | | | **413,245,967** | | **917,349,824** | **413,245,967** | **1** |
| Creation of new shares under MyTechnicolorShares Plan | 778,750 | 778,750 | | (778,750) | | | 1 |
| *(delivery of restricted shares)* | | | | | | | |
| Creation of new shares under MIP 2015 *(exercise of stock options)* | 436,461 | 436,461 | | 955,850 | | | 1 |
| **As of December 31, 2017** | | | **414,461,178** | | **917,526,924** | **414,461,178** | **1** |

## Potential modifications to the Company's share capital

GRI [G4-13]

As of December 31, 2017, a total of 12,562,940 stock options are outstanding in the framework of stock options plans, part of which remains subject to the achievement of performance conditions (for details of these plans, see Chapter 4 "corporate governance and compensation", section 4.2.3: "Details on Stock Option Plans and Performance and Restricted Share Plans" of this Registration Document). If all options in the stock option Plans were exercised, this would lead to the issuance of 12,562,940 shares. Technicolor's share capital would be composed of 427,024,118 ordinary shares, *i.e.* a 3.03% increase in the number of shares from December 31, 2017.

As of December 31, 2017, a total of 6,868,232 performance shares could be vested to employees and Corporate Officers under performance conditions set by the performance share plans (for details of these plans, see Chapter 4 "corporate governance and compensation", section 4.2.3: "Details on Stock Option Plans and Performance and Restricted Share Plans" of this Registration Document). If all shares in the performance share plans were delivered, this would lead to the issuance of 6,868,232 shares. Technicolor's share capital would be composed of 421,329,410 ordinary shares, *i.e.* a 1.65% increase in the number of shares from December 31, 2017.

On March 21, 2018, no other securities giving access to capital are in circulation.

## Technicolor shares subject to a security interest

To the Company's knowledge, as of March 21, 2018, no shares of the Company are pledged.

## Elements likely to have an influence in case of a public offer

Pursuant to Article L. 225-100-3 of the French Commercial Code, the agreements governing the Term Loan Debt, the RCF and the €35 million bilateral credit facility to which Group companies are parties contain change of control clauses. For more information on these agreements, please refer to Chapter 2: "Operating and financial review and prospects", section 2.3.3: "Financial resources" of this Registration Document.

# 1.4.2 SHARE BUY BACK

The following paragraphs specify the information to be provided pursuant to Article L. 225-211 of the French Commercial Code.

No share purchase program will be submitted for approval at the Combined Shareholders' Meeting convened on April 26, 2018.

## Share purchase program approved in 2017

A share purchase program was, in accordance with the provisions of Articles L. 225-209 *et seq.* of the French Commercial Code, approved by the Combined Shareholders' Meeting of May 24, 2017, superseding the authorization granted by the Combined Shareholders' Meeting of April 29, 2016. The description of this program was published in the 2016 Registration Document of the Company.

## Share management agreement

The Company appointed Natixis, an independent investment services provider, to implement a share management agreement for the Company's ordinary shares for a period of one year from April 5, 2016, renewable by tacit agreement. This agreement is consistent with the Code of Conduct of the *Association française des marchés financiers* (AMAFI), approved by the AMF in its decision of March 21, 2011.

To implement this agreement, €3.5 million has been allocated to the liquidity account.

As a result of the Board's decision not to submit to the shareholders a new share purchase program in 2018, Technicolor decided to terminate this program effective on April 25, 2018.

## Holding and allocation of treasury shares as of December 31, 2017

As of December 31, 2017, the Company held 978,051 treasury shares[1] representing 0.24% of the share capital, with a gross book value of €57,029,457.51 and a nominal value of €978,051.

| | |
|---|---|
| Percentage of treasury shares held directly or indirectly | 0.24% |
| Number of treasury shares held directly or indirectly | 978,051 |
| Number of shares canceled over the last 24 months[2] | - |
| Gross book value of shares owned (in Euros) | 57,029,457.51 |
| Market value of shares owned[3] (in Euros) | 2,807,006.37 |

*(1) As of December 31, 2017, the Company was holding 371,069 registered shares directly and 606,982 shares in the frame of the share management agreement.*
*(2) Last 24 months preceding December 31, 2017.*
*(3) Based on a quoted market price of €2.870 per share on December 29, 2017.*

Out of the total 978,051 treasury shares held on December 31, 2017:

- 371,069 shares are allocated to employee stock option programs or other allocations of shares to employees and Corporate Officers of the Group; and
- 606,982 shares are allocated to a liquidity objective.

## Transactions carried out by the Company on its own shares between January 1, 2017 and December 31, 2017

In accordance with Article L. 225-211 of the French Commercial Code, under the share management agreement and during the period from January 1, 2017 to December 31, 2017, the Company's aggregate purchases totaled 3,006,648 shares (at the average price of €3.7287) or 0.73% of the share capital, amounting to €11,210,985, while the aggregate sales totaled 2,781,365 shares (at the average price of €3.7252), amounting to €10,361,241 or 0.67% of the share capital.

Apart from transactions carried out under this agreement, the Company did not purchase any shares during this period.

## 1.4.3 DELEGATIONS GRANTED TO THE BOARD OF DIRECTORS BY THE SHAREHOLDERS' MEETINGS

In accordance with Article L. 225-100 paragraph 7 of the French Commercial Code, the table below summarizes the delegations in force granted to the Board of Directors by the Shareholders' Meeting and the use made of these delegations during the 2017 fiscal year:

### I – Financial delegations to allow equity-linked instruments excluding employees or Corporate Officers

| *Type of the financial delegation* | **Duration of the authorization and date of expiration** | **Maximum amount of the issuance of equity-linked debt securities (in euros)** | **Maximum nominal amount of Capital Increases** | **Amount used** | **Amount available** |
|---|---|---|---|---|---|
| Issuance of shares and/or equity-linked securities giving access, immediately or in the future, to the Company's share capital, with preferential subscription rights maintained **(21st resolution of the AGM of April 29, 2016)** | 26 months<br>June 29, 2018 | 1 billion | €164,794,880 | None | 100% of the capital increase ceiling |
| Issuance, without preferential subscription rights and by public offering, of shares and/or equity-linked securities giving access, immediately or in the future, to the Company's share capital **(22nd resolution of the AGM of April 29, 2016)** | 26 months<br>June 29, 2018 | 400 million | €41,198,720 representing 10% of the share capital on February 29, 2016 | None | 100% of the ceiling |
| Issuance, without preferential subscription rights, of shares and/or equity-linked securities giving access, immediately or in the future, to the Company's share capital, as part of an offer referred to in section II of Article L. 411(2) of the French Monetary and Financial Code **(23rd resolution of the AGM of April 29, 2016)** | 26 months<br>June 29, 2018 | 400 million | €41,198,720 representing 10% of the share capital on February 29, 2016 | None | 100% of the ceiling |
| Increase in the number of securities to be issued in the event of a capital increase, with or without preferential subscription rights **(24th resolution of the AGM of April 29, 2016)** | 26 months<br>June 29, 2018 | N/A | 15% of the initial issue | None | 100% of the ceiling |
| Issuance, without preferential subscription rights, of shares and/or equity-linked securities giving access, immediately or in the future, to the Company's share capital in consideration for contributions in kind granted to the Company **(25th resolution of the AGM of April 29, 2016)** | 26 months<br>June 29, 2018 | 41,198,720 | €41,198,720 | None | 100% of the capital increase ceiling |
| Overall limits on issues **(29th resolution of the AGM of April 29, 2016)** | N/A | 1 billion | €164,794,880 representing 40% of the share capital on February 29, 2016 | 7,386,000 shares granted | 157,408,880 shares available |

### II – Delegations to allow equity-linked instruments for employees or Corporate Officers

| Type of the financial delegation | Duration of the authorization and date of expiration | Number of shares and percentage of capital likely to be issued | Amount used | Amount available |
|---|---|---|---|---|
| Capital increase without preferential subscription rights, reserved for employees who are members of a Group Savings Plan **(26th resolution of the AGM of April 29, 2016)** | 18 months<br>October 29, 2017 | 4,112,743 shares representing 1% of the share capital on April 29, 2016) | None | N/A |
| Capital increase without preferential subscription rights, reserved for specific categories of beneficiaries – shareholding operations for employees outside the Group savings Plan **(27th resolution of the AGM of April 29, 2016)** | 18 months<br>October 29, 2017 | 4,112,743 shares representing 1% of the share capital on April 29, 2016 | None | N/A |
| Grant of free shares to all employees or certain categories of employees and/or officers **(28th resolution of the AGM of April 29, 2016)** | 26 months<br>June 29, 2018 | 8,239,744 shares representing 2% of the share capital on February 29, 2016 | 7,386,000 shares granted(1) | 853,744 shares available for allocation(2) |
| Overall limits on issues **(29th resolution of the AGM of April 29, 2016)** | N/A | 164,794,880 shares representing 40% of the share capital on February 29, 2016 | 7,386,000 shares granted | 157,408,880 shares available |

*(1) 3,040,500 shares were granted by the Board of Directors in 2016. They will be issued in 2019, subject to the achievement of performance and presence conditions as laid down in the plan regulations (See section 4.2.3: "Details on Stock Option Plans and Performance and Restricted Share Plans" under Chapter 4 "Corporate governance and compensation"). 4,345,500 shares were granted by the Board of Directors in 2017. They will be issued in 2020, subject to the achievement of performance and presence conditions as laid down in the plan regulations (See section 4.2.3: "Details on Stock Option Plans and Performance and Restricted Share Plans" under Chapter 4 "Corporate governance and compensation").*

*(2) In consideration of the 7,386,000 shares granted in 2016 and 2017, 853,744 shares remain available for allocation by the Board of Directors under this authorization.*

## 1.4.4 DIVIDEND POLICY

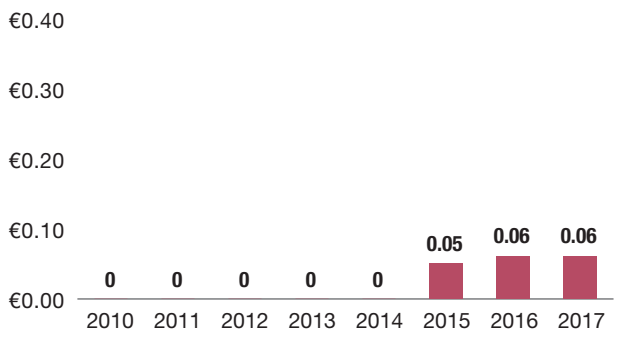
GRI [G4-EC1]

Any payment of dividends or other distributions depends on the Company's financial condition and results of operations, especially net income, and its investment policy.

Upon proposal of the Board of Directors, with respect to fiscal year 2016, the General Shareholders' Meeting of May 24, 2017 voted the payment of a dividend of €0.06 per share, which was paid in cash as of June 23, 2017.

Upon proposal of the Board of Directors, with respect to fiscal year 2015, the General Shareholders' Meeting of April 29, 2016 voted the payment of a dividend of €0.06 per share, which was paid in cash as of May 26, 2016.

Upon proposal of the Board of Directors, with respect to fiscal year 2014, the General Shareholders' Meeting of April 9, 2015 voted the payment of a dividend of €0.05 per share, which was paid in cash as of May 22, 2015.




Furthermore, the Term Loan Debt and the RCF agreements contain clauses restricting the Company's ability to declare or pay dividends (see note 8.3 to the consolidated financial statements: "Borrowings").

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# 2.1 SUMMARY OF RESULTS

GRI [G4-EC1] [G4-DMA Economic performance]

Due to the announcement of the divesture of the Patent Licensing business in December 2017, results pertaining to this business for 2017 were reported as discontinued operations and results for 2016 have been re-presented accordingly.

Revenues from continuing operations totaled €4,231 million in 2017, down 8.6% at current currency and down 6.8% at constant currency compared to 2016. For more information, please refer to section 2.2.1: "Analysis of revenues from continuing operations" of this Chapter.

Adjusted EBITDA from continuing operations reached €291 million in 2017, down 19.0% at current currency and down 17.2% at constant currency compared to 2016, a decline wholly attributable to the Connected Home segment as memory price increases negatively impacted its Adjusted EBITDA by €80 million. The Adjusted EBITDA margin amounted to 6.9%, down by 90 points year-on-year. For more information, please refer to sections 2.2.2: "Analysis of adjusted EBITDA from continuing operation" and 2.2.9: "Adjusted indicators" of this Chapter.

Loss from continuing operations before tax and net finance costs was €10 million in 2017 compared to a profit of €76 million in 2016. For more information, please refer to section 2.2.3: "Analysis of operating expenses and profit (loss) from continuing operations before tax and net finance costs" of this Chapter.

The Group's net financial result was an expense of €97 million in 2017 compared to an expense of €154 million in 2016. For more information, please refer to section 2.2.4: "Net financial expenses" of this Chapter.

The Group's total income tax charge was €112 million in 2017 compared to a charge of 30 million in 2016. For more information, please refer to section 2.2.5: "Income tax" of this Chapter.

Loss from continuing operations was €219 million in 2017 compared to a loss of €106 million in 2016. For more information, please refer to section 2.2.6: "Profit (loss) from continuing operations" of this Chapter.

The Profit from discontinued operations was €46 million in 2017 compared to a profit of €80 million in 2016. For more information, please refer to section 2.2.7: "Profit (loss) from discontinued operations" of this Chapter.

The Group's consolidated net income was a loss of €173 million in 2017 compared to a loss of €26 million in 2016. For more information, please refer to section 2.2.8: "Net income (loss) of the Group" of this Chapter

# 2.2 RESULTS OF OPERATIONS FOR 2016 AND 2017

GRI [G4-EC1] [G4-DMA Economic performance]

The revenues, Adjusted EBITDA, operating expenses and profit (loss) from continuing operations before tax and net finance costs for the years 2016 and 2017 are presented below for each of the Group's operating segments – Connected Home, Entertainment Services and Corporate & Other.

The Group's results are presented in accordance with IFRS 5. Consequently, the contributions of discontinued operations are presented on one line in the consolidated statements of operations, named "Net profit (loss) from discontinued operations" and are presented separately under section 2.2.7: "Profit (Loss) from Discontinued Operations" of this Chapter.

## 2.2.1 ANALYSIS OF REVENUES

| *(in million euro)* | FY 2017 | FY 2016 | Change[1] |
|---|---|---|---|
| **Total revenues from continuing operations** | **4,231** | **4,628** | **(8.6)%** |
| Production Services | 766 | 765 | +0.0% |
| DVD Services | 1,024 | 1,201 | (14.7)% |
| Connected Home | 2,419 | 2,637 | (8.3)% |
| Corporate & Other | 22 | 25 | (10.3)% |

*(1) Change at current currency.*

Revenues from continuing operations totaled €4,231 million in 2017, down 8.6% at current currency and down 6.8% at constant currency compared to 2016, resulting mainly from lower revenues in the Connected Home segment and in DVD Services Division.

### Entertainment Services

Consolidated revenues for the **Entertainment Services** segment amounted to €1,790 million in 2017, down 9.0% at current currency and down 6.7% at constant currency compared to 2016.

- **Production Services** revenues were broadly stable year-on-year at current rate and up 3% at constant rate. The division recorded a lower revenue growth than anticipated in the second half of 2017 due to an unexpected delay into 2018 in VFX for film.

#### *Business Highlights*

The level of activity in Film and TV VFX was sustained, but below the prior year, as the production schedules of some film projects was delayed. These projects will therefore contribute to 2018 performance. The teams worked on more than 25 projects during the year. In the last *quarter*, they completed work on Jumanji: Welcome to the Jungle (Sony), Justice League (Warner Bros), The Shape of Water (Fox Searchlight), 50 Shades Freed (Universal), The Greatest Showman on Earth (Fox) while continuing work on a large number of projects.

VFX for Advertising returned to revenue growth at the end of September after a weak performance in the first half of 2017. The teams completed several premium and highly popular Christmas ads and started working on several Super Bowl advertising campaigns in the fourth *quarter*. Overall, this resulted in single digit revenue growth in the second half of 2017 with an improved project mix.

The level of activity in Animation & Games continued its strong growth trajectory in the second half of 2017 and recorded a strong growth rate during the year, primarily driven by the number of theatrical Animation projects.

Post-production revenues grew, particularly in the U.S. market, driven by an increasing amount of work generated by streaming customers, such as Netflix and Amazon.

- **DVD Services** revenues totaled €1,024 million in 2017, down c. 13% at constant currency compared to 2016. Standard-Definition DVD and Blu-ray™ volumes amounted to 1.26 billion units, a year-on-year reduction of 11% driven primarily by weaker 2017 new release activity in both major studio feature film and Xbox game content as compared to 2016.

#### *Business Highlights*

With the worst summer U.S. theatrical box Office performance in over a decade (15% reduction from the summer of 2016), weakness in disc demand was primarily concentrated in the fourth *quarter* of 2017. Blu-ray™ was negatively affected by U.S. summer Box Office results, as demand for this format is predominantly driven by new release activity. The Box Office performance started improving at the end of the year, but related disc releases will occur only in the first half of 2018. The ongoing resilience of back catalog on Standard Definition DVD (particularly in North America) helped to partially mitigate the impact of new release weakness.

In games, Xbox One (Blu-ray™ based) similarly suffered from a weaker second half 2017 release slate, driven in part by unanticipated delays in the release of several key games titles from 2017 to 2018. Total games volume in 2017 was further impacted by an ongoing sharp year-on-year reduction in demand for the prior generation (DVD based) Xbox console.

CD volumes declined as a result of ongoing market-based reductions, in addition to a difficult comparison to the second half 2016 which benefited from selected, non-recurring major releases.

The division successfully maintained its market leadership position and further leveraged its best-in-class operational platform. In January 2018, Sony DADC announced that it will outsource to Technicolor a substantial majority of its CD, DVD and Blu-ray™ manufacturing and packaging requirements in both the North American and Australian markets. Sony DADC will continue to maintain direct relationships with distributors and will also continue to directly support its PlayStation customers. This outsourcing initiative will start in the second *quarter*.

**Volume data for DVD Services**

| *(in million units)* | | FY 2017 | FY 2016 | Change |
|---|---|---|---|---|
| **Total volumes** | | **1,344.8** | **1,551.9** | **(13)%** |
| **By Format** | DVD | 953.5 | 1,076.9 | (11)% |
| | Blu-ray™ | 303.7 | 341.2 | (11)% |
| | CD | 87.6 | 133.8 | (35)% |
| **By Segment** | Theatrical/Broadcast | 1,192.0 | 1,327.3 | (10)% |
| | Games | 48.8 | 65.8 | (26)% |
| | Software & Kiosk | 16.4 | 25.0 | (34)% |
| | Music & Audio | 87.6 | 133.8 | (35)% |

## Connected Home

**Connected Home** revenues totaled €2,419 million in 2017, down 8.3% at current rate and down 6.8 % at constant rate compared to 2016. During the second half of the year, revenue trends improved as expected compared to the first half, while remaining slightly negative.

### *Business Highlights*

***North America:***

- revenues in North America were up 2% year-on-year at constant rate while the market was down 3%, representing 57% of total revenues;
- this solid performance was driven by a very strong growth in the second half at major Cable customers in the U.S. and in Canada which included the first material DOCSIS 3.1 gateways deliveries;
- this was in contrast with the weakness of the Satellite and Telecom segment with soft demand and several programs being delayed by the customers;
- commercial activity remained strong with a win rate above 70% on different tender offers. Several new high-runner products have also been awarded to Technicolor during the year with expected impact in 2018.

***Europe, Middle-East and Africa:***

- revenues in Europe, Middle-East and Africa were down 27% year-on-year due to the end-of-life of some high-runner products, delay at a large operator due to a component quality issue and weak demand from customers;
- the situation started to improve in the fourth *quarter* with the introduction of new products, which are expected to lead to volume deliveries in 2018, supported by a positive trend for high end products both in video and broadband.

***Latin America:***

- Latin America saw an overall decline of 21% year-on-year, mainly due to Mexico, reflecting the adverse economic conditions in that part of the region. The video segment continues to experience headwinds while broadband demand has started to rebound as competition for higher bandwidth speed grows;
- on the other hand, Brazil had a strong rebound with a 29% growth year-on-year.

***Asia Pacific:***

- revenues in Asia-Pacific showed a strong year-on-year growth of 17% following the successful integration of acquisitions in Japan and Korea;
- excluding the acquisitions, the Asia-Pacific region is broadly flat year-on-year as growth in India offset Technicolor's decision to exit the Chinese market and softer demand from one Australian customer.

### Volume data for Connected Home

| (in million euros) | | FY 2017 | FY 2016 | Change[1] |
|---|---|---|---|---|
| **Total revenues** | | **2,419** | **2,637** | **(6.8)%** |
| o/w | North America | 1,364 | 1,380 | +1.6% |
| | Europe, Middle-East & Africa | 434 | 592 | (26.7)% |
| | Latin America | 324 | 409 | (21.4)% |
| | Asia-Pacific | 297 | 256 | +16.8% |

(1) *Change at constant currency*

## Corporate & Other

**Corporate & Other** now includes Research & Innovation activities and Trademark Licensing business in addition to unallocated corporate functions.

Following the transfer, Corporate & Other recorded revenues of €22 million in 2017 compared to 25 million in 2016, primarily driven by the Trademark Licensing business.

## 2.2.2 ANALYSIS OF ADJUSTED EBITDA

For the purpose of analyzing the Group's performance, and in addition to its published results presented in accordance with IFRS, Technicolor publishes an Adjusted EBITDA. This indicator excludes factors the Group considers to be non-representative of Technicolor's normal operating performance. For a comprehensive definition of adjusted indicators and a description of their limitations as performance indicators please refer to section 2.2.9: "Adjusted Indicators" of this Chapter.

| (in million euros) | FY 2017 | FY 2016 | Change[1] |
|---|---|---|---|
| **Total Adjusted EBITDA from continuing operations** | **291** | **359** | **(19.0)%** |
| Entertainment Services | 230 | 238 | (3.1)% |
| Connected Home | 137 | 218 | (37.1)% |
| Corporate & Other | (76) | (97) | +21.4% |

(1) *Change at current currency*

Adjusted EBITDA from continuing operations amounted to €291 million in 2017, down 17.2% at constant currency compared to 2016. The Adjusted EBITDA margin amounted to 6.9%, down by 90 points year-on-year, due to the Connected Home segment. This margin squeeze was attributable to the memory cost impact. This margin squeeze was attributable to the memory cost impact. Including the contribution from the discontinued operations, the Adjusted EBITDA of Technicolor amounted to €371 million, a significant decline compared to 2016 as the Patent Licensing business generated €79 million of profit compared to €206 million in 2016. Technicolor implemented several cost-cutting measures in the second half of 2017 to reflect the more challenging environment. As a result of these initiatives, Technicolor already reported lower selling and administrative expenses, down 7.5% year-on-year at current currency.

## Entertainment Services

Consolidated Adjusted EBITDA for the Entertainment Services segment amounted to €230 million in 2017, down 3.1% at current currency and down 1.2% at constant currency compared to 2016.

- **Production Services** contribution to the Adjusted EBITDA increased in 2017.The division achieved, significant profitability improvement in the second half of 2017, resulting in an Adjusted EBITDA stable compared to the prior year. Production Services' scale and the pipeline of projects allowed the Group to proactively reallocate resources to mitigate production gaps and maintain the utilization rate at a high level.
- In **DVD Services**, Adjusted EBITDA was slightly down, but margins were broadly stable in 2017 versus 2016, as reductions in volumes and revenues were offset by fixed costs reductions and efficiency gains, leading to a solid improvement in margin as a % of sales in the second half.

## Connected Home

The business environment was mainly impacted by continued pricing pressures on memories resulting in an Adjusted EBITDA of €137 million or 5.7% of the revenue, down 260 basis points compared to last year. Overall this performance reflected a solid improvement in the second half of 2017, with margin at 6.8% versus 4.6% in the first half. Without the impact of memory cost increases which amounted to €80 million in 2017, the Adjusted EBITDA margin would have reached 9% of sales in 2017, equivalent to the prior year, and 11.1% of sales in the second half excluding the memory price increases.

## Corporate & Other

Adjusted EBITDA amounted to €(76) million, a significant improvement compared to prior year, reflecting mostly cost cutting initiatives. Research & Innovation expenses remained stable year-on-year and its cost was partially covered by the Trademark Licensing contribution.

As a result of the planned Patent Licensing disposal, Technicolor has reviewed its corporate costs and decided to reallocate those which are incurred to support a division's business activity. This reallocation will be effective as of 2018 and would have impacted the Adjusted EBITDA by segment as follows:

**Impact of Reallocation by Segment**

| | Entertainment Services | | Connected Home | | Corporate & Other | |
|---|---|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| **Adj. EBITDA as reported** | **230** | **238** | **137** | **218** | **(76)** | **(97)** |
| Cost reallocation[1] | (15) | (15) | (9) | (9) | 24 | 24 |
| Adj. EBITDA post reallocation | 216 | 223 | 128 | 209 | (53) | (73) |

*[1] At budget rate 2018*

# 2.2.3 ANALYSIS OF OPERATING EXPENSES AND PROFIT (LOSS) FROM CONTINUING OPERATIONS BEFORE TAX AND NET FINANCIAL EXPENSE

## Cost of sales

Cost of sales amounted to €3,651 million in 2017, or 86.3% of revenues, compared to €3,935 million in 2016, or 85.0% of revenues.

Cost of sales in absolute terms were €284 million lower in 2017 compared with 2016, reflecting the impact of the lower sales on all segments and memory costs increase in the Connected Home segment, partly mitigated by cost savings measures.

The principal components of the Group's cost of sales were the costs of finished goods for resale (mainly in the Connected Home segment), raw materials (mostly in the DVD Services Division of the Entertainment Services segment), labor costs in the Group's operations (mainly in the Entertainment Services segment), as well as costs related to real estate and fixed assets depreciation (mainly in the Entertainment Services segment).

Gross margin from continuing operations amounted to €580 million in 2017, or 13.7% of revenues, compared to €693 million in 2016, or 15.0% of revenues. This lower gross margin ratio mainly reflects the negative impact from higher memory costs in the Connected Home segment.

## Selling & administrative expenses

Selling and marketing expenses amounted to €145 million in 2017, or 3.4% of revenues, compared to €162 million in 2016, or 3.5% of revenues, mainly reflecting the positive impact of cost optimization measures.

General and administrative expenses amounted to €210 million in 2017, or 5.0% of revenues and are stable compared to €222 million in 2016, or 4.8% of revenues.

For more information, please refer to note 3.3 to the Group's consolidated financial statements.

## Net research and development expenses

Net research and development ("R&D") expenses amounted to €172 million in 2017, or 4.1% of revenues, compared to €177 million in 2016, or 3.8% of revenues.

For more information, please refer to note 3.3 to the Group's consolidated financial statements.

### Restructuring costs

In 2017, the Group continued its efforts to reduce costs through facility closures and headcount reductions, which generated restructuring costs.

Restructuring costs for continuing operations amounted to €43 million in 2017, or 1.0% of revenues resulting principally from facility closures in the Connected Home segment as well as cost streamlining actions in the DVD Services business.

In 2016, restructuring costs for continuing operations amounted to €44 million, or 1.0% of revenues, mainly related to cost reduction on Research & Innovation Division and to actions on operational efficiency improvement for North American assets of Cinram on DVD Services Division.

### Net impairment losses on non-current operating assets

In 2017, Technicolor recorded a net impairment charge of €9 million, mainly related to intangible asset write-offs in the Connected Home segment, compared to a net impairment charge of €13 million in 2016, of which €9 million related to intangible asset write-offs in the Connected Home segment.

For more information, please refer to notes 4.4 to the Group's consolidated financial statements.

### Other Income (expense)

Other income (expense) was a loss of €11 million in 2017, compared to a profit of €1 million in 2016.

For further information, please refer to note 3.3 to the Group's consolidated financial statements.

### Profit (loss) from continuing operations before tax and net financial expense

Loss from continuing operations before tax and net financial expense amounted to €10 million in 2017, or (0.2)% of revenues, compared to a profit of €76 million, or 1.6% of revenues in 2016 as gross margin decrease is partially offset by decrease of selling & marketing expenses and general & administrative expenses.

For further information, please refer to note 3 to the Group's consolidated financial statements.

## 2.2.4 NET FINANCIAL EXPENSE

The Group's net financial result from continuing operations was a loss of €97 million in 2017 compared to a loss of €154 million in 2016.

### Net interest expense

Net interest expense amounted to €43 million in 2017 compared to €81 million in 2016, reflecting a lower level of debt (€317 million of net repayments in 2016 and €50 million in 2017) and lower average interest rates due to the 2016 and 2017 refinancing.

For further information, please refer to note 8 to the Group's consolidated financial statements.

### Other financial income (expense)

Other financial expense amounted to €54 million in 2017 compared to €73 million in 2016. This decrease reflected a lower IFRS adjustment (accelerated amortization of issuing fees from debts early paid) than last year and better foreign exchange results in Brazil and UK.

## 2.2.5 INCOME TAX

The Group total income tax expense from continuing operations, including both current and deferred taxes, amounted to €112 million in 2017 compared to €30 million in 2016.

The current income tax charge was mainly attributable to current taxes due in France, India, Canada, UK, Australia and Poland.

Net deferred tax expense was €100 million in 2017 compared to €15 million in 2016. In 2017, a valuation allowance on deferred tax assets in France was recognized for €113 million due to the change in the projections of our Licensing activities from a 14 to a 5-year tax planning in France as a result of the announcement in December 2017 of advanced negotiations related to the disposal of our Patent Licensing business.

Net deferred tax assets in the United States amounted to €50 million as of December 31,2017, comparable to 2016 despite the change in the tax rate from 35% to 21% following the recent enacted U.S. tax reform.

## 2.2.6 PROFIT (LOSS) FROM CONTINUING OPERATIONS

Loss from continuing operations amounted to €219 million in 2017 compared to a loss of €106 million in 2016, mainly reflecting the impact of income taxes.

## 2.2.7 PROFIT (LOSS) FROM DISCONTINUED OPERATIONS

The profit from discontinued operations totaled €46 million in 2017 compared to €80 million in 2016, mainly reflecting Patent Licensing activity.

## 2.2.8 NET INCOME (LOSS) OF THE GROUP

Net loss totaled €173 million in 2017 compared to a loss of €26 million in 2016. Net loss attributable to non-controlling interests amounted to €1 million in 2017 and was nil in 2016. Accordingly, the net loss attributable to the shareholders of Technicolor SA amounted to €172 million in 2017 compared to €26 million in 2016.

Net losses per share, basic and diluted, were €0.42 in 2017 compared to €0.06 in 2016.

## 2.2.9 ADJUSTED INDICATORS

In addition to its published results presented in accordance with IFRS and with the aim of providing a more comparable view of the changes in its operating performance, the Group presents a set of adjusted indicators, which excludes impairment charges, restructuring charges and other income and expenses with respect to Adjusted EBIT, and amortization charges as well as the impact of provisions for risks, warranties and litigation with respect to Adjusted EBITDA (in addition to adjustments included in Adjusted EBIT). Technicolor considers that this information may help investors in their analysis of the Group's performance by excluding factors it considers to be non-representative of Technicolor's normal operating performance.

Technicolor uses Adjusted EBIT and Adjusted EBITDA to evaluate the results of its strategic efforts. This definition of Adjusted EBITDA is compared to the definition as per Technicolor's Credit Agreements and is used in calculating applicable financial covenants.

These adjustments for 2017 and 2016 are directly identifiable in the Group's consolidated financial statements, with the exception of the heading "depreciation and amortization."

The additional indicators have inherent limitations as performance indicators. Adjusted profit from continuing operations before tax, finance costs, plus depreciation and amortization (Adjusted EBITDA) and adjusted profit from continuing operations before tax and net finance costs (Adjusted EBIT) are not indicators recognized by IFRS and are not representative of cash generated by these activities for the periods indicated. In particular, Adjusted EBITDA does not reflect the Group's working capital needs for its operations, interest charges incurred, payment of taxes, or capital expenditures necessary to replace depreciated assets. Adjusted EBITDA and Adjusted EBIT indicators do not have standard definitions and, as a result, Technicolor's definition of Adjusted EBITDA and Adjusted EBIT may not correspond to the definitions given to these terms by other companies. In evaluating these indicators, please note that Technicolor may incur similar charges in future periods. The presentation of these indicators does not mean that Technicolor considers its future results will not be affected by exceptional or non-recurring events. Due to these limitations, these indicators should not be used exclusively or as a substitute for IFRS measures.

These adjustments, of an amount of €(63) million in 2017, are added back to the Profit (Loss) from continuing operations before tax and net finance costs (EBIT) to compute the Adjusted EBIT from continuing operations. The same adjustments had an impact of €(56) million in 2016.

Technicolor defines "Free Cash Flow" as net cash from operating activities (continuing and discontinued) plus proceeds from sales of property, plant and equipment ("PPE") and intangible assets, minus purchases of PPE, purchases of intangible assets including capitalization of development costs.

| *(in million euros unless otherwise stated)* | 2017 | 2016 | Change[1] |
|---|---|---|---|
| **Profit (Loss) from continuing operations before tax and net finance costs / EBIT (a)** | **(10)** | **76** | **(86)** |
| Total adjustments on EBIT (b) | (63) | (56) | (7) |
| Of which restructuring costs, net | (43) | (44) | +1 |
| Of which net impairment losses on non-current operating assets | (9) | (13) | +4 |
| Of which other income/(expense) | (11) | 1 | (12) |
| **Adjusted EBIT from continuing operations (a)-(b)** | **53** | **132** | **(79)** |
| *As a % of revenues* | *1.2%* | *2.9%* | *(170) bps* |
| Depreciation & amortization | 238 | 227 | +11 |
| **Adjusted EBITDA from continuing operations** | **291** | **359** | **(68)** |
| *As a % of revenues* | *6.9%* | *7.8%* | *(90) bps* |
| Adjusted EBITDA of discontinued activities | 80 | 204 | (124) |
| **Adjusted EBITDA used for covenants** | **371** | **563** | **(192)** |

(1) *Year-on-year change at current currency.*

| *(in million euros unless otherwise indicated)* | 2017 | 2016 | Change |
|---|---|---|---|
| **Profit (Loss) from continuing operations before tax and net finance costs** | **(10)** | **76** | **(86)** |
| *As a % of revenues* | *(0.2)%* | *1.6%* | *(180) bps* |
| of which: | | | |
| Entertainment Services | 53 | 76 | (23) |
| *As a % of revenues* | *2.9%* | *3.9%* | *(90) bps* |
| Connected Home | 29 | 113 | (84) |
| *As a % of revenues* | *1.2%* | *4.3%* | *(310) bps* |
| Corporate & Other | (92) | (113) | +21 |
| **Adjusted EBIT from continuing operations** | **53** | **132** | **(79)** |
| *As a % of revenues* | *1.2%* | *2.9%* | *(160) bps* |
| of which: | | | |
| Entertainment Services | 76 | 88 | (12) |
| *As a % of revenues* | *4.2%* | *4.5%* | *(20) bps* |
| Connected Home | 61 | 148 | (87) |
| *As a % of revenues* | *2.5%* | *5.6%* | |
| Corporate & Other | (84) | (104) | +20 |
| **Adjusted EBITDA from continuing operations** | **291** | **359** | **(68)** |
| *As a % of revenues* | *6.9%* | *7.8%* | *(90) bps* |
| of which: | | | |
| Entertainment Services | 230 | 238 | (7) |
| *As a % of revenues* | *12.9%* | *12.1%* | *+80 bps* |
| Connected Home | 137 | 218 | (81) |
| *As a % of revenues* | *5.7%* | *8.3%* | *(260) bps* |
| Corporate & Other | (76) | (97) | +21 |

| *(in million euros)* | December 31, 2016 Published | December 31, 2016 Re-presented | December 31, 2017 |
|---|---|---|---|
| **Adjusted EBITDA from continuing operations** | **565** | **359** | **291** |
| Changes in working capital and other assets and liabilities | 106 | 56 | 72 |
| Pension cash usage of the period | (28) | (28) | (27) |
| Restructuring provisions – cash usage of the period | (56) | (47) | (40) |
| Interest paid | (74) | (74) | (46) |
| Interest received | 3 | 3 | 2 |
| Income tax paid | (44) | (5) | (9) |
| Other items | (26) | (24) | (34) |
| **Net operating cash generated from continuing activities** | **446** | **240** | **209** |
| Purchases of property, plant and equipment (PPE) | (68) | (68) | (52) |
| Proceeds from sale of PPE and intangible assets | 1 | 1 | 1 |
| Purchases of intangible assets including capitalization | (85) | (85) | (95) |
| of development costs | | | |
| Net operating cash used in discontinued activities | (46) | 160 | (39) |
| **Free cash flow** | **248** | **248** | **24** |

# 2.3 LIQUIDITY AND CAPITAL RESOURCES

GRI [G4-EC1] [G4-DMA Economic performance]

This section should be read in conjunction with Chapter 3: "Risk Factors", section 3.2: "Market Risk" of this Registration Document and note 8 to the consolidated financial statements.

## 2.3.1 OVERVIEW

### 2.3.1.1 Principal cash requirements

The main cash requirements of the Group arise from the following:

- **working capital requirements from continuing operations:** the working capital requirements of the Group are based in particular on the level of inventories, receivables and payables;
- **losses relating to discontinued operations:** the Group must also fund the losses and cash requirements, if any, of its discontinued operations. For more information on the risks associated with the sale of these activities please refer to Chapter 3: "Risks, litigation and controls" section 3.1: "Risks factors" of this Registration Document;
- **capital expenditures:** the Group must regularly invest in capital equipment to operate its businesses;
- **repayment or refinancing of debt:** at each debt maturity date, the Group must either repay or refinance the maturing amounts;
- **dividends:** a dividend of €25 million was paid in 2017 for 2016 and the Group must fund any future dividends.

### 2.3.1.2 Key liquidity resources

To meet its cash requirements, the Group's main sources of liquidity consist of:

- **cash and cash equivalents:** the amount of cash and cash equivalents was €319 million at December 31, 2017. In addition, €23 million in cash collateral and security deposits was outstanding at December 31, 2017 to secure credit facilities and other Group obligations;
- **cash generated from operating activities:** in accordance with the Group's debt documentation, the Group is required to use a portion of its excess cash to repay debt. For more information, please refer to note 8.3.3.5 to the Group's consolidated financial statements;
- **proceeds from sales of assets:** in accordance with the Group's debt documentation, the proceeds from the sale of assets must be used in some cases to repay debt;
- **committed credit lines:** at December 31, 2017 the Group had three confirmed credit lines with maturity greater than 1 year for a total amount of €390 million. One of the credit lines for an amount of €105 million is secured by trade receivables and the availability of this line varies depending on the amount of receivables. For more information about the Group's credit lines please refer to note 8.2.3 to the Group's consolidated financial statements.

## 2.3.2 CASH FLOW

| *(in million euros)* | 2017 | 2016* |
|---|---|---|
| **Cash and cash equivalents at January 1** | **371** | **385** |
| Net operating cash generated from continuing activities (I) | 209 | 240 |
| Net investing cash used in continuing activities (II) | (151) | (117) |
| Net financing cash used in continuing activities (III) | (28) | (331) |
| Net cash from discontinued activities (IV) | (43) | 168 |
| **Net decrease in cash and cash equivalents (I+II+III+IV)** | **(13)** | **(40)** |
| Exchange gains (losses) on cash and cash equivalents | (39) | 26 |
| **CASH AND CASH EQUIVALENTS AT DECEMBER 31** | **319** | **371** |

* *2016 amounts are re-presented to reflect the impacts of discontinued operations (see note 12 to the Group's consolidated financial statements).*

## Net cash generated from operating activities

### *Continuing operations*

Net Income from continuing operations was a loss of €219 million in 2017 compared to a loss of €106 million in 2016. Net operating cash generated from continuing operations amounted to €209 million in 2017, compared to €240 million generated in 2016. The variations between 2016 and 2017 are analyzed in the table below:

| *(in million euros)* | 2017 | 2016* | Variation | Comments on variations |
|---|---|---|---|---|
| **Profit (Loss) from continuing operations** | **(219)** | **(106)** | **(113)** | Mainly related to a valuation allowance for deferred tax assets in France due to the change in projections from a 14 to 5-year tax planning following the announcement of the divestiture of the Patent Licensing business. |
| *Summary adjustments to reconcile profit from continuing operations to cash generated from continuing operations:* | | | | |
| Non-cash depreciation, amortization and impairment of assets | 249 | 237 | +12 | |
| **Profit from continuing operations before depreciation, amortization and impairment of assets** | **30** | **131** | **(101)** | |
| Cash payments of the period related to provisions | (112) | (117) | +5 | |
| Non-cash P&L impact of the provisions of the period | 74 | 92 | (18) | Mainly related to lower restructuring provision in 2017. |
| Other various adjustments | 300 | 341 | (41) | Various non-cash adjustments, including, net interest expense, and other non-cash items, and changes in working capital |
| **Cash generated from continuing operations** | **262** | **316** | **(54)** | |
| Net interest paid and received | (44) | (71) | +27 | Mainly due to the refinancing in March 2017 of Old Term Loan Debt |
| Income tax paid | (9) | (5) | (4) | |
| **NET OPERATING CASH GENERATED FROM CONTINUING ACTIVITIES** | **209** | **240** | **(31)** | |

* *The 2016 amounts are re-presented to reflect the impacts of Discontinued Operations (see note 12 of the Group's consolidated financial statements).*

### *Discontinued operations*

Net operating cash used in discontinued operations was €39 million in 2017 compared to €160 million generated in 2016. This decrease was mainly attributable to the payment of €77 million related to the settlements relating to the CRT litigation in the U.S. and to lower sales from our Patent Licensing business presented in discontinued operations as a result of the announcement in December 2017 of its future disposal.

## Net cash used in investing activities

### *Continuing operations*

Net investing cash used in continuing activities was €151 million in 2017 compared to €117 million in 2016, and included:

- net capital expenditures, which amounted to €146 million in 2017 (compared to €152 million in 2016), due to cash expended relating to tangible and intangible capital expenditures for €147 in 2017 (compared with €153 million in 2016), net of cash received from tangible and intangible asset disposals for €1 million in 2017 (same as 2016). In 2017, net capital expenditure amounted to €69 million in the Entertainment Services segment and were mainly related to intangible asset spending and development of projects in Animation and €74 million in the Connected Home segment, mainly due to capitalized R&D projects;

- acquisition of businesses (net of cash acquired), which amounted to €25 million in 2017, compared to €21 million in 2016. In 2017, it corresponded mainly to the acquisition of the LG Electronics set-top-box business for €15 million. In 2016, it corresponded mainly to a complementary payment for €18 million related to the acquisition of Cinram Inc.;
- proceeds from sales of equity holdings, which amounted to €11 in 2017 compared to €52 million in 2016 (net of cash in companies disposed of). In 2017, it corresponded mainly to a second payment €8 million related to the disposal of Digital Cinema in 2016. In 2016, it corresponded mainly to the disposal of SV Holdco for €29 million, the disposal of Media-Navi for €11 million, the minimum consideration following the Digital Cinema activity disposal for €5 million, and the disposal of available-for-sale investments.

### *Discontinued Operations*

Net cash used in discontinued operations was €1 million in 2017 compared to €1 million net cash generated in 2016.

## Net cash used in financing activities

### *Continuing operations*

Net financing cash used in continuing activities was €28 million in 2017 compared to €331 million in 2016.

The net cash used in 2017 was primarily for repayment of borrowings for a net amount of €603 million, consisting of prepayment of the Old Term Loan Debt for €553 million, normal scheduled repayments for €10 million and other repayments for €40 million. In addition to New Term Loan Debt issued in December 2016, €275 million and US$300 million maturing 2023 were issued in March 2017, as well as a loan from the European Investment Bank ("EIB") for €90 million in January 2017.

The net cash used in 2016 was primarily for repayment of borrowings for a net amount of €775 million, consisting of prepayment of the Old Term Loan Debt for €701 million, normal scheduled repayments for €67 million and other repayments for €7 million. Net cash received was from New Term Loan Debt issued in December 2016 for €450 million.

For more information, please refer to note 11.2 to the Group's consolidated financial statements.

### *Discontinued operations*

Net cash used in discontinued operations was €3 million in 2017 compared to €7 million generated in 2016.

## 2.3.3 FINANCIAL RESOURCES

Gross financial debt totaled €1,097 million (IFRS value) at the end of 2017, compared with €1,050 million at the end of 2016. At December 31, 2017, financial debt consisted primarily of €1,058 million of term loans issued in 2016 and 2017. At December 31, 2016, financial debt consisted primarily of €1,022 million of term loans issued in 2013, 2014, 2015 and 2016. Financial debt due within one year amounted to €20 million at the end of 2017, compared with €52 million at the end of 2016.

At December 31, 2017 the Group had €319 million of cash and deposits, compared with €371 million at December 31, 2016.

For more detailed information on the Group's debt, please refer to note 8.3 to the Group's consolidated financial statements.

The table below summarizes Technicolor's net financial debt at December 31, 2017.

| | Type of interest rate | Amount at December 31, 2017 (in million euros) | First maturity[1] | Existence of hedges |
|---|---|---|---|---|
| Term Loans | Floating | 968 | 2018 | No |
| Term Loans | Fixed | 90 | 2021 | No |
| Other debt | Various | 39 | 2018 | No |
| **TOTAL DEBT** | | **1,097** | | |
| Available cash and deposits | Floating | 319 | 0 to 1 month | No |
| Committed credit facilities[2] | Floating | 390 | | |
| **TOTAL LIQUIDITY** | | **709** | | |

*(1) Please refer to note 8.3.3.1 for a maturity schedule of the Group's debt.*
*(2) Availability varies depending on the amount of receivables (please refer to note 8.2.3).*

## March 2017 Term Loan Debt issuances

In March 2017, €275 million (€273 million at IFRS value) and $300 million ($298 million at IFRS value) in new term loans were issued the proceeds of which were used to repay €270 million (€256 million at IFRS value) and $302 million ($290 million at IFRS value) of existing term loans.

## January 2017 Term Loan Debt issuance

In January 2017, a €90 million (€90 million at IFRS value) term loan from the European Investment Bank was put in place.

## December 2016 Term Loan Debt issuance

In December 2016, €450 million (€446 million at IFRS value) in new term loans were issued, the proceeds of which were used to repay $479 million ($459 million at IFRS value) of existing term loans.

## Description of indebtedness

For a description of the Group's Term Loan Debt and RCF, please refer to note 8.3 to the consolidated financial statements.

## Provisions for pensions and assimilated benefits

In addition to the debt position described above, the Group has reserves for post-employment benefits that it provides to its employees, which amounted to €382 million at December 31, 2017 (compared with €404 million at December 31, 2016). For more information on the Group's reserves for post-employment benefits, please refer to note 9.2 to the Group's consolidated financial statements.

## Liquidity risk

For more information about the Group's liquidity risk, please refer to note 8.2.3 of the Group's consolidated financial statements.

## Ratings

The Group uses the services of rating agencies to help investors evaluate the credit quality of the Group's debt.

In March 2018, Standard & Poor's (S&P) attributes a B+ rating with stable outlook to Technicolor SA (corporate rating) and the debt issued by Technicolor SA.

In March 2018, Moody's attributes a B1 rating with negative outlook to Technicolor SA (corporate rating) and to the debt issued by Technicolor SA.

None of the Group's debt has clauses referring to the Group's credit ratings.

# 2.4 ASSUMPTIONS 2018

GRI [G4-DMA Economic performance]

## ENTERTAINMENT SERVICES

- Production Services revenues – mid-single digit revenue growth driven by:
  - very strong order backlog in Film and TV VFX;
  - advertising VFX expected to improve in 2018 compared to 2017;
  - post-production anticipated to continue to benefit from the significant increase in streaming original content;
  - revenue growth mildly impacted by slightly fewer projects in Animation & Games.
- DVD Services – revenues and volumes expected to be around 2017 levels notwithstanding continued overall market decline, reflecting:
  - improvement of the U.S. Box Office at end 2017 which is expected to positively impact new release activity in the first half of 2018;
  - outsourcing agreement from Sony DADC to Technicolor in North America and Australia to start in the second *quarter* of 2018;
  - Overall, Entertainment Services Adjusted EBITDA expected to remain flat year-on-year due the DVD Services business, of which short-term profitability will be impacted by raw material (polycarbonate) increases which cannot be passed on fully to all customers in 2018 under existing contracts.

## CONNECTED HOME

- Revenues:
  - Customer portfolio review conducted in the last *quarter* of 2017 expected to lead to a revenue decrease of around €250 million, corresponding to a decline of around 10% year-on-year.
- Adjusted EBITDA:
  - assumptions for NAND Flash and DRAM memory price is that they remain at a high level throughout 2018, with NAND Flash prices decline starting in the second half of 2018, while a decreasing trend for DRAM is expected beginning in early 2019;
  - current mitigation actions including cost savings expected to show results at the end of 2018;
  - adjusted EBITDA therefore expected to be flat year-on-year and to show similar trends to 2017 with a weak first half and solid margin increase in the second half.

Based on these assumptions, Technicolor expects an Adjusted EBITDA from the continuing operations broadly stable at constant rate compared to 2017.

# 2.5 EVENTS SUBSEQUENT TO DECEMBER 31, 2017

There were no events that have a material impact on the financial status that occurred between the Statement of the Financial Position date and February 21, 2018, the date when the Board of Directors authorized the Consolidated Financial Statements for issue.

# 2.6 EVENTS SUBSEQUENT TO THE CLOSING OF 2017 FINANCIAL STATEMENTS

GRI [G4-13] [G4-23] [G4-DMA Economic Performance]

On March 1st, 2018, Technicolor announced that it concluded with InterDigital an exclusive agreement pursuant to which this company irrevocably commits to acquire Technicolor's Patent Licensing businesses, including substantially all of Technicolor's patent portfolio, excluding some mobile patents, a small number of patents for nascent technologies and some patents associated with patent pools.

The transaction values the business at c. $475 million. Technicolor must receive $150 million upfront whilst also receiving 42.5% of all future cash receipts from InterDigital's licensing activities in the Consumer Electronics field beyond operating expenses (these cash flows can be estimated at $215 million, based on prudent assumptions).

In addition, this transaction provides that Technicolor and InterDigital will also enter into a perpetual grantback licensing agreement, which will give Technicolor freedom to operate its remaining businesses and benefit from existing and future patents, whilst providing Technicolor with an adequate level of intellectual property protection. As in 2016, Technicolor's operating businesses paid around €15 million of royalties to Technicolor's Patent Licensing business in 2017. Based on these figures, Technicolor has estimated the value of this agreement at $108 million.

A funded research cooperation agreement is also planned, under which InterDigital Labs and Technicolor R&I Lab will collaborate in the development of research programs in the areas of video coding, connected home and immersive technologies. During this cooperation, InterDigital will pay Technicolor $5 million per year and will invest an additional $5 million annually in internal R&D projects that are aligned with the priorities of the research cooperation.

This transaction allows Technicolor to fully focus on its operating businesses, thus simplifying its structure and allocating its capital and resources to its core operating businesses.

Technicolor will leverage this transaction to fully adapt its financial structure to its new business model and will therefore apply the cash proceeds of the sale to deleveraging. This is critical to pursue growth opportunities resulting from the continued increase in original premium content and the development of immersive content.

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This Chapter describes in the first section the main risks identified by the Group that could affect its businesses, financial situation or sustainability. Additional risks which are either not identified or which are considered today as not significant may also have a significant impact on the Group's performance.

The next sections describe respectively litigation, internal controls and insurance.

# 3.1 RISK FACTORS

GRI [G4-2]

| Operational | | |
|---|---|---|
| **Production Services** | **DVD Services** | **Connected Home** |
| ■ Customer project management | ■ Customer concentration and contract negotiation | ■ Client concentration and contract negotiation |
| ■ Attract, develop & retain creative and technology talents | ■ Labor force availability | ■ Dependency on client performance |
| ■ Cyber content security | ■ Supply chain and manufacturing | ■ Supplier and key component dependency |
| ■ Tax credits evolution | ■ Raw material availability and volatility | ■ Supply Chain management |
| | ■ Physical security | ■ Products development and cybersecurity |

| **Global market & Industry** | **Financial** | **Corporate Social Responsibility & Compliance** |
|---|---|---|
| ■ Develop relevant innovation | ■ Indebtedness | ■ Environment |
| ■ Competition | ■ Interest rate and exchange rate fluctuations | ■ Health and safety |
| ■ Economics, political and social conditions | ■ Liquidity | ■ Talent and human rights |
| | ■ Impairment of assets | ■ Legal compliance |

## 3.1.1 OPERATIONAL RISKS
GRI [G4-2]

### Production Services

#### *Customer Project Management*

**Risk description**

Projects in the Production Services division vary greatly in size, with several large projects that can last 12 – 18 months and numerous small ones that require much quicker turnarounds. The difficulty resides in the proper allocation of resources to deliver a production on time and on budget, mitigating gaps between projects, and managing changes by clients in their production schedules and release dates. The projects can also be executed across multiple geographies and time zones, which may create challenges for the management of such projects.

If a project consumes more resources than initially planned, it may lead to cost overruns that may be difficult to recover from our customers, especially as much of Production Services' business operates under fixed-price contracts. Dependencies may also exist with the customer and/or other service providers of the customer that can negatively impact the time available to Production Services to complete a project. *E.g.* Production Services' VFX businesses are dependent upon the client's turnover of shots; any delay in turnover by the client reduces the amount of time Production Services has to complete them, which may then require additional resources and costs in order to maintain the production schedule.

**Risk management**

In Production Services, there are dedicated processes in place for risk assessment that are regularly updated throughout the execution of the projects to address any mitigating actions needed. As part of the bidding process, the allocation and planning of resources is reviewed by production management to ensure that the assessment is adequate to deliver the project plus the allocation of a contingency. During production, robust monitoring of projects, including regular cost-to-complete financial reviews, is established to ensure that work-in-progress is in line with budgets initially approved, as well as anticipate any deviations in terms of resources, quality and delivery timing. Progress reports and management indicators are built to support this monitoring process.

To ensure that quality of services is in line with customers' expectations, initial tests and intermediary deliveries are scheduled with customers. The division also uses workflow management tools which help to coordinate reviews and deliveries with third parties and limit the dependencies risks. Further mitigating client dependencies, with fixed bid awards, contracts have well-structured change order provisions to allow for the negotiation of award increases or decreases if a client materially changes the project scope or scale or for creative retakes.

With a network of production studios across the globe, Production Services also has the scale and Technology to optimize resource allocation and utilization if a specific project requires additional resources that were not previously anticipated or if a client changes its production schedule and/or release date for a project.

#### *Attract, develop & retain creative, production and Technology talents*

GRI [G4-DMA Training and education]

**Risk description**

The Production Services division's success depends on the continued involvement of creative teams in the operations, and on the skills, technical knowledge and industry familiarity of key employees. For example, some film Directors want to work exclusively with particular VFX supervisors or colorists. In addition, the Technology experts are essential team members in order to improve the quality of the imaging science and improve efficiency. The departure of a key member of the division could prevent the division from executing its business strategy, cause the loss of key customers and have a material adverse effect on the division's operations, financial condition and prospects.

To ensure its growth and to renew its key personal, the division must ensure it attracts and retains the best talent. Should the Group and the division become less attractive in the job market, the performance of the division may be negatively impacted. Furthermore, the talent pool from which Production Services draws much of its staff is highly geographically mobile. Any material delays in the immigration process for new hires may also negatively impact the division's operations.

**Risk management**

To limit the impact that these risks might have, the Group and Production Services have established a set of Human Resource management and recruitment programs out of which an Employee Value Proposition for attracting talent, an annual (if not more frequently) Talent Review and Career Development Plan for high potentials and key talents have been implemented. In key locations, Production Services has developed and opened Academies to attract and train new talent.

With regard to immigration, the Group has established and continues to nurture longstanding relationships with local governments in order to encourage their support in facilitating the immigration process.

### *Cyber content security*

GRI [G4-DMA Customer privacy]

#### Risk description

The secure maintenance and transmission of customer information is an essential component of the Production Services Division's operations, as the Group is entrusted with the creation and distribution of highly sensitive content on behalf of its customers and business partners.

Production Services relies on internal and external information systems and technologies (managed both by the Group and by third parties) that compute, maintain and transmit multimedia content, for example to render Visual Effects or ensure post-production digital services. The security of this information may be compromised as a result of system or control failures, inadequate or failed processes, human error, willful breaches (internally and externally), cyberattacks and business interruptions.

These events could lead to a breach in the division's global security protocols and sensitive assets, belonging to its customers, such as major studios, may be lost, disclosed, misappropriated, altered or accessed without consent. The failure to have sufficient content security systems and protocols may cause key customers to pull work from Production Services' facilities.

#### Risk management

The security actions related to content production networks are led by internal security teams and are devoted to the mitigation of these risks. These security actions and protocols are continuously implemented, enforced, evaluated and updated as new production facilities are built, moved or acquired, and as new technologies or threats emerge. The security policies and the use of qualified providers, equipment and software, combined with regular security assessments and penetration testing, aim to mitigate the risk towards an acceptable level.

Technicolor security standards are continuously reviewed and updated to stay ahead of the industry. Technicolor hosts audits from various customers (including studios) and industry associations such as the Motion Picture Association of America. Overall in 2017, Technicolor hosted more than 70 audits (by third parties), physical internal assessments or penetrations tests. Items identified for remediation are tracked and managed by internal teams.

### *Tax credits evolution*

#### Risk description

Some states, provinces or countries like Canada, United Kingdom and France have developed incentive programs for film, television or advertising productions. These production incentive programs offer eligible companies financial incentives, such as refundable tax credits, tax rebates or grants, based on the qualified production costs incurred in the production location.

As a result, Technicolor has installed its main production services activities in certain locations attractive to its customers. Any material change to the incentive programs available in such locations may impact significantly the decisions by customers on where they outsource production services like VFX and Animation. While the Group has been effective in optimizing the geographical footprint of its Production Services activities accordingly, and expect that it will continue to do so, there can be no assurance that the Group will not be adversely affected by changes in location-based production incentives.

#### Risk management

Technicolor is keeping an active watch on any material changes in or additions to the location-based production incentive landscape and strives to be agile in ramping up and down the facilities in the strategic geographies to respond to customers' preferences for where production services is done.

The Tax Department of Technicolor works diligently to scrutinize the production tax incentive evolution and to provide guidelines to the operations regarding eligible criteria and administrative constraints. The Group has also established and continues to nurture longstanding relationships with local governments and trade organizations in order to be a leading participant early in any discussions regarding the evaluation and implementation of any changes in production incentives.

## DVD Services

### *Customer concentration and contract negotiation*

#### Risk description

The DVD Services Division operates in a concentrated market with a limited number of significant customers supported by long-term contractual arrangements. The division belongs to the Entertainment Services segment, in which the top five customers accounted for 50% of the segment's revenues and 21% of the Group's consolidated revenues in 2017.

The DVD Services Division has signed multi-year contracts with many of its customers, which involve multiple contractual arrangements with varying terms, conditions, and expiration dates. The division's operating results could be adversely affected, if its customers decide to terminate these contractual arrangements (in accordance with their terms), if the division is unable to renew them when they expire, or renew them on significantly less favorable terms. Furthermore, any systemic change in the manner in which companies in the broader Media & Entertainment industry operate, driven by broader government regulation, more significant than anticipated industry consolidation or material Technology disruption, could also have a material adverse change on operations and prospects.

### Risk management

The division monitors these contractual arrangements through a robust customer offer review process, including Investment Committee / Management reviews to ensure that risks are adequately monitored and mitigated. Approved agreements are carefully monitored on a day to day basis, through detailed Service Level Agreements and these defined conditions are regularly monitored to ensure adherence and customer satisfaction. These mitigations will be particularly emphasized in the short-term as most of the key contracts are subject to renewal in the coming years.

The division is actively pursuing multiple initiatives to diversify its business activities and thereby further reduce the risk associated with a concentrated customer base. These initiatives include an existing and ongoing effort to grow supply chain related services (warehousing, fulfillment, transportation, etc.) for customers outside the Media and Entertainment industry.

## *Labor force availability*

GRI [G4-DMA Employment]

### Risk description

Given the seasonality of its business, the division relies heavily on temporary labor resources during peak periods in many of its facilities. The availability and cost of these resources can vary based on the general employment environment in the local area, competition from other employers of temporary labor, as well as regulatory actions such as minimum wage requirements.

Insufficient temporary labor resources could result in the inability to adequately meet customer service levels, and likewise minimum wage increases could lead to a higher than expected cost of temporary labor. More generally, work slowdowns or stoppages could also have a material adverse effect on the division's business, financial condition, results of operations or prospects.

### Risk management

For temporary labor, the division utilizes a multifaceted approach to minimize potential risks of labor shortage, including maintaining relationships with multiple staffing agencies in each major operating area, establishing and maintaining direct relationships with local seasonal workers, and proactively seeking alternative labor pools wherever possible.

## *Supply chain and manufacturing*

GRI [G4-DMA Procurement practices]

### Risk description

The DVD Services Division's inability to obtain timely delivery of raw materials of acceptable quantity and quality could result in material delays, increased costs, and reductions in shipments of the DVD Services division's products, any of which could increase its operating costs, harm customer relationships, or materially and adversely affect the DVD Services division's business and results of operations. See more details on suppliers' dependency in the risk related to "Raw material availability and volatility".

Customers require a high flexibility and reactivity with short lead time following their purchase orders. The DVD Services division operates two main manufacturing facilities for the replication of DVDs (one in Poland and one in Mexico) and various distribution facilities globally. These facilities are subject to operational risks, including mechanical and IT system failure, work stoppage, transportation disruption, customs blockage and natural disasters.

Any interruption of activity in the DVD Services Division's production, manufacturing or distribution facilities due to these or other events could result in the disruption to the operation of the DVD Services division's activities, which could have an adverse effect on the business, financial condition and/or results of operations. In addition, the DVD Services Division operates high production replication lines which are required to meet high quality standards. The failure to meet these requirements may lead to product quality issues or delays in the supply.

### Risk management

To mitigate the risks inherent to its suppliers, the Sourcing Department has established procedures for operational and contractual monitoring of principal suppliers, including raw materials used in the production of DVD and Blu-ray™ discs.

All the main sites have a Business Continuity Plan and the reactivity of the organization is enhanced by Transversal Incident Response Plans. These plans aim at minimizing the impact of any incident or supply chain disruption. The quality of the replication process is constantly monitored, and each production facility has developed a high expertise in ensuring robust industrial processes.

In addition, covering its internal operations, the DVD Services division and the Group take insurance coverage that mitigates the risk of business disruption in case of natural disaster or other types of disaster such as fire in a major production site.

## *Raw material availability and volatility*

GRI [G4-DMA Procurement practices]

### Risk description

The division purchases approximately 65% of its direct materials, including raw materials, components and finished products from its top 10 suppliers. In addition, certain raw materials such as polycarbonate and DVD cases come from a limited number of key suppliers. Any change, delay or disruption in supply, or reallocation of capacity to a different market, product line or customer by a key supplier could cause material delays in DVD Service's production or operations, increase its production costs or harm customer relationships. DVD Services manages much of its inventory on a just-in-time basis, which exposes it to performance risks by its suppliers, as well as to certain force majeure risks. As a result, in addition to delays or other performance failures of its suppliers, DVD Services' operations may be disrupted by external factors beyond its control, including price volatility risks. In addition, the industries of the main suppliers may experience a further wave of consolidation, and thereby reduce DVD Services' negotiating leverage, and thus reduce the ability to meet business objectives.

### Risk management

The selection process on suppliers is made after careful assessment of the sustainable production capacity, quality standards, financial health and respect of social and environmental standards. To reduce dependency and allow business continuity, the procurement is diversified with some preferred vendors present in different geographies. When possible, and in line with the procurement strategy, the division has identified alternative sources for many of its key materials. In the case of sole or very limited source suppliers, the division has put in place a monitoring structure designed to track potential price pressure of select raw materials (and their constituent components) to anticipate possible shortages and/or price volatility. In some cases, the division has further mitigation potential for sudden unexpected price variation *via* the inclusion of key material price index provisions in certain customer contracts.

## *Physical security*

GRI [G4-DMA Customer privacy]

### Risk description

The DVD Services Division is exposed to physical security risks *via* its contractual obligations to protect customers' content across all supply chain services provided by the division, from receipt and storage of content masters, to replication onto optical media, and through the successful delivery of finished products into retail.

The division's customers make substantial investments in creation and marketing of content, and any illegal copies and/or stolen finished goods can result in material economic loss for the customer. Therefore, any physical security failures by the division contributing to such losses may result in financial penalties, loss of customer contracts and damage to Group's image and reputation.

### Risk management

Rigorous security policies and controls have been implemented by a dedicated Loss Prevention Department, and are enforced on all sites that handle customer content. Risk assessments and associated mitigation actions are performed annually and upon environmental change. Employees are provided with security awareness training and are a part of the division's security network. Several customers and industry associations regularly audit these security procedures on a recurring basis.

Against the theft of packaged media, the facilities are guarded by effective perimeter controls, alarms and extensive surveillance devices. All personnel and visitors are subject to strict security access controls, and upon exit, all are searched using hand held metal detectors and/or fully body scanners, and all personal belonging are inspected. All third-party service providers (such as transportation and janitorial services providers) are thoroughly vetted to ensure compliance with Technicolor security standards.

Overall, the DVD Services division and the Group take insurance coverage for material theft of products (including Property, Cargo and Professional Liability policies).

## Connected Home

### *Client concentration and contract negotiation*

#### Risk description

A large proportion of the revenues in Technicolor's Connected Home segment is generated from large Pay-TV Operators and Network Service Providers. In 2017, the top five customers in the Connected Home segment accounted for approximately 51% of the segment's revenues and 29% of the Group's consolidated revenues.

This concentration of revenues around a few actors in the CPE (Customer Premises Equipment) industry has accelerated with the consolidation that has taken place in recent years such as charter Communications (acquisition of Time Warner Cable), AT&T (acquisition of DIRECTV), and Comcast's X1 syndication activities. This concentration has created opportunities for Connected Home to expand activities among these ever-larger customers while simultaneously increasing risk should entities switch to competitors.

Another possible result of the concentration is the shift in the balance of power with these customers which have increasing purchasing power. They may use their new purchasing volumes to renegotiate lower prices, better terms and conditions. They may also select the better prices, terms and conditions among those formally available to the purchasing and purchased entities.

#### Risk Management

Client concentration requires suppliers to become global partners and to be in a position to boost their innovation investments to increase value, and offer a larger range of products at competitive prices. Technicolor's 2015 acquisition of the Cisco Connected Devices Division is a response to the industry consolidation with efforts to deliver more value through innovation and competitive pricing through economies of scale and greater market share.

Technicolor strives to foster collaboration with its customers by increasing intimacy and proximity; key account teams oversee anticipation of customer needs to deliver better services and solutions.

A strong customer offer review process is in place to properly manage large requests for quotation, identify risks and mitigating actions to stay ahead of competition.

### *Dependency on client performance*

#### Risk description

Connected Home's new products unit volume and revenue expectations are based on customer forecasts and commitments. A decrease in demand from large North American cable customers could significantly impact cash flow and working capital because of excess components and finished goods inventories. Higher than anticipated demand can be difficult to fulfill due to long lead times (up to 6 months) for components. The global CPE customer base is more fragmented so the consequences of a decline in demand is more limited, but cannot be ignored because products are often built specifically for each customer.

#### Risk management

To anticipate and prevent the deterioration of major customer relationships, Connected Home closely and continuously monitors its sales process, especially key contract negotiations and customer demand. Each business line has devised account and marketing strategies for major customers to drive customer intimacy, and formulated plans for new client development. All such plans, along with the evolution of sales activity, are regularly reviewed by management.

Connected Home performs a systematic formal review process for offers prior to their submission to clients, according to strategic and financial criteria and tiered approval levels. Sensitivity analysis and scenarios based upon volume forecasts are linked to customer product market share expectations as part of the review. The most significant commercial proposals made to customers are subject to prior approval by the Investment Committee, chaired by the CEO. Among the financial criteria, the analysis of the impact of each project on cash flow and the demand for working capital receives attention, as does the return on investment. The Sales and Operations Planning (S&OP) reviews, especially when the product lead time is long, provide a rigorous framework to secure product delivery and revenues while managing inventory risks.

## *Supplier and key component dependency*

GRI [G4-DMA Procurement practices]

### Risk description

Technicolor manufactures and integrates products that are highly dependent on the procurement of key components, sub-assembly parts, and on the design by a limited number of suppliers and sub-contractors. This dependence on suppliers involves several risks, including limited control over pricing, availability, quality and delivery schedules.

Shortages of raw materials or components, quality control problems, production capacity constraints or delays by suppliers creates a risk of interruptions in the availability of our products, which could reduce our net sales, adversely affect our results of operations and deteriorate our customer relationship. In addition, if our suppliers experience such problems, they may give priority to other customers in possible Technicolor's disadvantage.

The market price increases for DRAM and Flash memories in 2017 is an illustration of this dependency of the Connected Home business on a very limited number of memory suppliers. The memories are used in a much broader range of products than for the Connected Home business, such as smartphones, PCs, and tablets, and the global imbalance between supply and demand has created a sudden and very material price increase of the cost of such memories. The difficulty to mitigate this risk can impact significantly the profitability of Connected Home.

### Risk management

The selection process on suppliers is made after careful assessment of the production capacity, quality standards, financial health and respect of social and environmental standards. To reduce dependency and allow business continuity, the procurement is diversified with some preferred vendors present in different geographies.

The Company strives to foster a strong collaboration with its key suppliers to properly integrate all activities. Some longstanding suppliers have become partners which whom a strong contract management allowing flexibility in the supply has been created. Scorecards with vendors are implemented to allow a proper monitoring of the vendor performance.

When possible and in line with the procurement strategy, the Connected Home Division has identified alternative sources for some of its key materials and components. Though it may limit its ability to negotiate the most favorable terms, these alternative sources are established to reduce dependency on key suppliers.

In the case of sole or very limited source suppliers, as this is the case for memories, the Company has put in place a monitoring structure in charge of keeping watch of the price pressure of some components and anticipate possible shortages. In case those risks materialize, the Company may initiate mitigation actions such as the inclusion of key material price index provisions in the customer contracts or negotiations with customers to compensate for sudden unexpected price variation.

## *Supply Chain management*

GRI [G4-DMA Procurement practices]

### Risk description

Connected Home outsources extensive operational activities, including manufacturing and logistics, except for a manufacturing facility in Manaus, Brazil. Reliance on external suppliers and manufacturing partners means Connected Home may be exposed to the effects of production delays or other performance failures of its suppliers. Any delays in the availability of key components and sub-assembly parts, production, quantity or delivery could adversely affect Connected Home's reputation or operating performance. Please see Supplier and Key Component Dependency risk description here above for more details.

Connected Home manages its inventory on a just-in-time basis, which exposes it to supplier performance risks, as well as to certain *force majeure* risks. As a result, Connected Home's operations may be disrupted by external factors beyond Connected Home's control (*e.g.* vendors' mechanical and IT system failure, work stoppage, transportation disruption, customs blockage and natural disasters). In addition, the industries of Connected Home's main suppliers may experience a further wave of consolidation, thereby reducing Connected Home's negotiating leverage. Consequently, the ability to meet business objectives may be negatively impacted, and Connected Home's operational results could be adversely affected in the event of any severe or prolonged disruption.

### Risk management

To mitigate the risks inherent to its suppliers, the Sourcing Department has established detailed procedures for operational, quality, and contractual monitoring of our main suppliers, including Contract Electronic Manufacturers in Asia and Latin America, and suppliers of key components such as integrated circuits or memory chips. Sales and Operations Planning (S&OP) reviews take supply chain risks into consideration for order quantity and timing. Electronic data interchange (EDI) allows Connected Home to communicate electronically demand and order information more quickly and transparently with vendors and customers. An automation and optimization initiative of global supply chain process to support sales and operations planning; customer forecast, commitments, Materials Resources Planning (MRP), EDI, logistics is underway which is intended to deliver greater efficiency and transparency. Regular Meetings are held with vendors to review supply chain performance and customer demand. Third party production vendors' facilities are required to maintain disaster recovery and Business Continuity Plans.

## *Products development and cybersecurity*

GRI [G4-DMA Products and services]
[G4-DMA Customer privacy]

### Risk description

The Connected Home segment develops products and services based on its customers' specifications and commits contractually on a release date.

Some developments may become more expensive or take a longer time than initially planned due to unexpected challenges in the development cycle, potential quality issues linked to the technological complexity of the products, resource constraints or dependency on third parties deliveries. In addition, the segment's products may be vulnerable to hacking or other types of malicious attacks. As the threat against the Internet of Things (IoT) includes massive scale attacks leveraging this type of permanently connected devices, the segment might be exposed to unanticipated liabilities or extra cost for remediation or compensations of prejudices.

If materialized, this risk may impact the Connected Home segment's profitability or create customer dissatisfaction with potential penalties and damage to Technicolor's reputation.

### Risk management

The centers for product development or implementation of services include quality assurance functions that are responsible for establishing and measuring suitable quality indicators and developing Action Plans to improve the quality of the products and services. These quality programs include short and Medium-Term Improvement Plans developed from quality studies with customers. These programs are also developed with the segment's main solutions and component suppliers and their effectiveness is assessed through quality audits.

The projects are managed through a methodology defined and enforced in order to monitor systematically the product life cycle. The main milestones of the projects are subject to management review to address any issue and the main project risks. In addition, a project quality plan is defined to secure the quality of the project delivery.

To ensure high security standards, a security approval procedure is in place for the new products delivered by the Connected Home Segment. This procedure is part of the product development project management methodology. Once products are delivered, an incident response procedure is in place to support customers. This procedure includes a vulnerability disclosure protocol, to allow security researchers to report such weakness on Connected Home products and allow to address risk before public disclosure and/or materialization of the risk.

## 3.1.2 GLOBAL MARKET AND INDUSTRY RISKS

GRI [G4-2]

## Develop relevant innovation

### Risk description

The Group has oriented its strategy and Investment Plans based on the Group's expectations regarding the development of its markets and corresponding technologies. The Group's expectations and scenarios may not be accurate, which may require adjustments in its strategy, the research priorities of the Group.

Should the Group's choices for the research priorities not be the right one, or should it not deliver the expected outcomes, the Group revenue and profitability would be negatively impacted.

### Risk management

To manage this risk and keep up to date on market trends and influence the industry, the Group monitors detailed market indicators to regularly review and adjust its market forecasts and mid-term scenarios and the corresponding Technology evolutions. Executive members of the Group receive frequent updates on market, Technology and consumer trends, and meet to review external and internal innovation trends and programs on a regular basis, based on external market, Technology and business intelligence.

All the main research initiatives are regularly assessed by a Steering Committee. In addition, a smaller part of the research resources is allocated to exploratory programs in order to investigate Technology breaking opportunities. The innovation teams are organized into 4 laboratories to maintain and develop excellence in the strategic areas: Imaging Science, Immersive, Artificial Intelligence and Home Experience laboratories.

## Competition

GRI [G4-DMA Market presence]

### Risk description

The Group's products and services are subject to intense competition. Although the Group has leading positions in many of its market segments, the competitors are sometimes part of groups which are significantly larger than Technicolor, and thus may have greater resources, including greater financial, technical, marketing and other resources. These groups may include customers who already have, or may develop, in-house capabilities to supply the products or services which Technicolor offers, such as Studio customers who have in-house production services. If the Group's competitors or customers use their greater size and resources to place additional competitive pressure on Technicolor, the Group's operations may be materially adversely affected.

Furthermore, rapid technological innovation and changing business models may allow new participants to enter into certain markets, who may in turn offer alternative products, technologies and services potentially at lower costs, thereby decreasing the market share size or market of current market participants.

### Risk Management

To identify changing market conditions and minimize the exposure to related risks, the Group regularly reviews the market and competitive landscape and the market positioning throughout the year, frequently reviews the Strategic Plan/objectives and adjusts when appropriate based on changing market conditions.

## Economics, political and social conditions

### Risk description

Any deterioration of macroeconomic environment may adversely affect consumer confidence, disposable income and spending, and result in decreased volumes for certain of the Group's products or increased demand for lower-end products at the expense of higher-end products. For example, Technicolor is well implemented in Latin America through the Connected Home segment, and the economical uncertainties in this area may negatively impact the revenue and results. Furthermore, weakness in general economic conditions may result in an increasing number of the Group's customers becoming delinquent on their obligations to the Group or being unable to pay, which in turn could result in a higher level of write-offs of receivables. Any prolonged global economic downturn may therefore have adverse effects on the Group's operating results or financial condition. As an example, the contemplated exit of United Kingdom from the European Union may have negative impacts on the Group performance in this geography.

### Risk Management

Risks concerning the economic, regulatory and social environment are managed by each business, either in decentralized form for risks specific to a given activity, or through support functions. They are regularly reviewed in detail by Group Management as part of the monthly or Quarterly Business Review Meetings.

# 3.1.3 FINANCIAL RISKS

GRI [G4-2]

## Indebtedness

### Risk description

#### *Substantial level of indebtedness of the Group*

At December 31, 2017, the Group had €1,103 million of total gross nominal debt (corresponding to €1,097 million in IFRS, taking into account the fair value adjustment) comprising mainly term loan debt for a total nominal amount of €1,064 million (€1,058 million in IFRS) which consists of the "Term Loan Debt" issued by Technicolor SA in 2016 and 2017 and maturing in 2023 and a €90 million term loan from the European Investment Bank (see note 8.3 to the consolidated financial statements).

The Group has three committed revolving credit facilities to support its working capital needs: a €250 million revolving credit facility (the "RCF"), a €35 million bilateral committed credit line and a committed receivables facility (the "Committed Receivables Facility") under which it may borrow up to €105 million on the basis of the amount of receivables available.

For further information on the terms of these debt facilities and instruments, see Chapter 2: "Operating and Financial Review and Prospects", section 2.10.3: "Financial Resources" of this Registration Document and note 8 to the consolidated financial statements.

The level of its debt may have significant negative consequences for the Group and its shareholders.

For example the terms of the debt require the Group to dedicate a large portion of any excess cash flow towards repayment of outstanding principal, thereby reducing the availability of cash flow for other purposes.

In addition, the significant level of debt:

- increases the Group's vulnerability to adverse general economic conditions and industry developments;
- may limit the Group's flexibility in planning for, or reacting to, changes in the business and the industries in which the Group operates;
- may limit the Group's ability to raise additional debt or equity capital;
- may limit the Group's ability to make strategic acquisitions and take advantage of business opportunities; and
- may place the Group at a competitive disadvantage compared to competitors with less debt.

Any of the foregoing could limit the Group's ability to grow its business.

### *Restrictions in the documentation of the Group's debt and credit lines*

The documentation of the term loan from the European Investment Bank contains a single affirmative financial covenant which requires that the total gross debt be not more than 4 times EBITDA on a trailing twelve month basis on June 30 and December 31 of each financial year. A large number of factors, many of which are outside the control of the Group (including a downturn in the industries in which the Group operates, a general economic downturn, or any of the other risks identified in this document), could cause the Group to fail to comply with this covenant. Failure to comply with this covenant constitutes an event of default under the European Investment Bank documentation. In addition, the financial loans documentation includes provisions which limit the Group's flexibility in operating its business (as further described in note 8.3.3.5), a breach of which may (in certain cases following the expiration of a grace period) constitute a default hereunder.

The Term Loan Debt documentation includes so-called "cross default" clauses which, absent a waiver from the senior creditors under the Term Loan Debt, would provide them with the right to declare amounts that are outstanding thereunder at the time of any default under other financial loans documentation (plus accrued interest, fees and other amounts due hereunder) immediately due and payable.

Upon the occurrence of a change of control in the Company (see Chapter 2: "Operating and Financial Review and Prospects", section 2.10.3: "Financial Resources"), any outstanding amounts under the financial loans documentation would become immediately due and payable.

The Group cannot assure that it would have sufficient liquidity to repay or the ability to refinance all or any of the amounts outstanding under the financial loans documentation if they were to become payable following the occurrence of an event of default or change of control hereunder.

### Risk management

The risks related to indebtedness are managed by a close monitoring of the level of the Group's debt and debt maturity schedule, and the compliance with all covenants and restrictions (including operational restrictions) in the Group's debt documentation. This regular monitoring may lead the Group to take action such as reducing debt levels, refinancing or renegotiating its debt, or raising equity.

Moreover the Group pursues policies with the objectives of having continued uninterrupted access to the financial markets at reasonable conditions (see "Risks Related to Liquidity" below).

## Interest rate and exchange rate fluctuations

### Risk description

### *Interest rate fluctuations may lead to decreases in the Group's financial results.*

The Group is mainly exposed to interest rate risk on its deposits and indebtedness. At December 31, 2017, 90% of the Group's debt was at floating rate.

Failure to manage interest rate fluctuations effectively in the future, or changes in interest rates, may have a material adverse impact on the Group's financial charges. A 1% increase in short-term interest rates would cause the Group's net cash interest payments to increase by 9 million. See note 8.2.2.2 to the consolidated financial statements of this Registration Document for more information about this risk.

### *Foreign exchange rate fluctuations can affect the Group's operating results*

The Group incurs foreign currency translation risk because a significant part of the its consolidated revenues as well as a portion of its assets are in subsidiaries that use currencies other than the euro and in particular the U.S. dollar as their functional currency. In 2017 exchange rate fluctuations of all currencies had a negative translation impact of €83 million on the Group's revenue and no impact on profit from continuing operations before tax and net finance costs. The impact on revenues was mainly due to the U.S. dollar (average rate versus the euro dropped 2.9% in 2017 versus 2016).

To the extent that the Group has costs in one currency and has sales in another, the Group incurs foreign currency transaction risk and its profit margins may be affected by changes in the exchange rates between the two currencies. Most of Technicolor's sales are in U.S. dollars and in euro; however, certain expenses are denominated in other currencies. Although the Group may hedge against currency transaction risk, given the volatility of currency exchange rates and the occasional illiquidity in some emerging market currencies, together with the potential for changes in exchange control regulations in such emerging markets, the Group cannot ensure that it will be able to manage these risks effectively.

Foreign exchange rate fluctuations have had and may in the future continue to have an adverse impact on the Group's operating results and financial condition, especially when the euro fluctuates significantly against the U.S. dollar or other foreign currencies.

The Group's largest currency exposure is to the U.S. dollar versus the euro. A 10% increase in the U.S. dollar versus the euro, assuming no hedging was in place, would cause the Group's profit from continuing operations before tax and finance costs to decrease by €12 million. A 10% decrease in the U.S. dollar versus the euro would have a symmetrical impact in the opposite amount.

### Risk management of the interest rate risk and exchange rate fluctuations

Management of interest rate and exchange rate risks is done by the Group treasury in accordance with Group policies and procedures. All financial market risks are monitored continually and reported regularly to the Chief Financial Officer, the Investment Committee and the Audit Committee *via* various reports showing the Company's exposures to these risks with details of the transactions undertaken to reduce them. For each type of transaction, specific limits and authorizations are approved by the Investment Committee and controlled by the Group Internal Control Department. To reduce interest rate and currency exchange rate risk, the Group enters into hedging transactions using derivative instruments. See note 8.2.2 to the consolidated financial statements for more information about this risk and its management.

## Liquidity

### Risk description

The Group's ability to access the financial markets could be limited if the Group's financial position deteriorates.

The Group seeks to maintain a broad access to liquidity to meet its commitments and investment needs. To do this, the Group borrows on the banking and capital markets, which exposes it to liquidity risk in the event of total or partial closure of these markets. Liquidity risk is the risk of not being able to raise funds to meet future financial obligations.

Technicolor's ability to access financial markets may be curtailed if its financial condition or general market conditions deteriorate. Such a deterioration could result in increased costs, or even a limitation, of access to the financial markets.

### Risk management

To manage this risk, the Group's treasury management is centralized. The central treasury team manages current and forecasted financing needs and ensures the Group's ability to meet its financial commitments by maintaining a level of cash and confirmed credit facilities required for its business and to meet debt maturities.

The Group pursues policies aimed at securing continued and uninterrupted access to financial markets on reasonable terms. It monitors the relative proportion of debt and equity, the outlook for the financial markets, the Group's financial projections (in particular consolidated cash forecasts), its debt maturity schedule, the covenants in its debt documentation and its financing needs.

In order to optimize the financial cost of these financings, the Group uses various sources of financing which include equity (see note 7.1), term loans (see note 8.3) and subordinated debt (see note 7.2.2). and confirmed lines of credit.

For further information on liquidity risk and certain related risks, see note 8 (in particular 8.3.1) of the Group's consolidated financial statements and section 2.10 "Cash and capital".

## Impairment of certain tangible and intangible assets, including goodwill

### Risk description

If management's estimates change or market conditions adversely evolve, the estimate of the recoverable value of the Group's assets could decrease significantly. If the Group does not generate revenues from its businesses as anticipated, the businesses may not generate sufficient positive operating cash flows. This, or other factors, may lead to a decrease in the value of the Group's intangibles assets, including goodwill, resulting in impairment charges, which could have a material adverse effect on the Group's results of operations or financial position. At December 31, 2017, the Group's accounted for €942 million of goodwill and €625 million of intangible assets.

Of the €942 million of goodwill at December 31, 2017, €337 million relate to DVD Services, for which any significant change in assumptions as described in note 4.4.2 to the Group's 2017 Consolidated Financial Statements could have an immediate impact on impairment calculations and lead to further impairments. Worse than anticipated market conditions could result in additional impairment charges in the Group's consolidated statement of operations. The discounted cash flows of DVD Services are computed over a finite life of circa twenty years and accordingly the goodwill will be impaired over this period depending on the evolution of the fair value as determined through the discounted cash flows.

The Group's may experience significant further impairment charges in future periods, particularly in the event the markets for the Group's products and services experience further deterioration. For additional information on the impairment tests, see note 4.4 to the Group's consolidated financial statements.

### Risk management

The Group's management periodically assesses the carrying amount of the tangible and intangible assets using certain key assumptions, including budgeted data, cash flow projections and growth rates. The Group assesses the carrying amount of these assets more frequently if events or changes in circumstances indicate that their carrying amounts may not be recoverable.

# 3.1.4 CORPORATE SOCIAL RESPONSIBILITY AND COMPLIANCE

## Environment

GRI [G4-DMA Compliance]
[G4-DMA Overall]

### Risk description

The Group is subject to various environmental protection, manufacturing and health and safety laws and regulations governing among other things the generation, storage, handling, use, disposal and transportation of materials, the emission and discharge of materials into the ground, air or water, and the health and safety of the Group's employees. A certain number of the Group's current and previously-owned manufacturing sites have an extended history of industrial use. Soil and groundwater contamination, which have occurred at some sites, may occur or be discovered at other sites in the future. Industrial pollution at sites that the Group has constructed or acquired expose it to additional costs for control, assessment, clean-up, or remediation of unintended pollution, and the Group has identified certain sites at which chemical contamination has required or will require remedial measures.

Specifically in the frame of emerging climate change policies throughout the world, energy consumption performance of Connected Home devices is subject to increasingly face more stringent regulations or requirements. Also, most of the indirect and direct green-house gas emissions of the Group come from Connected Home products' use.

### Risk management

Through the implemented Environmental Management Systems (EMS), the ISO 14001 certification of its industrial sites, the training of employees in Environment, Health and Safety (EH&S) and the enforcement of EH&S policies, the Group is able to monitor the environmental changes. Regarding the potential occurrence of unforeseen events, the development and periodic review of Emergency Preparedness and Response Plans is critical along with associated testing, EH&S site audits and training. EH&S organization designs and monitors the Mitigation Plans in case of pollution. The Significant Business Incident (SBI) system implemented throughout the Group enables timely communication and involvement of top management and ensures the quick and effective allocation of appropriate resources with consistent crisis management measures throughout the world.

Regarding Climate change, green house gas emissions and energy consumption, the Group anticipates the evolution of the requirements by participating to self-regulation agreements and Code of Conduct to cope ahead with the evolution of the requirements and to be able to implement solutions if some regulation should evolve in the short-term.

For further details of environmental actions conducted by Technicolor, see Chapter 5: "Social Information and Sustainability", section 5.2: "Environmental Matters" of this Registration Document.

## Health and safety

GRI [G4-DMA Occupational health and safety]

### Risk description

Most of the Group's employees work in office buildings, so the environment, health and safety risks are limited on this perimeter. Regarding manufacturing sites, the Group operates mainly three DVD and Blue-ray™ replication sites (two main in Mexico and Poland, a smaller one in Australia) and one CPE (Consumer Premises Equipment) assembling site (Brazil). The distribution centers of the DVD Services Division are also an area of exposure to the environment, health and safety risks, they are located mainly in the U.S., Mexico, Canada, United Kingdom and Australia.

### Risk management

Regular health & safety training are delivered to the Group's employee as well as to the agency workers and contractors working in our locations to prevent injuries and accidents as part of global injury prevention programs. Injuries and severity rates are monitored with remediation actions. Industrial sites are regularly audited to review and assess health & safety risks and implemented preventing measures. For further details on health and safety actions conducted by Technicolor, see Chapter 5, section 5.1.11: "Health & safety" of this Registration Document.

## Talent and Human rights

GRI [G4-DMA Training and education]
[G4-DMA Diversity and equal opportunity]
[G4-DMA Equal remuneration for women and men]
[G4-DMA Supplier assessment for labor practices]
[G4-DMA Labor practices grievance mechanisms]
[G4-DMA Non-discrimination]
[G4-DMA Assessment]
[G4-DMA Supplier human rights assessment]
[G4-DMA Human rights grievance mechanisms]

### Risk description

Creative and innovative industries require an important diversity of talent to be performant and to be able to differentiate from the competition: gender, culture, experience are key elements and must be present on the same location. Obstacles to diversity create a risk in the ability to compete or develop new products. This is valid from the software development to the Visual Effects or Animation industry, as our products and services are equally used or watched by women and men, around the world. Obstacles can be internal, and internal policies ensure gender mix and equality. But they also can be external to the Group, preventing the recruitment of talent from diverse origins in a location such as immigration rules, national educational system gender mix. In a growing market, access to talent is key, and modification of these rules can create tensions in the countries where the Group operates.

As in any organization, discrimination and harassment may occur. Beyond the fact that these behaviors are totally inacceptable, in creative environment and in industrial environment, such behaviors are also detrimental to the attractiveness and retention of talent, or the safety of the operations as well as to the reputation of the Group.

Supply chains and logistics are becoming more complex, with increased number of stakeholders and levels of subcontracting. Detection and prevention of human rights violations in the chain is essential, together with remediation in case of occurrence.

### Risk Management

Internal proactive policies to increase proportion of women at management position in the Group is the first lever. Developing the attractiveness (responsibility, engagement, development) allows to better absorb changes of regulation, compared to the competition, that may affect the Group's talent diversity. Proactive actions toward education bodies and public authorities are also key levers to mitigate shortage of talent mix.

Employee training is organized to raise awareness on harassment and discrimination and to prevent them. In certain countries, training sessions of self-defense are also organized for women. A whistleblowing procedure is open to receive harassment and discrimination alerts. Sanctions may be taken after investigation and conviction.

A supplier's risk mapping is maintained on a regular basis, together with physical on site audits of suppliers presenting the higher risk (country and activity). The Group whistleblowing procedure will be opened to collect alerts in this area. Contracts with suppliers include terms and conditions forbidding human rights violation with sanctions, including immediate termination for the most important violations. Alternative suppliers are always considered to prevent production disruption.

## Legal compliance

GRI [G4-DMA Compliance]

### Risk description

The Group's activities do not create any particular exposure to a specific sectorial regulation that could have an impact on its financial position. However, since the Group operates in a large number of countries, it must deal with various and complex regulations put in place by various national and international governments, authorities and organizations.

The laws and regulations to which the Company is subject apply to many different subjects, such as general business practices, competitive practices, anticorruption, handling of personal data, consumer protection, corporate governance, employment laws, internal controls, local and international tax regulations and export compliance for high-tech products. For example, various anti-corruption regulations may apply to the Group, such as the French law of December 9, 2016 on transparency, anti-corruption and modernization of the economy and the U.S. Foreign Corrupt Practices Act. As it is listed on the French stock exchange, the Group is also subject to specific requirements and reporting standards.

Despite its best efforts, the Group may have to face proven or unproven allegations that it has failed to comply with national or international regulations, and this could have a negative impact on its reputation, growth outlook and financial performance. In addition, any major change in these laws and regulations could impact the Group's businesses.

### Risk management

To limit its exposure to such risks, the Group looks to develop Compliance programs to cover issues common to its businesses. Under the impetus of the Management and through the actions of the Compliance Officer, the Group seeks to constantly improve its programs and employee awareness initiatives and to put in place procedures for preventing and handling potential risks in this regard. Moreover the Company audits its subsidiaries around the world on a regular basis and consults outside experts to validate the compliance with applicable regulations, of various aspects of its operations.

Technicolor conducts a compliance approach across the Group, building on its Code of Ethics and culture of integrity. This compliance program sets down general rules and procedures that must be respected by all employees and entities, on the basis of which a series of business specific and as applicable, local procedures is then defined. These procedures are then translated and adapted in line with local regulations and culture. In 2017, the Group updated and improved its existing Code of Ethics.

# 3.2 LITIGATIONS

GRI [G4-2] [G4-SO8] [G4-DMA Compliance]

## 3.2.1 ANTITRUST PROCEDURES

GRI [G4-SO7] [G4-DMA Anti-competitive behavior]

Lawsuits and claims relating to competition law could materially adversely affect the Group's situation. The Group is subject to certain lawsuits in Europe and in Turkey relating to alleged anti-competitive conduct, in connection with the former cathode ray tubes business. The Group has managed in a recent past to settle similar lawsuits in the United States and Brazil.

Should the Group ultimately be held liable to any third parties or settle any related claims or proceedings, the amounts of any such liability, settlement, fines, or penalties could be material. There are currently too many uncertainties to assess the risks that Technicolor may incur as a consequence of the lawsuits that remain pending.

The Group is vigorously defending pending lawsuits and claims.

## 3.2.2 TOXIC TORT LAWSUITS IN TAIWAN

GRI [G4-EN29]

Technicolor, certain of its subsidiaries and General Electric International, Inc. are being sued by an association of former employees (or heirs of former employees) at a former manufacturing facility in Taiwan. They allege exposure to various contaminants while living and working at the facility, which allegedly caused them to suffer various diseases, including cancer, or caused emotional distress from fear that living and working at the facility increased their risk of contracting diseases. After a first ruling of the Taiwan court which was subject to an appeal, the Taiwan High Court (first appeals court) entered, on October 2017, judgment against General Electric International, Inc. and TCETVT, Technicolor SA and TCE Bermuda for approximately NTD 718 million (€20.3 million at the exchange rate as of December 31, 2017) plus late interest penalty. The association, General Electric International, Inc., TCETVT, Technicolor SA and TCE Bermuda have appealed the ruling to Taiwan's Supreme Court.

In 2016, the association brought a second lawsuit against Technicolor and certain of its subsidiaries and General Electric International, Inc. on behalf of additional former workers making virtually identical allegations as were made in the first lawsuit. See note 11 to the consolidated financial statements for more information.

Technicolor and its subsidiaries claim, among other reasons, that TCETVT operated for less than four years after its sale to Technicolor while General Electric International, Inc.., and its predecessor-in-interest RCA Corporation, owned and operated TCETVT for approximately twenty years.

Should the Group or any of the subsidiaries ultimately be held liable or settle the claims, the amounts of any such liability or settlement could be high. There are currently too many uncertainties to assess the extent of any liability that Technicolor or its subsidiaries may incur as a consequence of this lawsuit. Technicolor also has various avenues to mitigate any risk, including contractual indemnities owed to it by General Electric and others.

## 3.2.3 OTHER LITIGATIONS

In the ordinary course of business activities, the Group has been involved, and in the future, might become involved, in legal and regulatory proceedings and is subject to tax, customs and administrative audits. The fines, damages, settlement amounts or amounts otherwise due in connection with these legal proceedings, may be significant. There can be no assurance that any of the legal proceedings and audits in which the Group is involved or becomes involved in the future will not result in payments being made by the Group, including possibly in excess of amounts provisioned, or that any such payments will not have a material adverse effect on the Group's results of operation and financial condition.

The main legal proceedings and governmental investigations in progress or envisaged, are described in note 11.2 to the Group's consolidated financial statements in this Registration Document.

Except for the litigations described in note 11.2 to the consolidated financial statements, there are no other governmental, judicial or arbitration proceedings of which the Group is aware, that are currently pending or threatened, which could have, or have had over the past 12 months, a material effect on the financial situation or profitability of the Group.

# 3.3 INTERNAL CONTROL

GRI [G4-45] [G4-46] [G4-49] [G4-SO3] [G4-DMA Assessment]

The internal control procedures mentioned in the present Chapter apply to the Company and to all its subsidiaries and are under the responsibility of each Technicolor employee.

The major components underlying the preparation of this report are (i) the French *Loi de sécurité financière* (Law regarding Financial Security), (ii) the Ordinance No. 2008-1278 of December 8, 2008, (iii) the AMF guidelines on risk management and internal control and (iv) Article R. 225-105-1 of the French Commercial Code about disclosure of non-financial information related to Corporate Social Responsibility.

In March 2011, the Company voluntarily delisted from the New York Stock Exchange (NYSE). As a consequence, it is no longer subject to the Sarbanes Oxley Act obligations.

Following the delisting, the Group decided to maintain high standards of financial reporting discipline, capitalizing on the work undertaken previously. The program, called 8TIC'S, was launched at the beginning of 2011 with the objective to maintain and expand the internal control scope beyond financial reporting through a risk-based approach. The seventh annual campaign of the program has been successfully performed in the course of 2017, and a new campaign starts as of January 2018.

## 3.3.1 OBJECTIVES OF INTERNAL CONTROL PROCEDURES AND IMPLEMENTATION

### Objectives of internal control procedures

The Group's internal control framework is designed to achieve the following main objectives:

- application of the instructions and directional guidelines fixed by the Group's management bodies in line with the Group's overall objectives and the inherent risks;
- correct functioning of the internal processes, such as the ones pertaining to the security of its assets as well as the operational, industrial, commercial and financial processes;
- compliance with applicable laws and regulations;
- reliability of financial and non-financial information obtained through the implementation of internal control procedures.

The internal control framework aims at preventing and mitigating risks arising from the Group's conduct of business and risks of error or fraud, in particular in areas of accounting, finance and social responsibility. As for every control system, it cannot provide an absolute guarantee that these risks are totally eliminated.

### Internal control methodology

The internal control methodology is based on three pillars:

- a risk based approach which starts from the Group Risk Management program (see paragraph below "Risk Management") and allows internal control to deploy its methodology on the main Group risks. From 2011 to 2017 onwards, several new sub-processes per year have been rolled out under the new internal control program approach and 2017 marks the final step of the expansion of this referential. Going forward, this referential will be revisited and updated together with the evolution of risks;
- a self-assessment on controls implementation by the most significant entities, totaling the vast majority of the Group scope according to the relevant indicators (Revenue, contribution to EBITDA and other financial and non-financial indicators function of each nature of risk). In 2017, about 270 control owners were designated to perform a self-assessment on 2,533 controls over 58 finance and non-finance processes;
- an independent testing managed by Internal Audit covering about 20% of the self-assessed controls. This testing aims at providing assurance that the Technicolor internal control framework is effective. Independent testers are composed of Internal Auditors and some internal finance experts properly trained to the testing exercise.

The internal control team ensures a continuous monitoring of the internal control campaign, through key performance indicators such as self-assessment and independent testing completion rates, deficiency rates, severities of reported deficiencies. The internal control team communicates permanently with the internal control communities, ensuring training on the approach and the tools to be used. Quarterly updates on the program are made to the Audit Committee.

The management community is involved in the deficiency remediation and takes an active role in the implementation of corrective actions raised during the internal control campaign. Deficiencies with high and medium severity are monitored and followed-up by Internal Auditors until their full remediation.

## 3.3.2 GENERAL CONTROL ENVIRONMENT

### The ethical values and principles of conduct for the Group's managers and employees

GRI [G4-56] [G4-57] [G4-58] [G4-HR2] [G4-HR9] [G4-SO3] [G4-SO4] [G4-DMA Labor practices grievance mechanisms] [G4-DMA Human rights grievance mechanisms] [G4-DMA Anti-corruption] [G4-MA Grievance mechanisms for impacts on society]

The values and principles of conduct for the Group's managers and employees are defined in two of the Group's 3 principal internal documents: the Group's Code of Ethics, the Financial Ethics Charter and the Anti-bribery and Anti-corruption Policy.

#### *Code of Ethics*

Created in 1999 and last updated in 2017, the Code of Ethics establishes the foundation of the Group's core values and requires all employees to observe high standards of business and personal ethics in the conduct of their duties and responsibilities. The Code of Ethics details the specific rules to guide employees in their day-to-day activities. Technicolor has also adopted several additional key policies including a Whistleblower Policy, Anticorruption Policy and Sourcing Ethics Policy. Indeed, Technicolor is committed to uncompromising integrity in all of our actions. A reputation for integrity benefits Technicolor in countless large and small ways – we are a trusted advisor and service provider to our customers, a dependable collaborator for our business partners, a valuable member of our communities, and a reliable long-term investment for our shareholders. Ethical behavior and observance of laws are two main ingredients in building our reputation for uncompromising integrity.

The Group also created an Ethics Compliance Committee in 2006, which is responsible for all ethical issues related to Technicolor's activities and which is governed by the Code of Ethics and the charter for the Ethics Compliance Committee. This includes implementing any new policies if needed, training on existing policies, and investigating any and all reports of unethical behavior. It meets at least three times per year and more frequently when required.

Over the last several years, the Group has deployed many ethics training programs. Several online training sessions were launched to educate employees on various ethical rules and obligations, including bribery, competition and fraud. Some dedicated training sessions were also organized on specific sites or for specific functions and *via* Webex conferencing. These training sessions involved more than 10,000 employees from 2010 through 2017.

#### *Financial Ethics Charter*

To reinforce awareness of the ethical dimension of finance activities, Technicolor has published an Ethics Charter specific to Finance personnel and activities. It is an extension of the Company's Code of Ethics, which applies to all employees.

The Financial Ethics Charter was first published in December 2005, is signed by the Chief Executive Officer and the Chief Financial Officer, and is distributed to key persons within the Finance organization.

This policy promotes the following rules: acting honestly and with integrity and avoiding conflicts of interest, providing accurate, complete and objective information, compliance with all rules and regulations, public and private, to which the Group is subject, acting in good faith without misrepresenting material facts or allowing one's judgment to be unduly influenced, respecting confidentiality of information, sharing and maintaining appropriate knowledge and skills, promoting ethical behavior in one's environment, using and controlling responsibly assets under one's supervisions and reporting known or suspected violations of the charter.

A copy of the Code of Ethics and the Financial Ethics Charter is available on the Company's website at www.mytechnicolor.com or upon request to the Company.

## Group Management and decision-making processes

GRI [G4-35] [G4-42]

The Group Management is organized around 2 principal bodies:

- the Executive Committee;
- the Management Committee.

Placed under the authority of the Group's Chief Executive Officer, the Executive Committee currently comprises 12 members consisting of Senior Executive Vice-Presidents and Executive Vice- Presidents in charge of Technicolor's major businesses and of the principal corporate functions (Strategy, Finance, Human Resources, Communication). The Executive Committee meets to analyze and evaluate the financial performance (sales, operating income and cash flow) of the Group's various businesses compared with the budget, strategic developments, and major events affecting the Group (sales contracts, partnerships, investments, etc.).

The Management Committee includes the Executive Committee Members as well as leaders of Technicolor's main functions and business operations. Its responsibilities are to ensure achievement of the Group's objectives and to provide leadership across Technicolor. Depending on the topics, these Management Committee Meetings can be extended to some specific internal or external guests.

Together, the 2 senior management bodies help ensure rapid, responsive decision-making as well as smooth, efficient implementation of such decisions.

The Group holds quarterly Business Reviews for each business, during which the management reviews the performance of the business, the progress of the key programs in each business, key performance indicators, and any specific operational topic which requires management attention. These programs cover mainly key customer issues, new product introduction, operational performance, transformation programs, cost reduction, and HR-related programs.

The Group established an Investment Committee in 2010 to drive prioritization and optimization of resource allocation across the Company's organization. The Investment Committee is composed of the CEO, the CFO, Senior Executive Vice-Presidents, the HR Director and the Group General Counsel. The Investment Committee reviews all significant investment decisions, including material customer opportunities, capital expenditures, restructuring, M&A and joint ventures, asset disposals, pension contributions, large procurement contracts, leases, and financing commitments. The Investment Committee ensures compliance with the Board Internal Regulations and debt agreement obligations and is a key part of the Group's internal control procedures.

In 2014, the Group established the Technicolor Innovation Council. Composed of Excom members, its mission is to review and approve innovation strategies, plans, and initiatives. Such innovation decisions include, without limitation, opex/capex expenditures/financial investments (including equity investments), mergers & acquisitions, restructurings, partnerships related to innovation and strategy execution. The Committee is a governance body and as such is required to ensure that innovation decisions comply with corporate documentation (bylaws, Internal Board Rules), internal control procedures, regulatory obligations, and generally, Group corporate policies. It also ensures that innovation decisions will not have an adverse effect on the Group's contractual commitments and are consistent with the Group's strategy, budget and Business Plan.

## Risk Management

GRI [G4-46] [G4-49] [G4-50]

The Group started evaluating its risks on a worldwide basis in 2005, with the Enterprise Risk Assessment (ERA) program. The risk management process evolved in 2010 to follow the strategic evolution of the Group. It is now under the Executive Committee responsibility using large support of the Management Committee and is called Technicolor Risk Management (TRM).

The purpose of this annual four-step-process, supported by the Internal Audit Department, is to identify, assess, manage and monitor risks that may impact the Group's ability to achieve its near and long-term objectives.

Risk identification and assessment permit Technicolor to build the risk universe and prioritize the most important risks based on a ranking on impact and vulnerability; the prioritization of risks is performed by Executive Committee and Management Committee members.

Consecutive to the prioritization step, the CEO appoints a risk owner for each of the top 10 risks, among members of the Executive Committee or a direct report. These risk owners assess further the risk assigned to them, monitor and mitigate them. Status reports on each top risk are presented to the Audit Committee.

## 3.3.3 INTERNAL AUDIT [G4-49] [G4-50]

GRI

As defined in the "Internal Audit Charter", Internal Audit performs independent and objective assurance, and consulting roles that are dedicated to adding value and improving Technicolor's performance. It conducts risk assessments at any level within the Group, identifies and proposes improvements in financial and operational processes, and helps the organization define Action Plans to mitigate risks and reinforce the control environment and governance principles.

The Internal Audit Department reports its results to the Group's management. The Audit Committee reviews and approves the annual Internal Audit Plan based on the pluri-annual Internal Audit Plan, and is informed of the main audit results. The Internal Audit Department provides support in the Technicolor Risk Management process.

Since 2013, Internal Audit and Internal Control Central Departments have been regrouped under the responsibility of the Chief Audit Executive to increase coordination and integration. It allows Internal Audit recommendations to be better embedded in the Internal Control framework, and deficiencies reported during the 8TIC'S campaign to be closely followed up by Internal Audit.

The Internal Audit Department consists of approximately 12 auditors who have past experience in a large range of domains like information systems, engineering, finance or marketing. The team is located in three key sites for the Group: Issy-les-Moulineaux (France), Los Angeles, California (U.S.) and Lawrenceville, Georgia (U.S.). The Chief Audit Officer is located in Issy-les-Moulineaux. He reports to the Chief Financial Officer, and functionally to the Audit Committee.

The Internal Audit Department conducts audits in various domains, covering operational and financial processes, at transversal or local levels, financial audits, review of contracts or projects, compliance and security audits, and follow-up audits. In direct link with the Secretary of the Investment Committee, the Internal Audit Department is regularly performing audits on post-investments.

In 2017, 23 audit engagements were performed (both assurance and assistance types) compared to 24 audits in 2016.

## 3.3.4 INTERNAL CONTROL PROCEDURES RELATING TO THE PREPARATION AND TREATMENT OF ACCOUNTING AND FINANCIAL INFORMATION

The internal control related to the preparation and treatment of accounting and financial information relies on the Controlling organization with its processes and controls (budgetary process, monthly reporting and forecasting, quarterly reporting of financial and operational performance review) as well as on the Group's Accounting Department (regrouping accounting standards and methods and share services centers teams) and the Internal Audit Department.

Under the authority of the Group's Chief Financial Officer, the dedicated teams are responsible for:

- the establishment of the Group's consolidated financial statements and Technicolor's statutory accounts;
- the preparation of the budget and the analysis of its execution through monthly management and performance reporting; and
- the implementation of the Group's accounting and Controlling methods, procedures and standards and their adaptation in accordance with changes.

The Group's financial organization follows its operational organization, based on three segments (Entertainment Services, Connected Home and Corporate & Other), comprising five Businesses and Corporate, organized in several activities. Each one of these businesses and activities is under the responsibility of a controller and is assisted by a controlling supporting team, in charge of budget, reporting follow-up, performance analysis and estimates. Accounting operations within the legal entities are for the most part managed through two internal shared services centers. The accounting teams work according to Group accounting standards and methods and liaise with the Controlling organization through Services Level Agreements.

## Budgetary process

The budgetary process is mandatory for all of the Group's segments and businesses. The principal stages in the budgetary process are the following:

- in September and October, preparation by each business of a budget of the following year, based on market analysis and projections, analyses trends, costs base structure, customers & suppliers base analysis, and capex needs. It includes also key strategic initiatives and their financial impact in the budget (and going forward) and a risks and opportunities analysis;
- in November and December, review and approval by Senior Executive management and corporate finance teams of proposed Action Plans and budgets prepared at the business level;
- approval of the budget by the Board of Directors; at the latest, at the beginning of the following year;
- split of the budget into monthly periods and by legal entities to serve as a reference for the Group's monthly reporting.

In the context of the budgetary procedure, Key Performance Indicators (KPIs) are presented by each business, and analyzed and monitored on a monthly basis.

## Periodic performance review

The Controlling organization reviews the Group financial performance periodically:

- on a monthly basis:
  - the reporting on actual performance is managed by the Controlling organization and a detailed review, performed during the closing period of the financial accounts (analysis of variance vs. budget, previous forecast and last year), is presented to management,
  - the forecasting of the current and next *quarter* is performed by each business and also presented to management;
- on a quarterly basis:
  - reporting of operational performance through a business review with management (review of major KPIs, risks and opportunities, market trend and competition, customer portfolio analysis, strategic programs and key initiatives) and closing of financial statements,
  - the forecasting of the current and next three quarters is performed at the beginning of each *quarter* by each business (including main income statement indicators such as revenue and Adjusted EBITDA as well as Free Cash Flow items) and reviewed at Group level.

## Accounting, management reporting and closing period work at the Group level

The Group accounting and financial data are consolidated into one Group reporting system.

At the end of each month, the Group's entities report their financial data into this system. The Group reporting system uses a common chart of accounts, which is regularly updated. The main accounting and financial figures of the operational and functional departments consolidated at the Group level are analyzed by the Group's financial controlling team and reviewed by the Group's Executive Committee.

The closing process for the half-year and annual consolidated financial statements occurs in two steps. The first step consists of a "hard close" completed for the May and October closings. This review is initiated by the circulation of instructions prepared by the Group's Accounting Department. Procedures define the controls and actions which must be undertaken at the entity level (entries in accounting books, reconciliations, etc.) and the persons authorized to implement them.

This step leads to a first review by the Statutory Auditors, completed initially at the subsidiary level within a majority of the Group's legal entities, then at the Group level. This "hard close" aims at identifying the most complex issues, which may be reported to the Senior Management Team.

The second step occurs in July and in January/February and involves the finalization of half-year and annual consolidated financial statements under International Financial Reporting Standards ("IFRS").

After each monthly closing, the Group's financial results for month and the current *quarter* are presented to the Executive Committee. After each quarterly closing, the quarterly financial results (including half-year and annual results) are presented to the Audit Committee. These results are also presented to the Board of Directors.

The Group's accounting principles are defined in a set of documents entitled "Technicolor Accounting Principles and Methods", which are available on the Company's Intranet site and provided to all the Group's Finance Departments. These documents outline the accounting treatment of such items as tangible and intangible assets, provisions, intercompany transactions, revenues and hedges.

In addition, the Group publishes and distributes procedures that accountants and financial controllers must respect in terms of purchasing, management of inventories, sales, payments, cash flow, or taxes.

## Preparation of financial information

The Group's financial information is prepared by the Finance Department. It is based on information reported through the Annual Reporting and consolidation processes and on operational and market information, which is specifically centralized for the preparation of the Company's Registration Document. The latter is prepared jointly by the Finance Department and the General Secretary of the Company.

The quarterly, half-yearly and annual financial information is reviewed by the Audit Committee and the Board of directors.

Prior to being published, the above financial information is also reviewed by members of the management team and senior managers within the Corporate Finance and Legal Departments, each for their respective fields.

# 3.3.5 OTHER INTERNAL CONTROL PROCEDURES

## Information Technology Security Procedures

The Chief Information Officer (hereafter the "CIO") leads the Technicolor's IT organization and is supported by a leadership team composed of senior IT and business managers. The managers either directly support each of Technicolor's businesses or support shared service IT functions and applications used worldwide by the entire organization (global infrastructure & Risk Management, Information Security, Enterprise Applications and Corporate Functions). IT organizations collaborate closely with other internal security entities, such as the Technicolor Security Office (TSO), to align IT solutions, services and products with established security policies, procedures and best practices.

These individuals are experienced IT professionals with a broad background and are well versed with the businesses and technologies they support. They ensure that the IT tools, services, and applications used by all Technicolor sites and businesses (*e.g.* e-mail, networks, phone systems, cloud platform evolution and operation, collaboration tools, video conferencing, web technologies, business intelligence tools, business and risk management tools and processes and the Technicolor Production Network) are operated and managed in an efficient, cost-effective, safe and secure manner. In addition, the IT organization provides Enterprise Architecture for new technologies, IT Vendor Management and Enterprise Project & Portfolio Management used to govern, regulate, and manage the IT organization (regulatory compliance, internal IT standards and best practices, project and project portfolio management processes) ensuring that IT is properly aligned with the corporation's strategic objectives. This function leverages the IT 3-Year Plan to ensure that proposed new Technology and applications are planned and executed in a rational, holistic manner that encompasses both technical and business process impacts and encourages use across the corporation.

## Security of people and assets, including cybersecurity

GRI [G4-DMA Customer privacy]

Security is key priority and an overall enterprise topic that affects each of our Business Divisions in different ways. For Entertainment Services, Studios assign their projects only to companies that meet their content security standards. Technicolor's facilities and digital networks must succeed customer initiated, security audits to win new contracts and to maintain client relationships. The TSO (Technicolor Security Office) play a strong role in preparing and assisting in such audits.

Security is also important for the Connected Home business. As devices are increasingly more open and complex, they are exposed to greater security risks. Security can be a real market differentiator. TSO helps Connected Home to deliver secure devices to their customers, and to adapt its product security posture to current threat levels.

For the Technology segment, confidentiality is essential to protect Technicolor's patents. In general, our innovations, our sensitive information, our private data can be privileged targets for business intelligence.

As such the TSO, was established in 2011 to define the Security Strategy at the Group level. Led by the Chief Security Officer, the TSO establishes priorities, defines best practices, monitors current implementations, develops common metrics and promotes the security tools for the Group.

The key areas of focus for the TSO are physical, digital and business security which are all covered as part of a Security 3YP that is organized around four main pillars: Foundational, Protect, Detect and Respond & Recovery. Each pillar contains categories of initiatives (23 in total) that highlight the key areas of focus and progress. A cross function security team is in place being the main contributor in executing the 3YP. This team is comprised of: TSO-Assessment Team (AT), TSO-Physical Security, Content Security, Security Operating Center (SOC), IT Security and Governance, Risk and Compliance (GRC).

The TSO-AT act as internal security assessors and advisors. The TSO-Physical Security team establish standards, conduct assessments and manage the global incident management processes The Content Security team provides assistance and guidance across all Production Services sites for all security initiatives. The Security Operating Center (SOC) manage day to day security elements (tools, process and data). The GRC arm of the TSO manage policies, global awareness program, tool and vendor assessments and the design of new processes and/or policies, as needed.

The Group Security program is governed through a dedicated Security Steering Committee including each Business Heads, Head of HR, IT and TSO representatives. The Security Steering Committee meet at least twice a year.

In 2017, 0ver 200 site security audits were conducted across the global perimeter. These audits were performed by using a combination of internal TSO Assessment team and external audits conducted by customers, studios, MPAA and security organizations (*i.e.* Secure Works) across various elements of security for physical and digital. All findings have been incorporated into the 3YP which are prioritized based upon risk. In addition, following the Schrems decision by European Court of Justice, the TSO has acted as the central coordination point for the remediation of the internal legal framework to reinforce the Security clauses applicable to our providers related to EU data privacy,

**Employee Awareness & Safety**: For all employees, security -conscious behavior is key. As such, within the GRC arm of the TSO a formal awareness program was developed to include: on-line training program (LRN) with courses selected by the security working teams annually with compliance tracking metrics, Stan Safe videos and communications sent globally on key relevant topics (such as phishing, password management, etc.). These programs are regularly reviewed as part of external audits conducted by customers. In 2017 a Company-wide email phishing awareness program was deployed using an industry-leading service.

Regarding travel and employee safety, processes and policies are in place and reviewed regularly for updates. A supplemental procedure exists for travel to high risk countries. An employee safety program has been established that enables alerts and communication to employees who are traveling or are situated near or at a location where an incident has been reported.

# 3.4 INSURANCE

## ORGANIZATION AND POLICY

The Group has a "Corporate Insurance" Department. Through this department, Technicolor arranges global insurance programs covering the major risks related to its activities that are underwritten with well-known insurers *via* global brokers.

These programs, established on behalf of its subsidiaries worldwide, are implemented through a "Master" insurance policy that strengthens the coverage offered by local policies, and provides "difference in conditions" and "difference in limits" over these policies.

Total premiums paid to property and casualty insurance companies vary depending on the insurance contracts bought for specific large scale projects. However, this amount represents less than 1% of the Group's total sales.

In addition, in partnership with its insurers, Technicolor has developed a loss prevention program to reduce its exposure to its assets and operating losses that may occur in case such risks should materialize. Thanks to this program, several key sites have obtained the "Highly Protected Risk" status (which is the best grade in the assessment implemented by the Group's insurer) and the Group's loss prevention level has globally improved.

The Corporate Legal Department has established internal procedures and rules to manage contractual risk. It ensures, in conjunction with the Corporate Insurance team, that these rules are applied throughout the world.

The Group intends to continue its policy of comprehensive coverage for all its exposure to major risks, expand its coverage when necessary, and reduce costs through self-insurance when it is deemed appropriate.

To date, the Group does not have a captive insurance or reinsurance Company.

## CORE INSURANCE PROGRAMS

The Group's insurance policies are issued on an "all risks" basis, but with standard market exclusions.

The deductible levels are determined and applied according to the assets and operational risks of the business units.

The main insurance policies contracted by Technicolor include, among others:

- **Property insurance**: This program provides cover for risks of fire, water damage, natural events, terrorism (depending on the legal restrictions in each relevant country or state) and also business interruption resulting from these events.

  This cover is generally set on the basis of property value; where this is impossible, cover is set at a level corresponding to the worst-case scenario subject to market constraints.

  Generally, when damage to insured assets could lead to a business interruption, insurance is taken out to cover the financial consequences, such as operating losses and/or additional costs. The amount of cover reflects the expected downtime at the damaged site based on the worst-case scenario and on the recovery plans in place.

  The Group carries exposures in high risk natural hazard areas and has purchased adequate specific insurance coverage in this regard.

  In addition, Technicolor has also covered the risk of damage to goods in transit.

- **Liability insurance:** This program provides cover for general and professional liability in the course of business operations as well as product liability for the entire Group.

  In addition, Technicolor has insurance for the risks associated with the liability of its Directors and officers as well as environmental damage caused by pollution.

- **Workplace accident:** Insurance policies are purchased whenever required by law or when activities or circumstances render them necessary (e.g Employer's Liability in the United Kingdom, Workers' Compensation insurance in the United States).

To prevent certain information being used to the detriment of the Group and its shareholders, especially in legal disputes, the amount of premiums and terms of cover are kept strictly confidential, especially in the case of liability insurance.

The Group does not foresee difficulties in setting up insurance policies in the future.

# 4 CORPORATE GOVERNANCE AND COMPENSATION


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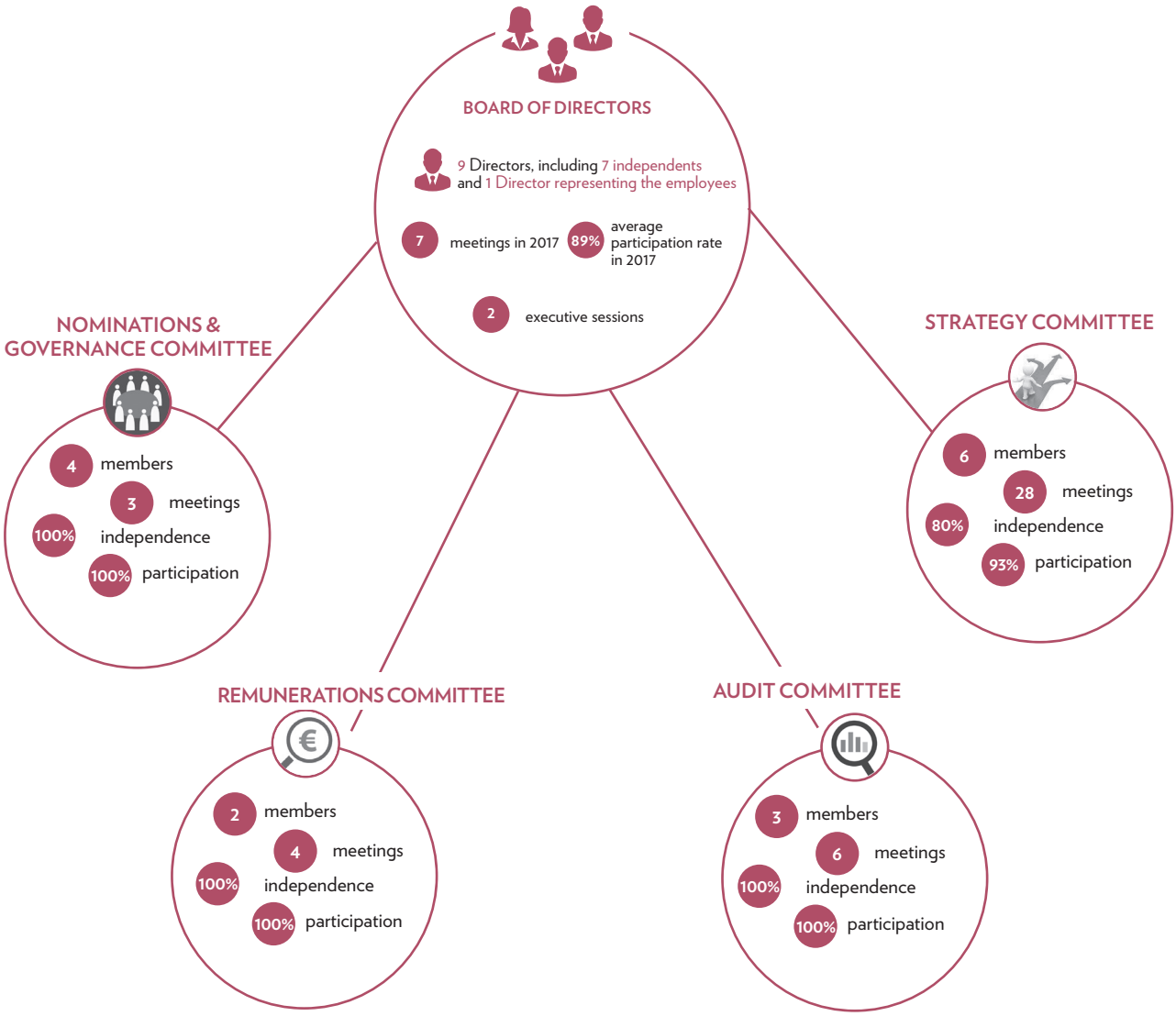
# 4.1 CORPORATE GOVERNANCE

GRI [G4-34] [G4-38]

*Technicolor's governance system aims at setting out and implementing the group's strategy so as to tailor it to the challenges of a fast-changing Technology world, while protecting the interests of Technicolor's stakeholders. It meets the various recommendations in terms of diversity of skills, gender balanced composition, etc.*

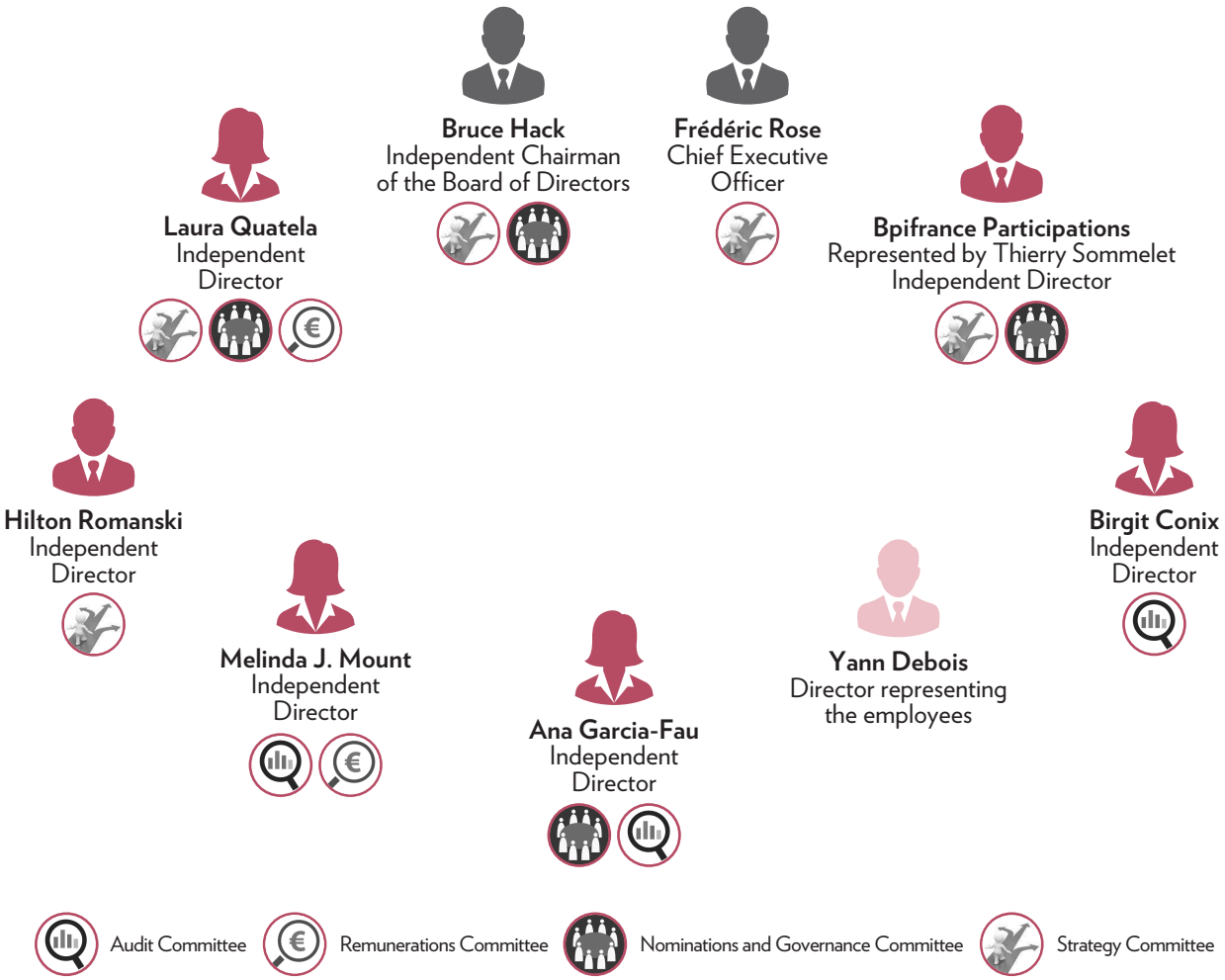
*The system ensures that the governing bodies perform their duties independently and impartially, thus contributing to the quality of decision-making.*

*The governance structure and processes are regularly reviewed to ensure that they are tailored to the group's strategy.*

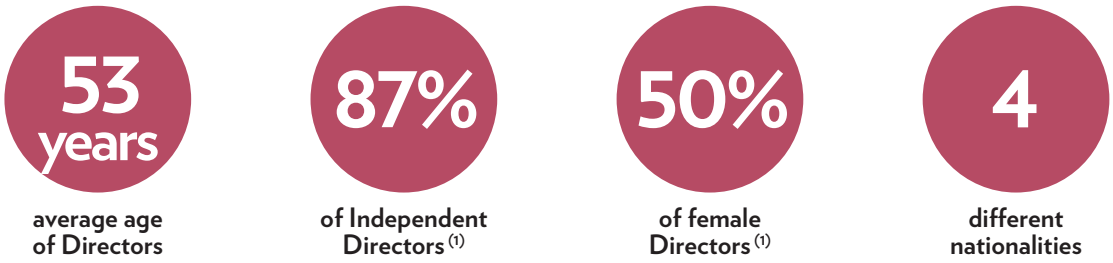



**Fully skilled Board of Directors in the fields of Media & Entertainment, Technology, Finance, Connected Home, Strategy, Cybersecurity, Mergers & Acquisitions or group Knowledge**

## Composition of the Board of Directors as of March 21, 2018




As of March 21, 2018:




(1) Pursuant to the AFEP-MEDEF Corporate Governance Code, the Director representing employees was not included in this percentage.

## 4.1.1 BOARD OF DIRECTORS

### 4.1.1.1 Corporate governance structure

GRI [G4-34] [G4-35] [G4-36] [G4-38] [G4-39] [G4-42]

The Company is governed by a Board of Directors and a Chief Executive Officer.

The Board of Directors appointed Mr. Bruce Hack as Chairman of the Board on February 22, 2017, effective February 27, 2017, in replacement of Mr. Didier Lombard, who resigned from his position of Chairman of the Board of Directors, having reached the age of 75. Mr. Frédéric Rose, Company Director, has been Chief Executive Officer since September 1, 2008, his term of office as Chief Executive Officer being indefinite.

The choice to separate the offices of Chairman of the Board and Chief Executive Officer was made in 2009 in order (i) to allow the Chief Executive Officer to focus on the execution of the group's strategy and management and (ii) to ensure the best balance of powers within the Board of Directors and the executive management.

### 4.1.1.2 Composition and expertise of the Board of Directors

GRI [G4-38] [G4-40] [G4-41] [G4-LA12]

As of the date of this Registration Document, the Board of Directors is composed of:

- 9 Directors, including the Chief Executive Officer and the Chairman of the Board of Directors;
- 7 Independent Directors;
- 1 Director representing employees (Mr. Yann Debois, appointed on July 27, 2017 for a three-year term, in accordance with Article L. 225-27-1 of the French Commercial Code and the Company's bylaws);
- 4 women;
- 6 foreign Directors and 1 with dual Franco-American nationality.

2017 was marked by:

- the appointment of Mr. Bruce Hack as Chairman of the Board of Directors, in February 2017, in replacement of Mr. Didier Lombard (Mr. Hack had been Lead Independent Director since May 2014 and Vice-Chairman of the Board of Directors since February 2016, all of which prepared him for his new role);
- the appointment by the Works Council of Mr. Yann Debois as new Director representing the employees consequently to the end of the term of Mr. Nicolas Grelier; and
- the resignation of Mr. Hugues Lepic from his term of office, on July 19, 2017.

**Changes in the composition of the Board of Directors in 2017 and until the date of the present Registration Document**

| | Name | Gender | Nationality | Date on which term of office began | Date on which term of office ended |
|---|---|---|---|---|---|
| **Directors whose term of office was renewed at the 2017 AGM*** | Hugues Lepic | M | French | December 2012 | 2020 AGM* |
| **Directors who left the Board of Directors in 2017** | Didier Lombard | M | French | May 2004 | April 2017 |
| | Hugues Lepic | M | French | December 2012 | July 2017 |
| | Nicolas Grelier | M | French | July 2014 | July 2017 |
| **Directors who joined the Board of Directors in 2017** | Yann Debois | M | French | July 2017 | July 2020 |

* *Annual General Shareholders' Meeting.*

## Information on Directors present in 2017

| Age | Gender | Nationality | Start of term of office | Expiration of term of office | Attendance rate at Board meetings | Average attendance rate at committees' meetings | Audit Committee | Nominations and Governance Committee | Remunerations Committee | Strategy Committee |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | (as of December 31, 2017) | | | |
| **Current members of the Board:** | | | | | | | | | | |
| **Bruce Hack, Chairman of the Board of Directors since February 27, 2017** | | | | | | | | | | |
| 69 | M | U.S. | February 2010 | 2019 AGM* | 100% | 100% | | Member | | Chairman |
| **Frédéric Rose, Chief Executive Officer and Director** | | | | | | | | | | |
| 55 | M | Franco-American | October 2008 | 2018 AGM* | 100% | 100% | | | | Member |
| **Bpifrance Participations, represented by Thierry Sommelet, Independent Director** | | | | | | | | | | |
| 48 | M | French | January 2016 | 2018 AGM* | 100% | 100% | | Member | | Member |
| **Birgit Conix, Independent Director** | | | | | | | | | | |
| 52 | F | Belgian | April 2016 | 2019 AGM* | 100% | 100% | Member | | | |
| **Yann Debois, Director representing the employees** | | | | | | | | | | |
| 38 | M | French | July 2017 | July 2020 | 100% | N/A | | | | |
| **Ana Garcia Fau, Independent Director** | | | | | | | | | | |
| 49 | F | Spanish | April 2016 | 2019 AGM* | 100% | 100% | Member | Chairman | | |
| **Melinda J. Mount, Independent Director** | | | | | | | | | | |
| 58 | F | U.S. | April 2016 | 2019 AGM* | 100% | 100% | Chairman | | Member | |
| **Laura Quatela, Independent Director** | | | | | | | | | | |
| 60 | F | U.S. | May 2013 | 2019 AGM* | 86% | 94% | | Member | Chairman | Member |
| **Hilton Romanski, Independent Director** | | | | | | | | | | |
| 45 | M | U.S. | November 2015 | 2019 AGM* | 86% | 83% | | | | Member |
| **Former members of the Board:** | | | | | | | | | | |
| **Didier Lombard, Chairman of the Board of Directors until February 27, 2017 (then Non-Independent Director)** | | | | | | | | | | |
| 76 | M | French | May 2004 | April 2017 | 75% | 100% | | | | |
| **Nicolas Gelier, Director representing the employees** | | | | | | | | | | |
| 41 | M | French | July 2014 | July 2017 | 100% | 100% | | | | |
| **Hugues Lepic, Independent Director** | | | | | | | | | | |
| 53 | M | French | December 2012 | July 2017 | 25% | 0% | | | | |

* *Annual General Shareholders' Meeting.*

## *Independence of Directors*

The independence of the Board of Directors, in the absence of any controlling shareholder, is of great importance for the Company in order to ensure that the Board of Directors, as a body, represents not only the whole community of shareholders, but also the interests of the Company and of other stakeholders, employees and partners.

At their meetings of February 2018, the Nominations & Governance Committee and the Board of Directors reviewed the independence of its members according to the definition and criteria set forth in the corporate governance Code of Listed Companies published by the *Association française des entreprises privées (AFEP) and the Mouvement des entreprises de France* (MEDEF) (the "AFEP-MEDEF corporate governance Code"), to which the Company adheres to (see paragraph 4.1.2.1 below). According to this Code, "*a Director is independent when he or she has no relationship of any kind whatsoever with the corporation, its group or its management that may interfere with his or her freedom of judgment*".

Should a "business relationships" exist between the Company and the group in which the Director is an employee or an executive, the Board of Directors shall conduct, where appropriate, a quantitative and qualitative review of such relationships to determine whether, from the perspective of the two parties, they are significant enough to be an obstacle to a Director's independence. The specific criteria taken into consideration by the Board are:

- the percentage of each party's total revenue accounted for by the flow of business in question;
- whether or not this is a strategic relationship for the Company;
- the financial terms of the business relationship;
- any calls for tender;
- the length of the relationship;
- the organization of the business relationship (decision-making powers of the Director with regard to the contract, whether the Director receives compensation, etc.).

As of March 21, 2018, 7 of the 9 Directors (other than the Chief Executive Officer and the Director representing employees) were deemed to be independent. See below the summary of the assessment made by the Board of Directors meeting of February 21, 2018.

| Name | Discussion | | | | | | Independent |
|---|---|---|---|---|---|---|---|
| Bruce Hack | Mr. Hack meets all requisite criteria to be considered as Independent Director. | | | | | | Yes |
| | **Employee/ Executive Officer over the last five years** | **Cross-directorships** | **Significant business relations** | **Family ties** | **Statutory Auditor** | **Term of office lasting more than 12 years** | |
| | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | |
| Frédéric Rose | Mr. Rose is Chief Executive Officer of the Company. | | | | | | No |
| | **Employee/ Executive Officer over the last five years** | **Cross-directorships** | **Significant business relations** | **Family ties** | **Statutory Auditor** | **Term of office lasting more than 12 years** | |
| | × | ✓ | ✓ | ✓ | ✓ | ✓ | |
| Bpifrance Participations, represented by Thierry Sommelet | Bpifrance Participations holds less than 10% of the share capital. | | | | | | Yes |
| | **Employee/ Executive Officer over the last five years** | **Cross-directorships** | **Significant business relations** | **Family ties** | **Statutory Auditor** | **Term of office lasting more than 12 years** | |
| | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | |
| Birgit Conix | Ms. Birgit Conix meets all requisite criteria to be considered as Independent Director. | | | | | | Yes |
| | **Employee/ Executive Officer over the last five years** | **Cross-directorships** | **Significant business relations** | **Family ties** | **Statutory Auditor** | **Term of office lasting more than 12 years** | |
| | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | |

| Name | Discussion | | | | | | Independent |
|---|---|---|---|---|---|---|---|
| Yann Debois | Mr. Debois is Employee Director. | | | | | | No |
| | Employee/ Executive Officer over the last five years | Cross-directorships | Significant business relations | Family ties | Statutory Auditor | Term of office lasting more than 12 years | |
| | × | ✓ | ✓ | ✓ | ✓ | ✓ | |
| Ana Garcia Fau | Ms. Ana Garcia Fau meets all requisite criteria to be considered as Independent Director. | | | | | | Yes |
| | Employee/ Executive Officer over the last five years | Cross-directorships | Significant business relations | Family ties | Statutory Auditor | Term of office lasting more than 12 years | |
| | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | |
| Melinda J. Mount | Ms. Melinda J. Mount meets all requisite criteria to be considered as Independent Director. | | | | | | Yes |
| | Employee/ Executive Officer over the last five years | Cross-directorships | Significant business relations | Family ties | Statutory Auditor | Term of office lasting more than 12 years | |
| | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | |
| Laura Quatela | Ms. Quatela is Senior Vice-President, Head of the Legal Affairs Department at Lenovo. The Board of Directors noted that there were no direct business links between Technicolor and Lenovo. | | | | | | Yes |
| | Employee/ Executive Officer over the last five years | Cross-directorships | Significant business relations | Family ties | Statutory Auditor | Term of office lasting more than 12 years | |
| | ✓ | ✓ | 🔔 | ✓ | ✓ | ✓ | |
| Hilton Romanski | Cisco Systems, Inc. holds less than 10% of Technicolor share capital. | | | | | | Yes |
| | Employee/ Executive Officer over the last five years | Cross-directorships | Significant business relations | Family ties | Statutory Auditor | Term of office lasting more than 12 years | |
| | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | |

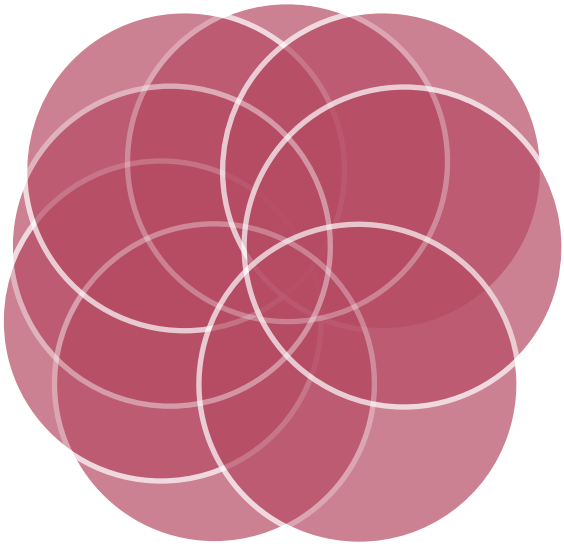
✓: *condition met*
×: *condition not met*
🔔: *issue discussed and analyzed by the Board with great care*

## *Expertise of Board Members*

Members of the Board of Directors have been selected by the Nominations and Governance Committee and by the Board taking into account not only their own expertise but also the complementary nature of the skills of each member with those of other members, so that the combined expertise of Board Members spans at all times all activity sectors of the Company and required skills. The table below lists the expertise of the Company Directors:

| Name | Skills |
|---|---|
| Bruce Hack | ■ Recognized Media & Entertainment sector professional with a strong expertise in the videogaming industry<br>■ In-depth knowledge of the Group and its activities<br>■ Considerable experience in strategic planning and development |
| Frédéric Rose | ■ Skills in the Media & Entertainment sector<br>■ Extensive experience in the areas of Technology and research acquired by carrying out his duties in high-tech companies<br>■ Strong knowledge of the Group and its activities<br>■ Experience in being at the helm of Technology companies in a constantly evolving environment and strategy skills<br>■ Good apprehension of external and internal development operations and especially mergers and acquisitions, due to past operations realized |
| Birgit Conix | ■ Financial experience within listed companies in the cable operator industry, a sector in which the Company has numerous customers<br>■ Strong knowledge of the Connected Home and Technology activities |
| Yann Debois | ■ Lengthy experience in the Group and especially in the field of the Connected Home<br>■ Strong knowledge of the Group and its activities<br>■ Experience in Sourcing |
| Ana Garcia Fau | ■ International financial profile<br>■ In-depth comprehension and apprehension of external and internal development operations |
| Laura Quatela | ■ Considerable strategic expertise in the Technology and Intellectual Property sectors<br>■ Strategic skills developed through her past experience |
| Melinda J. Mount | ■ Financial skills<br>■ Good knowledge and understanding of cybersecurity matters<br>■ Specific experience in the Media & Entertainment sector<br>■ In-depth experience with external development operations |
| Hilton Romanski | ■ Strategic insight in the area of Technology which is extremely useful for supporting the Company's future development, as a result of working at Cisco Systems, Inc. (Chief Strategy Officer), a top worldwide technologies group<br>■ Considerable experience in mergers, acquisitions and divestitures |
| Thierry Sommelet | ■ Significant experience in the Technology and media industries<br>■ Financial background accentuated by private-equity experience |

**Fields of expertise of the Board of Directors on the date of publication of this Registration Document:**



**Medias & Entertainment**
Bruce Hack, Melinda J. Mount, Frédéric Rose, Thierry Sommelet

**Cybersecurity**
Melinda J. Mount

**In-depth Group Knowledge**
Yann Debois, Bruce Hack, Frédéric Rose

**Strategy**
Bruce Hack, Laura Quatela, Hilton Romanski, Frédéric Rose

**Technology**
Birgit Conix, Laura Quatela, Hilton Romanski, Frédéric Rose, Thierry Sommelet

**Mergers & Acquisitions**
Ana Garcia Fau, Melinda J. Mount, Hilton Romanski, Frédéric Rose

**Connected Home**
Birgit Conix, Yann Debois, Hilton Romanski

**Finance**
Birgit Conix, Ana Garcia Fau, Melinda J. Mount, Thierry Sommelet

The Board of Directors is satisfied with the complementarity of the Board Members' expertise, the right balance between the different skills and the level of experience of the Board Members, which demonstrates the Board's ability to address key issues and to support the Company's strategy. The involvement of the Board Members in the Board's activity (see in paragraph 4.1.2.3 below the individual Board meeting attendance rates) is also an indication of the good functioning of the Board.

The biographies of the members of the Board of Directors are detailed in paragraph 4.1.1.3 below.

The duration of the Directors' term of office is defined by the Company's bylaws and is set at three years. Directors may be re-elected and can be dismissed at any time by the Ordinary Shareholders' Meeting.

The members of the Board of Directors have no family relationship with one another.

## 4.1.1.3 Other information about members of the Board of Directors

GRI [G4-38]

### *Biographies of Directors, positions and directorships held during the past five years*

This section contains the biographies and information about the directorships held by Directors in office during fiscal year 2017.

### Directors who are members of the Board of Directors as of the date of this Registration Document

### *Bruce Hack, Chairman of the Board of Directors*

**Main position:** Company Director

**Main business address**: Technicolor, 1-5, rue Jeanne-d'Arc, 92130 Issy-les-Moulineaux

American nationality

Born February 15, 1949

**Start of term of office**: February 2010

**Expiration of term of office**: 2019 Annual General Meeting

**Number of shares held on March 21, 2018**: 518,000

#### Skills:

- Strategy
- Media & Entertainment
- Group Knowledge

#### Committees' memberships:

- Nominations & Governance Committee
- Strategy Committee (Chairman)

Mr. Bruce Hack is the founder and the Chief Executive Officer of BLH Venture, LLC, a provider of strategy and operating advice to media and entertainment companies.

He is currently Chairman or Director on public and private boards including MiMedx group (MDXG) and numerous early/mid stage online media or video gaming firms.

Mr. Hack was Vice-Chairman of the Board of Directors and Chief Corporate Officer of Activision Blizzard until 2009.

From 2004 to 2008, he was Chief Executive Officer of Vivendi Games, and from 2001 to 2003, Executive Vice-President of Development and Strategy at Vivendi Universal.

From 1998 to 2001, he was Vice-Chairman of the Board of Directors of Universal Music group and, between 1995 and 1998, Chief Financial Officer of Universal Studios.

He joined the Seagram company Ltd. in 1982, after serving as a trade negotiator at the U.S. Treasury in Washington, DC. Amongst his roles at Seagram were Chief Financial Officer of Tropicana Products, Inc. and Director, Strategic Planning, at The Seagram company Ltd.

Mr. Hack holds a BA from Cornell University and an MBA from the University of Chicago.

#### Current Directorships:

OUTSIDE FRANCE

Director of MiMedx group, Inc.[1], Overwolf, Fusic, Story 2, and Games for Change; Chairman of Gong!

#### Directorships held during the past five years:

Director of DemeRx Inc.

*(1) Publicly traded companies.*

## *Frédéric Rose, Chief Executive Officer*

**Main position:** Chief Executive Officer of Technicolor SA

**Main business address**: Technicolor, 1-5, rue Jeanne-d'Arc, 92130 Issy-les-Moulineaux

French and American nationalities

Born June 24, 1962

**Start of term of office**: October 2008

**Expiration of term of office**: 2018 Annual General Meeting

**Number of shares held on March 21, 2018**: 660,565

### Skills:

- Technology
- Media and Entertainment
- Group Knowledge
- Mergers & Acquisitions
- Strategy

### Committees' memberships:

- Strategy Committee

Mr. Frédéric Rose is a Director and has been Chief Executive Officer since September 1, 2008. Prior to joining Technicolor, he held various positions between 1993 and 2008 within Alcatel-Lucent, and was a member of its Executive Committee. Mr. Rose is a graduate in foreign affairs and law from the University of Georgetown.

### Current Directorships:

OUTSIDE FRANCE

Director and Vice-Chairman of Technicolor SFG Technology Co., Ltd.[1]; President of Technicolor Inc.[1]; Chairman of Technicolor Limited (UK)[1]

### Directorships held during the past five years:

Director of MediaNaviCo LLC[1]

*(1) Companies belonging to the Group.*

## *Bpifrance Participations, represented by Thierry Sommelet, Independent Director*

**Main position:** Managing Director Mid & Large cap at BpifranceInvestissement

**Main business address**: Bpifrance Participations SA, 27-31, av. Du Général Leclerc, 94710 Maisons-Alfort Cedex

French nationality

Born December 10, 1969

**Start of term of office**: January 2016

**Expiration of term of office**: 2018 Annual General Meeting

**Number of shares held on March 21, 2018**: 21,853,869

### Skills:

- Technology
- Media & Entertainment
- Finance
- Strategy

### Committees' memberships:

- Nominations & Governance Committee
- Strategy Committee

Mr. Thierry Sommelet is Managing Director within the Mid & Large Cap Department of Bpifrance Investissement, in charge of the Technology, media and telecom sector.

Mr. Sommelet has fifteen years of private and public equity investment experience in the telecom and Technology sectors, with

Caisse des Dépots et Consignations where he was responsible for investment in telecom networks, and with Fonds Stratégique d'Investissements where he realized several transactions in the semi-conductor, Technology and Internet sectors.

Before that, Mr. Sommelet held several positions in capital markets with Crédit Commercial de France, in Paris and New York, with Los Altos based Renaissance Software (now part of Sungard) and with media company InfosCE.

Mr. Sommelet graduated from ENPC civil engineering school in Paris and holds an MBA from Insead.

### Directorships held as Permanent representative of Bpifrance Participations:

### Current Directorships:

IN FRANCE
Director of Idemia SAS and Mersen SA[1]

### Directorships held during the past five years:

IN FRANCE
Member of the Supervisory Board of Inside Secure SA[1]; Director of Tyrol Acquisition 1 SAS

### Directorships held in his own name:

### Current Directorships:

IN FRANCE
Director of Talend SA[1]; Chairman of the Board of Soitec SA[1]; Member of the Supervisory Board of Greenbureau SA

### Directorships held during the past five years:

IN FRANCE
Member of the Supervisory Board of Sipartech SAS and Cloudwatt SA; Director of TDF SAS

*(1) Publicly traded companies.*

## *Birgit Conix, Independent Director*

**Main position:** Chief Financial Officer of Telenet

**Main business address**: Liersesteenweg, 4B-2800, Mechelen, Belgium

Belgian nationality

Born June 6, 1965

**Start of term of office**: April 2016

**Expiration of term of office**: 2019 Annual General Meeting

**Number of shares held on March 21, 2018**: 1,500

### Skills:

- Technology
- Finance
- Connected Home

### Committees' memberships:

- Audit Committee

Since October 2013, Ms. Birgit Conix is Chief Financial Officer and member of the Senior Leadership Team of Telenet, a Belgian stock listed cable company (BEL 20 index). She is also responsible for investor relations, business intelligence, procurement, supply chain, real estate and facilities.

Ms. Conix has 25 years of experience in finance across multiple industries, including cable and telecommunications, fast moving consumer goods, medical devices and pharmaceuticals, automotive and scientific publishing. She held international assignments in Amsterdam, London, Queretaro (Mexico), Madrid, Frankfurt and Dusseldorf.

She was previously Regional Head of Finance for Heineken's Western European organization at their Amsterdam headquarters and was a member of Heineken's Western European Management Team and Global Finance Leadership Team.

Prior to joining Heineken in 2011, Mrs. Conix built her career at Johnson & Johnson, where she held different top-level international positions with growing responsibilities in finance, strategy and business operations.

Ms. Conix speaks 5 languages fluently, namely Dutch, English, French, Spanish and German and holds a Master degree in Business Economics from Tilburg University Netherlands, and an MBA from the University of Chicago, Booth School of Business.

### Current Directorships:

None.

### Directorships held during the past five years:

None.

## *Yann Debois, Director representing the employees*

**Main position:** Corporate Sourcing at Technicolor

**Main business address**: Technicolor Connected Home France, 975, av. Des Champs Blancs, 35576 Cesson-Sévigné

French nationality

Born June 8, 1979

**Start of term of office:** July 2017

**Expiration of term of office**: July 2020

**Number of shares held on March 21, 2018**: 127

### Skills:

- Group Knowledge
- Sourcing expertise
- Connected Home

Mr. Yann Debois is in charge, within Technicolor group Sourcing organization, of the Sourcing activities for the Corporate functions. He joined Technicolor in 2006 and has since held a number of positions within Sourcing, especially in Hong Kong where he managed key suppliers for the Connected Home business unit.

Mr. Debois is a law graduate (2000) and holds a diploma from the University of Rennes I as well as a Master degree in Value Chain & Logistics Management from the University of Macquarie Sydney (2004).

### Current Directorships:

None.

### Directorships held during the past five years:

None.

## *Ana Garcia Fau, Independent Director*

**Main position:** Company Director

**Main business address**: Technicolor, 1-5, rue Jeanne-d'Arc, 92130 Issy-les-Moulineaux

Spanish nationality

Born November 3, 1968

**Start of term of office**: April 2016

**Expiration of term of office**: 2019 Annual General Meeting

**Number of shares held on March 21, 2018**: 1,000

### Skills:

- Finance
- Mergers & Acquisitions

### Committees' memberships:

- Audit Committee
- Nominations & Governance Committee (Chairwoman)

Ms. Ana Garcia Fau who currently is a company Director, began her career in management consulting at McKinsey&Co in Madrid, Wolff Olins and the M&A Department of Goldman Sachs in London.

She built her career at the Telefonica group, serving as Corporate Development Officer and Chief Financial Officer of TPI-Páginas Amarillas (yellow pages and e-commerce) from 1997 until 2006. She was responsible for the international expansion of the Company, business development and strategy, serving in parallel at the boards of Telfisa in Madrid, Publiguías in Chile, TPI in Brazil, Telinver in Argentina and TPI in Peru, amongst others.

In 2006 she was appointed Chief Executive Officer of Yell/Hibu for the Spanish and Latin-American businesses (2006-2014), expanding her role to the U.S. Hispanic market, based in Houston, Texas.

In 2010, she joined the International Executive Committee of Yell/Hibu and was later appointed Chief Global Strategy Officer of Yell/Hibu, responsible for strategic partnerships and digital strategy.

Ms. Garcia Fau is a graduate in Economics, Business Administration and Law from Universidad Pontificia Comillas (ICADE, E-3) in Spain, and holds an MBA from the Sloan School of Management of the Massachusetts Institute of Technology (MIT) in the United States.

### Current Directorships:

IN FRANCE
Director of Eutelsat SA[1]

OUTSIDE FRANCE
Director of Merlin Properties Socimi SA[1], Renovalia Energy group SL, Gestamp Automocion SA[1], DLA Piper LLP and Globalvia SA. Member of the Advisory Board of Yudonpay

### Directorships held during the past five years:

OUTSIDE FRANCE
Chief Executive Officer of Hibu connect SA (formerly Yell Publicidad SA); Director of Cape Harbour Advisors SL; Member of the ESADE Professional Advisory Board

*(1) Publicly traded companies.*

## *Melinda J. Mount, Independent Director*

**Main position:** Company Director

**Main business address**: Technicolor, 1-5, rue Jeanne-d'Arc, 92130 Issy-les-Moulineaux

American nationality

Born June 29, 1959

**Start of term of office**: April 2016

**Expiration of term of office:** 2019 Annual General Meeting

**Number of ADR held on March 21, 2018:** 21,000

### Skills:

- Media & Entertainment
- Finance
- Cybersecurity
- Mergers & Acquisitions

### Committees' memberships:

- Audit Committee (Chairwoman)
- Remunerations Committee

Ms. Melinda J. Mount, who currently is a company Director, is the former President of Jawbone, a company that develops wearable Technology. Prior to that she spent 7 years at Microsoft in various finance and operational roles including Corporate Vice President and Chief Financial Officer for the Online Services Division (Bing, MSN and the data centers) and the Corporate Vice President and Chief Financial Officer for the Entertainment & Device Division (Xbox, Windows Phone, and Mediaroom).

Prior to Microsoft, Ms. Mount spent 9 years at Time Warner in various finance and strategy management leadership roles and spent eight years at Morgan Stanley as an investment banker specializing in mergers and acquisitions.

She currently is on the Board of Directors of the Learning Care group, the second largest day care provider in the U.S. in terms of revenue, and advises a variety of start-ups on business strategy, business models and rapidly scaling operations.

Ms. Mount has an MBA with distinction from Harvard and a BBA from the University of Wisconsin-Madison. She is a member of the Dean's Advisory Board at Harvard Business School and the Board of Directors for the University of Wisconsin Foundation.

### Current Directorships:

Director of The Learning Care Group

### Directorships held during the past five years:

None.

## *Laura Quatela, Independent Director*

**Main position:** Senior Vice-President, Head of the Legal Affairs Department at Lenovo

**Main business address**: Technicolor, 1-5, rue Jeanne-d'Arc, 92130 Issy-les-Moulineaux

American nationality

Born July 18, 1957

**Start of term of office:** May 2013

**Expiration of term of office:** 2019 Annual General Meeting

**Number of shares held on March 21, 2018:** 1,000

### Skills:

- Technology
- Group Knowledge
- Strategy

### Committees' memberships:

- Nominations & Governance Committee
- Remunerations Committee (Chairwoman)
- Strategy Committee

Ms. Laura Quatela is Senior Vice-President and Chief Legal Officer of Lenovo, a Hong-Kong-listed technology company and world's #1 PC provider. She is a member of the Company's Executive Committee.

Ms. Quatela is also a Co-Founder and Principal of Quatela Lynch McCurdy, a consultancy firm that specializes in generating maximum value from Intellectual Property. In addition, she is an Advisor to, and member of the Board of managers of Provenance Asset group LLC. She was the President of Eastman Kodak company from January 2012 to February 2014. In January 2011, she was appointed General Counsel and Senior Vice President. She was appointed Chief Intellectual Property Officer in January 2008, and she remained in this position while managing the company's Legal Department. As Chief Intellectual Property Officer of Kodak, she oversaw the Intellectual Property policy and strategy, chaired the Senior IP Strategy Council and managed external Intellectual Property affairs. In August 2006, she was appointed Corporate Vice President.

Ms. Quatela joined Kodak in 1999, working in various positions in legal and finance. Previously, she worked at Clover Capital Management, Inc., SASIB Railway GRS, and Bausch & Lomb Inc. In private practice, she was a defense litigator specializing in mass tort cases. Ms. Quatela is a graduate of Denison University, BA, International Politics (1979) and Case Western Reserve University School of Law, J.D. (1982).

### Current Directorships:

Member of the Board of managers of Provenance Asset Group LLC

### Directorships held during the past five years:

None.

## *Hilton Romanski, Independent Director*

**Main position:** Senior Vice-President, Chief strategy Officer at Cisco Systems, Inc.

**Main business address:** Cisco Systems, Inc., 170 West Tasman Drive, San Jose, California 95134

American nationality

Born October 24, 1972

**Start of term of office**: November 2015

**Expiration of term of office**: 2019 Annual General Meeting

**Number of shares held on March 21, 2018:** 200

### Skills:

- Technology
- Mergers & Acquisitions
- Strategy

### Committees' memberships:

- Strategy Committee

Mr. Hilton Romanski is Senior Vice-President and Chief strategy Officer of Cisco Systems, Inc. where he is leading investments, mergers, acquisitions and divestitures and manages strategic partnerships.

In his previous role, Mr. Romanski was with the Strategy Office of Cisco where he drove the mergers and acquisition strategy. Prior to joining Cisco in 2001, Mr. Romanski held several positions at J.P. Morgan, including in the Technology, Media and Telecom group and co-founded J.P. Morgan's West Coast telecom practice.

He previously worked in J.P. Morgan's New York headquarters where he was an M&A specialist.

### Current Directorships:

None.

### Directorships held during the past five years:

None.

## Directors who have left the Board of Directors as of the date of this Registration Document

### *Didier Lombard, Chairman of the Board of Directors until February 27, 2017, then Non-Independent Director until May 2017*

**Main position:** Company Director

**Main business address:** Technicolor, 1-5, rue Jeanne-d'Arc, 92130 Issy-les-Moulineaux

French nationality

Born February 27, 1942

**Start of term of office:** May 2004

**End of term of office**: May 24, 2017

**Number of shares held on March 21, 2018**: 5,337

### Skills:

- Technology

Mr. Didier Lombard, Chairman of the Board of Directors of Technicolor until February 2017, has been Vice-Chairman of the Supervisory Board of STMicroelectronics since June 2014, having served as Chairman for three years. He was Chief Executive Officer of France Telecom from March 2005 to March 2010 and Chairman of the Board from March 2005 to February 2011. From 2003 to 2005, he was Executive Vice-President of France Telecom in charge of the technologies, partnership and new services mission. From 1999 to 2003, Mr. Lombard served as Ambassador in charge of foreign investments and Chief Executive Officer of the Invest in France Agency. From 1991 to 1998, he was Chief Executive Officer of Industrial Strategy at the Ministry of Economy, Finance and Industry. From 1988 to 1990, he served as Technical and Scientific manager in the Ministry of Research and Technology. Mr. Lombard graduated from École Polytechnique and École Nationale Supérieure des Télécommunications.

### Current Directorships:

IN FRANCE
None.

OUTSIDE FRANCE
None.

### Directorships held during the past five years:

Chairman of the Supervisory Board of STMicroelectronics[1]; Vice-Chairman of the Supervisory Board of STMicroelectronics[1]; Member of the Supervisory Board of Radiall[1]; Director of Thales[1]

*(1) Publicly traded companies.*

## *Nicolas Grelier, Director representing the employees until July 2017*

**Main position:** Engineer at Technicolor Connected Home France

**Main business address**: Technicolor Conneted Home France, 975, av. Des Champs Blancs 35576 Cesson-Sévigné

French nationality

Born October 15, 1976

**Start of term of office**: July 2014

**Expiration of term of office:** July 2017

**Number of shares held on March 21, 2018**: 127

### Skills:

- Connected Home
- Group Knowledge

Mr. Nicolas Grelier has been program manager at Technicolor since 2012. Since 2006, he has held various positions within the group in bid management and as program manager at the R&D site in Rennes, France. He has extensive experience in international customer relationship management and project management in the high-tech field.

Prior to joining Technicolor, Mr. Grelier worked as program manager for NAGRA France and for CANAL+ Technologies.

Mr. Grelier is a graduate of École des Mines de Nantes (1999) and has a Project Management professional certification from the Project Management Institute (2009).

### Current Directorships:

None.

### Directorships held during the past five years:

None.

## *Hugues Lepic, Independent Director until July 2017*

**Main position:** Chief Executive Officer of Aleph Capital Partners LLP

**Main business address:** Aleph Capital Partners LLP 14 St George Street 3rd floor London W1S1FR

French nationality

Born March 3, 1965

**Start of term of office:** December 2012

**End of term of office:** July 19, 2017

**Number of shares held on March 21, 2018:** 1,571,545[(1)(2)]

### Skills:

- Finance

Mr. Hugues Lepic is the Chief Executive Officer of Aleph Capital Partners LLP, an investment firm based in London, which he founded in 2013. Prior to that, Mr. Lepic spent most of his career at The Goldman Sachs group, Inc. From 2009 to 2012, he was head of the Merchant Banking Division of Goldman Sachs for Europe.

Mr. Lepic was responsible for investing in the Telecom, Media and Technology (TMT) sectors between 1998 and 2006. Mr. Lepic was also a member of Goldman Sachs' European Management Committee between 2008 and 2012. He was promoted to Managing Director in 1998 and to Partner of Goldman Sachs in 2000. Mr. Lepic joined Goldman Sachs in New York in 1990. He holds an MSc from École Polytechnique in France and an MBA from the Wharton School of the University of Pennsylvania.

### Current Directorships:

OUTSIDE FRANCE

Chief Executive Officer of Aleph Capital Partners LLP; Director of Interoute Communications Holdings SA (Luxembourg)

### Directorships held during the past five years:

Director of groupe Eurotunnel SA[(3)]; Participating Managing Director of the Goldman Sachs Group, Inc.[(3)]; Director of Mediannuaire Holding, of PagesJaunes Groupe[(3)], of Edam Acquisition Holding I Cooperatief UA

*(1) Partially held through Aleph Holdings Limited, II SARL, a corporation related to Hugues Lepic.*

*(2) Pursuant to the applicable regulations, all disposal and/or acquisitions of shares done following July 19, 2017 were not notified to the Autorité des marchés financiers.*

*(3) Publicly traded companies.*

### 4.1.1.4 Arrangements or agreements made with major shareholders, customers, suppliers or others pursuant to which the Board Members and Executive Committee members were selected

GRI [G4-27] [G4-41]

In connection with the acquisition of Cisco Connected Devices, the Board of Directors, at its meeting of October 19, 2015, coopted Mr. Hilton Romanski as Director. This cooptation was ratified by the Annual General Meeting of April 29, 2016, which also approved the renewal of his directorship.

In connection with the capital increase with preferential subscription rights of November 2015, Bpifrance Participations committed to exercise its preferential subscription rights. At the same time, the Company and Bpifrance Participations agreed that the latter should be appointed as a Director of the Company. Bpifrance Participations was coopted by the Board of Directors on January 8, 2016, which was ratified by the Annual General Meeting of April 2016. Since January 6, 2017, Mr. Thierry Sommelet has been the permanent representative of Bpifrance Participations. Bpifrance Participations's term of office is coming to an end at the Annual General Meeting to be held on April 26, 2018.

There are no other arrangements or agreements with major shareholders, customers, suppliers or other parties, by virtue of which a member of the Board of Directors or a member of the Executive Committee has been selected.

### 4.1.1.5 Directors' holdings in the Company's share capital

Article 11.2 of the Company's bylaws provides that Directors are each required to hold at least 200 shares of Technicolor stock during their term of office. Moreover, in accordance with the Board Internal Regulations, as modified by the Board of Directors on February 22, 2017, each Director is required to acquire 1,000 shares of Technicolor prior to the end of his/her first term as Director.

Under the terms of a decision of the Board of Directors on October 24, 2013, the Chairman and the Chief Executive Officer are bound by a minimum investment requirement in Technicolor shares equivalent to the investment of one year of the average Director's fee. This number of shares is doubled in the event of a renewal of the term of office.

Except for the above obligations, members of the Board of Directors are not subject to any contractual restriction regarding the shares they hold in the Company's share capital. The memorandum entitled Corporate Policy on the Purchase and Sale of Company Shares, Insider Trading and Protection of Inside Information reiterates, however, the rules applicable to trading in Technicolor securities and provides for blackout periods during which such trading is prohibited. This policy also provides that Corporate Officers holding stock options and/or performance shares (i) are not authorized to carry out risk hedging transactions in accordance with the AFEP-MEDEF corporate governance Code and (ii) are subject to blackouts for the exercise of options.

To the Company's knowledge, the Directors' shareholdings in the Company's registered capital as of March 21, 2017 are as follows:

| Directors present on March 21, 2017 | Technicolor shares |
|---|---|
| Bruce Hack | 518,000 |
| Frédéric Rose | 660,565 |
| Bpifrance Participations | 21,853,869 |
| Birgit Conix | 1,500 |
| Yann Debois | 127 |
| Ana Garcia Fau | 1,000 |
| Melinda J. Mount | 21,000[1] |
| Laura Quatela | 1,000 |
| Hilton Romanski | 200 |
| **TOTAL** | **23,057,261** |

(1) *Ms. Mount holds 21,000 Technicolor American Depositary Receipts.*

The table below shows the transactions in Technicolor securities carried out during fiscal year 2017 and notified to the *Autorité des marchés financiers* in accordance with Article 19 of Regulation n° 594/2014 of April 16, 2014 on Market Abuse and Article L. 621-18-2 of the French Monetary and Financial Code:

| First name and last name | Transaction date | Transaction type | Description of the financial instrument | Number of securities/ instruments | Unit price *(in euros)* | Amount of the transaction *(in euros)* |
|---|---|---|---|---|---|---|
| Hugues Lepic | April 6, 2017 | Disposal | Share | 4,071,345 | 4.1500 | 16,896,081.75 |
| Aleph Holdings Limited, II SARL(1)(2) | April 6, 2017 | Acquisitions | Share | 4,071,345 | 4.1500 | 16,896,081.75 |
| Aleph Holdings Limited, II SARL(1)(2) | June 16, 2017 | Disposal | Share | 164,893 | 4.5001 | 742,034.99 |
| Aleph Holdings Limited, II SARL(1)(2) | June 19, 2017 | Disposal | Share | 162,000 | 4.5005 | 729,801 |
| Aleph Holdings Limited, II SARL(1)(2) | June 19, 2017 | Disposal | Share | 165,901 | 4.5002 | 746,587.68 |
| Aleph Holdings Limited, II SARL(1)(2) | June 21, 2017 | Disposal | Share | 282,772 | 4.3929 | 1,242,189.12 |
| Aleph Holdings Limited, II SARL(1)(2) | June 22, 2017 | Disposal | Share | 224,434 | 4.4365 | 995,701.44 |

(1) *Aleph Holdings Limited, II SARL is a corporation related to Hugues Lepic.*
(2) *Pursuant to the applicable regulations, all disposal and/or acquisitions of shares done following July 19, 2017 were not notified to the Autorité des marchés financiers.*

Details regarding stock options granted to Executive Directors are set forth in below in the sub-section 4.2.3: "Stock Option Plans and Performance or Restricted Share Plans" of this Registration Document.

### 4.1.1.6 Statement on the absence of convictions for fraud, bankruptcy and incrimination during the past five years

To the Company's knowledge, no member of the Board of Directors has been (i) convicted of fraud, (ii) associated with a bankruptcy, receivership or liquidation, (iii) sanctioned by any statutory or regulatory authorities (including professional organizations), or (iv) disqualified by a court decision from (a) acting as a member of the administrative, management or supervisory bodies of a public company or (b) acting in the management or conduct of the affairs of a public company during the past five years.

### 4.1.1.7 Service and other contracts between Board Members and the Group

To the Company's knowledge, there are no service contracts between Board Members and the Group or any of its subsidiaries that provide for benefits upon termination of such contracts.

### 4.1.1.8 Loans and guarantees granted to Board Members

None.

## 4.1.2 PREPARATION AND ORGANIZATION OF THE BOARD OF DIRECTORS' WORK

GRI [G4-34] [G4-42] [G4-47]

### 4.1.2.1 Compliance with AFEP-MEDEF corporate governance Code

GRI [G4-15]

The Company refers to the AFEP-MEDEF corporate governance Code, last updated on November 2016 and available on the website of both the AFEP (http://www.afep.com) and the MEDEF (http://www.medef.com/en/), for the preparation of the report required by Article L. 225-37 of the French Commercial Code.

It is hereby noted that the Company does not comply with the following recommendations of the AFEP-MEDEF corporate governance Code:

| Recommendations of the AFEP-MEDEF corporate governance Code not complied with by the Company | Explanation/Action plan |
|---|---|
| Terms of office of Directors should be staggered so as to avoid replacement of the entire body and to favour a smooth replacement of Directors (paragraph 13.2). | The Annual General Meeting of April 29, 2016 rejected the thirtieth resolution which provided for the directorships to be staggered. |
| Membership of the Director representing the Employees to the Remunerations Committee (paragraph 17.1). | Technicolor's Work' Council appointed Mr. Yann Debois as the new Director representing the Employees in July 2017. This appointment being still recent, the membership of Mr. Debois to the Board's Committees is under scrutiny by the Board of Directors. |
| When a non-compete agreement is entered into, the Board must incorporate a provision that authorizes it to waive the implementation of this agreement when the Officer leaves (paragraph 23.3). | This provision applies to agreements concluded after June 16, 2013. Mr. Frédéric Rose's non-compete agreement was concluded in July 23, 2008, modified in March 9, 2009 and then not anymore modified. |

## 4.1.2.2 Organization of Board of Directors' works – Internal Board Regulations

GRI [G4-34] [G4-35] [G4-36] [G4-37] [G4-39] [G4-42] [G4-43] [G4-47]

The Board of Directors review at least once a year its membership, organization, operation and committees. In 2017, committee memberships were reviewed in February and the Directors' Internal Regulations were also amended in February.

The preparation and organization of the Board of Directors' works are described in the Board of Directors' Internal Regulations, for which the main provisions are summarized below (for the integrality of the Board of Directors' Internal Regulations, see sub-section 4.1.4 "Internal Board Regulations" of this Registration Document).

**The Board of Directors**

**Powers vested by law**

- determines the Company's strategic directions and ensures their implementation;
- examines all matters relating to the proper functioning of the Company and decides on all issues that impact it;
- carries out all audits and controls that it deems necessary;
- deliberates on an annual basis on Company policy regarding equal employment and wages;
- authorizes any regulated agreements on a preliminary basis;
- appoints the Chairman of the Board of Directors and sets his/her compensation; and
- appoints the Chief Executive Officer and sets his/her compensation.

**Additional powers arising from Internal Board Regulations**

- may appoint one or two Vice-Chairmen;
- may appoint up to two Board Observers;
- approves, on a preliminary basis, the strategic plan prepared by executive management;
- authorizes the Chief Executive Officer to carry out the following strategic transactions:

  (i) any material transaction outside the scope of Technicolor's stated strategy or that is likely to materially affect the operational or financial situation of the Group,

  (ii) the conclusion of any material strategic partnership,

  (iii) any transaction (contribution, acquisition, disposal, merger, transfer of any entity, activity or assets) by any member of the Technicolor group for an amount of more than €25 million, either per operation or per series of related operations,

  (iv) the conclusion of new finance contracts increasing the Group's level of indebtedness by more than €25 million,

  (v) the appointment of a Statutory Auditor who is not part of a network of international repute,

  (vi) any decision, by any company of the Technicolor group, to settle litigation where such settlement would result in a payment of more than €10 million to the relevant counterparty, and

  (vii) any significant changes to accounting principles applied by Technicolor or to any Company of the Technicolor group, other than changes made in application of applicable law or required by the Statutory Auditors of Technicolor or the relevant company.

**Chairman of the Board of Directors**

**Mr. Bruce Hack**

**Powers vested by law**

- organizes and directs the work of the Board, reporting thereon to the Annual General Meeting;
- ensures the proper functioning of the Company's management bodies; and
- ensures Directors are capable of performing their duties.

**Additional powers arising from Internal Board Regulations**

- regularly consulted by the Chief Executive Officer on all events of significance (whether they're about the Group's strategy, external growth projects or financial operations);
- monitors extraordinary transactions (external and internal) affecting the Group's scope of consolidation or structure;
- ensures that Company strategy is being executed (Drive 2020 strategic plan);
- organizes his activity so as to ensure that he is available and that he shares his market knowledge and extensive experience with the Chief Executive Officer (at the Chief Executive Officer's invitation, the Chairman may attend internal meetings with Company executives and teams, so as to share his opinion on strategic issues);
- meets with key group executives;
- promotes Technicolor's values and image, both internally and externally; and
- coordinates the work of the Board of Directors with its committees.

The Chairman's duties are contributory in nature and do not confer any executive power on him.

**Chief Executive Officer**

**Mr. Frédéric Rose**

**Powers vested by law**

Empowered with the broadest powers to act in any circumstances on behalf of the Company, subject to limitations imposed by the corporate purpose and those matters expressly reserved by law to the General Shareholders' Meeting or the Board of Directors.

**Limits imposed by Board Internal Regulations**

- prior authorization by the Board for certain strategic decisions (see above).

**Additional powers**

- specific annual authorization from the Board to issue warranties and guarantees in the name of the Company up to a certain amount.

## *Board Committees*

The Board of Directors is assisted in the performance of its tasks by four committees: the Audit Committee, the Nominations and Governance Committee, the Remunerations Committee and the Strategy Committee.

Each committee formulates proposals, recommendations and assessments in its area of expertise, which is defined by its charter. To this end, it may decide to conduct any study that could assist the Board of Directors in its deliberations.

The Chairman of each committee draws up the agenda for the meetings, which is then communicated to the Chairman of the Board of Directors. Proposals, recommendations and assessments produced by committees are compiled in a report to the Board of Directors.

## *Board meetings*

Each year, the Board of Directors draws up a schedule of its meetings for the coming year, based on a proposal from the Chairman.

This schedule sets the dates for the Board of Directors' regular meetings (in conjunction with the release of quarterly financial information, previous year's annual results, half year results, meeting preceding the Ordinary Shareholders' Meeting, etc.). In addition to the meetings included in the schedule, the Board of Directors holds meetings whenever required by the Company's circumstances. If necessary, the Directors meet in working sessions. In addition, the Directors may meet in "executive sessions", in which the Chief Executive Officer does not participate.

## *Directors' right to information*

The Chairman is required to communicate to each Director all documents and information necessary to carry out his or her work. The Board Internal Regulations stipulates that *Other than in connection with Board meetings, Directors shall be kept informed, on a regular basis and by any mean, of the financial and liquidity situation, of the Company's commitments, as well as any significant event and transaction relating to the Company*.

During its meetings, the Board of Directors may consult with the Company's outside financial and legal advisors.

### *Directors' duties*

Members of the Board of Directors are bound by a general duty of confidentiality with respect to the deliberations of the Board and its committees, and any information that is confidential in nature or presented by its Chairman as such.

The Board Internal Regulations stipulate that each Director is required to inform the Lead Independent Director or, in the absence of a Lead Independent Director, the Chairman, of any situation that is likely to create a conflict of interest with the Company or any of the Group's companies. If necessary, the Lead Independent Director shall ask for an assessment from the Nominations and Governance Committee.

### *Directors' training*

Members of the Board of Directors beneficiate from regular business sessions that are organized with all Board Members and business unit managers in order to update them on the Company's activities and to inform them on the organization and functioning of each business unit as well as on its strategy and future development. As an example, there has been 3 business sessions in 2017, focusing at an equal level on each business unit of the group: Production Services, DVD Services and Connected Home.

In addition, each new member of the Board of Directors beneficiates from an induction session in corporate governance, with the handing in of the Technicolor Vademecum. This document allows each new Director to be up to date with:

- the Company's life and especially Board and committees' composition, Board Members contacts, Board schedule for the year ahead;
- all Corporate documents such as the By-Laws, the Internal Board Regulations or the Insider Trading Policy;
- corporate governance documentation such as the AFEP-MEDEF corporate governance Code for Listed Companies to which the Company refers or an explanation of their duties and responsibilities;
- the group Directors & Officers Insurance Policy.

This Vademecum, when updated, is also handed in to any other Director.

In addition, on taking up his post on the Board of Directors, Mr. Debois received training from an external service provider specializing in corporate governance and finance. This training focused on the financial aspects of Company's management.

## 4.1.2.3 Board of Directors' activities in 2017

GRI [G4-34] [G4-42] [G4-43] [G4-44] [G4-47] [G4-50]

Attendance rates to Board meetings held in 2017

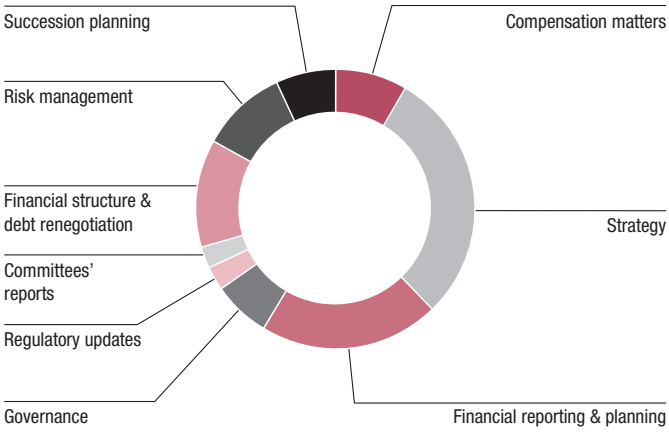
| Name | Attendance rate |
|---|---|
| Mr. Bruce Hack | 100% |
| Mr. Frédéric Rose | 100% |
| Bpifrance Participations | 100% |
| Ms. Birgit Conix | 100% |
| Mr. Yann Debois | 100% |
| Ms. Ana Garcia Fau | 100% |
| Ms. Melinda J. Mount | 100% |
| Ms. Laura Quatela | 86% |
| Mr. Hilton Romanski | 86% |
| Mr. Nicolas Grelier (left the Board in July 2017) | 100% |
| Mr. Hugues Lepic (left the Board in July 2017) | 25% |
| Mr. Didier Lombard (left the Board in April 2017) | 75% |
| AVERAGE | 89% |

## *Board of Directors*

| 7 meetings in 2017 | 11 then 9 members | 89% average participation rate | 88% independence rate |
|---|---|---|---|

**Activities in 2017**

- **Financial issues**: reviewed the Company's quarterly, half-yearly and annual financial information and the preparation process (2017 annual budget, corporate and consolidated financial statements for 2016 and for the first half of 2017, revenues for the first and third quarters of 2017), reviewed major accounting issues (such as impairment tests of goodwill), reviewed press releases issued after Board meeting, as well as the Registration Document, after examination by the Audit Committee, the Remunerations Committee and the Nominations and Governance Committee for the sections falling under their respective areas of expertise;
- **Strategy of the Group**: monitored the Company's strategic plan (Drive 2020) and corresponding action plans;
- **Compensation and governance**: decided on the compensation of the Chairman and the Chief Executive Officer, decided to implement a Long-Term Management Incentive Plan (LTIP 2017), reviewed the independence of each Board member, deliberated on Company policy regarding equal employment and wages.




**Main Board decisions for 2017 (in addition to recurring issues described above)**

| Board meeting held on January 6, 2017 | Attendance of 92% |
|---|---|

- Approval of Mr. Thierry Sommelet's appointment as Bpifrance Participations' representative;
- Approved the grant of performance shares under a new plan rule (LTIP);
- Approved the amendment to the attendance fees repartition rules, decided in order to increase variable over fixed attendance fees.

| Board meeting held on February 22, 2017 | Attendance of 92% |
|---|---|

- Approved the Group's variable compensation plan structure and objectives;
- Appointed Mr. Hack as the new Chairman of the Board of Directors, following Mr. Lombard's resignation from his position;
- Amended the Board's Internal Regulations to take into account these changes and to give additional powers to the Chairman;
- Changed the Board's committees composition;
- Reviewed Directors' independence;
- Discussed the regulatory changes following the new Market Abuse regulation;
- Executive session to assess the performance of the Chief Executive Officer for the year 2016 and set the performane objectives that will impact his variable compensation for 2017 and his severance package.

| Board meeting held on March 9, 2017 | Attendance of 92% |
|---|---|

- Approved the grant of performance shares under a new Long Term Incentive Plan.

| Board meeting held on April 26, 2017 | Attendance of 82% |
|---|---|

- Approved the new compensation scheme for the newly appointed Chairman, composed of (i) a fixed compensation, aimed at adequately remunerating his involvement as Chairman of the Board and taking into consideration the extended scope of his responsibilities, and (ii) attendance fees;
- Adopted the Board report on the compensation policy applicable to the Chairman and the Chief Executive Officer that would be submitted to shareholders approval at the 2017 Annual General Meeting;
- Approved the grant of performance share;
- Delegation to the Chief Executive Officer of the powers to grant endorsements and guarantees.

| Board meeting held on July 26, 2017 | Attendance of 100% |
|---|---|

- Approved the grant of performance shares.

| Board meeting held on October 25, 2017 | Attendance of 100% |
|---|---|

- Discussed on cybersecurity issues within the Group and the strategic plan on security;
- Approved the grant of a joint and several guarantee in connection with the Group credit agreement renegotiation and extension;
- Approved the compensation of the new Director representing the employees and the training chosen by the said Director;
- Discussed on the succession plan for both the Chief Executive Officer and members of the Executive Committee;
- Executive session.

| Board meeting held on December 1, 2017 | Attendance of 89% |
|---|---|

- Set the allocation rules and the amounts due for 2017 of Directors fees;
- Discussed the potential transaction on the Patent Licensing activity.

| Evaluation in 2017 |
| --- |
| **Procedure:** external evaluation conducted by Spencer Stuart under the recommendation of the Nominations and Governance Committee. |
| **Themes:** membership, missions and operation of the Board of Directors and of the committees and the contribution of the committees to the Board of Directors' activities and Directors' personal development. |
| **Result and analysis by the Nominations and Governance Committee, then by the Board of Directors:** Overall, the appreciation is positive, 78% of Board Members believing Board effectiveness has improved over the years. The Board is considered relatively young, very engaged and conscious of its responsibilities, with Directors having a positive attitude with the management. However, the Board could gain some more efficiency in the way it works. |
| **Areas for improvement:**<br>■ Strategy Committee could spend more time in challenging the portfolio activities;<br>■ Board could be engaged earlier on a set of decisions;<br>■ Talent management and succession process should be more discussed;<br>■ Follow up on decision making should be systematic;<br>■ More executive sessions. |
| Following this external assessment, the Board of Directors immediately defined an action plan in order to implement the issues raised by Spencer Stuart. For example, it has already address the issue relating to (i) the lack of challenge to the portfolio activities by performing a thorough review of the portfolio activities or relating to (ii) the lack of succession plan which is now being implemented and (iii) the lack of executive sessions, which are now almost systematic. |

### 4.1.2.4 Chairman of the Board's missions and achievements in 2017

Since his appointment as Chairman of the Board of Directors, effective February 27, 2017, Mr. Bruce Hack was vested with additional powers, in addition to those vested by law. In the framework of this governance change, the Internal Board Regulations were amended to reflect these additional powers,explained in Chapter 4 "Corporate Governance and Compensation", section 4.1. "Corporate Governance" and paragraph 4.1.2.2 "Organization of Board of Directors' works – Internal Board Regulations" of this Registration Document.

In 2017, in addition to the powers vested to him by the law and within the scope of his additional powers, the Chairman of the Board:

- effectively led the six Strategy Committee's meeting as well as the other strategy discussions held during the year for which all Directors received an exceptional Directors' fee due to their number and intensity;
- engaged regularly in discussions with General Management on various subjects at their proposal;
- closely followed-up the external assessment of the Board of Directors performed in 2017.

### 4.1.2.5 Composition and activities of the Board committees

GRI [G4-34] [G4-42] [G4-47] [G4-50] [G4-52]

The composition of the Board committees was reviewed by the Board of Directors on February 22, 2017, in the frame of the appointment of Mr. Bruce Hack as Chairman.

#### *The Audit Committee*

##### AMF's report on Audit Committees

The Company refers to the AMF's report on Audit Committees issued on July 22, 2010 to prepare this report.

| 6 meetings in 2017 | 3 members | 100% average participation rate | 100% independence rate |
|---|---|---|---|

**Composition in 2017**

Ms. Melinda J. Mount (Chairwoman, Independent)

Ms. Birgit Conix (Independent)

Ms. Ana Garcia Fau (Independent)

Meets the requirements of Article L. 823-19 of the French Commercial Code and of the AFEP-MEDEF corporate governance Code: all members have skills in finance or accounting.

**Individual attendance rates to Audit Committee meetings held in 2017**

- **Ms. Melinda J. Mount**: 100%
- **Ms. Birgit Conix**: 100%
- **Ms. Ana Garcia-Fau**: 100%

**Mission**

Defined by applicable law, its charter, and the Board Internal Regulations:

- assists the Board of Directors in fulfilling its responsibilities regarding financial information and its publication, internal control procedures and risk management, Internal Audit, and internal procedures to check compliance with applicable laws and regulations;
- in particular, examines the draft parent company financial statements and consolidated financial statements prior to their presentation to the Board of Directors;
- examines material off-balance sheet commitments;
- checks the procedures adopted ensure the accounts provide a true and fair view of the Company's financial position and are in compliance with applicable accounting standards;
- expresses its opinion and makes proposals to the Board of Directors regarding the nomination, missions, activities, compensation and dismissal of the Statutory Auditors;
- gives its authorization, or adopts procedures for authorization of non-audit services by the Statutory Auditors;
- assesses the effectiveness of internal control and risk management systems;
- reviews the work of the Ethics Committee, such as whistleblowing procedure investigations (see Chapter 3, section 3.3.2: "General control environment" below).

**Organization of the Audit Committee's activities**

At least four meetings per year, and whenever necessary before a Board of Directors' meeting, according to a predetermined annual workplan.

**The committee can:**

- directly discuss with the Statutory Auditors in the absence of managers or individuals contributing to the preparation of the financial statements;
- upon request, directly discuss matters with the Internal Auditors in the absence of Executive Management;
- call upon the services of internal or external experts, in particular, lawyers, accountants or other advisors or independent experts.

The Statutory Auditors participate in each Audit Committee meeting.

**Review process for annual and interim financial statements:**

- initial meeting to review the initial closing items;
- second meeting to review the financial statements. For practical reasons due to the attendance of Directors on the Audit Committee who live abroad, such second meeting may at times take place on the day before the meeting of the Board of Directors.

**Audit Committee's activities**

- reviewed parent company and consolidated financial statements for 2016 and for the first half of 2017, and revenue for the first and third *quarter* of 2017 (the review having been the subject of presentations by the Company's Chief Financial Officer and the Statutory Auditors);
- reviewed the financial press releases and investor presentations for the closing of fiscal year 2016, the first *quarter* of 2017, the first half of 2017 and the third *quarter* of 2017;
- accounting issues related to the closing of accounts for fiscal year 2016, the first half of 2017 and fiscal year 2017;
- reviewed this Registration Document;
- in-depth review of impairment tests of goodwill and key accounting issues surrounding the closing of accounts;
- discussed the last developments of the Group's litigations;
- reviewed its Policy on Approval and Pre-Approval of Audit and Non-Audit Services;
- reviewed the proposal for the credit line extension;
- review of the Company Insurance Policy;
- in-depth review of certain risks (Technicolor Risk Management);
- reviewed the organization of Internal Audit, the biannual audit plans and their results, the internal control procedures, and security procedures for the Group;
- review of cybersecurity matters and strategy;
- presentation of pension schemes;
- reviewed the impacts of the European Audit Reform;
- discussed compliance and ethics development and especially reviewed the impacts of the French law new requirements following Sapin II;
- examinated the Statutory Auditors' audit plan and reviewed of the matter of their independence;
- reviewed the renewal of term of office of one of the Statutory Auditors;
- heard regularly the Chief Financial Officer, the Director of Norms and Consolidation, the Director of Treasury and Credit Management and the Director of Central Controlling;
- met in executive sessions and met with Statutory Auditors without management on a regular basis.

## *The Nominations and Governance Committee*

| 3 meetings in 2017 | 4 members | 100% average participation rate | 100% independence rate |
|---|---|---|---|

**Composition in 2017**

Ms. Ana Garcia Fau (Chairwoman, Independent)

Mr. Bruce Hack (Independent)

Ms. Laura Quatela (Independent)

Mr. Thierry Sommelet (Independent)

All committee members are Independent under the AFEP-MEDEF corporate governance Code.

Mr. Rose, Chief Executive Officer, in involved in the work of this committee.

**Individual attendance rates to Nominations and Governance Committee meetings held in 2017**

- **Ms. Ana Garcia Fau**: 100%
- **Mr. Bruce Hack**: 100%
- **Ms. Laura Quatela**: 100%
- **Mr. Thierry Sommelet**: 100%

**Mission**

- submits proposals relating to the Company's governance, in particular, in respect of the organization and operation of the Board of Directors;
- it also makes proposals to the Board of Directors for the appointment of the Board Members, the Chairman, the Chief Executive Officer and Board committee members.

**Activities of the Nominations and Governance Committee**

- analyzed the composition of the committees of the Board of Directors and their new composition;
- examined the need for a Lead Independent Director;
- discussed the change in the method of appointment of the Employee Director;
- discussed the appointment of a new Chairman of the Board of Directors;
- began to study the succession plan for the Chief Executive Officer and prepared it for the Executive Committee's members;
- discussed the amendment to the Board's Internal Regulations;
- reviewed the self-assessment performed in 2016 and prepared and followed-up the external assessment of the Board of Directors for 2017.

## *The Remunerations Committee*

| 4 meetings in 2017 | 2 members | 100% average participation rate | 100% independence rate |
|---|---|---|---|

**Composition in 2016**

Ms. Laura Quatela (Chairwoman, Independent)

Ms. Melinda J. Mount (Independent)

All committee members are Independent under the AFEP-MEDEF corporate governance Code.

**Individual attendance rates to Remunerations Committee meetings held in 2017**

- **Ms. Melinda Mount**: 100%
- **Ms. Laura Quatela**: 100%

**Mission**

- issues recommendations to the Board of Directors regarding the compensation of the Executive Directors and the amount of Directors' fees to be submitted to the Shareholders' Meeting;
- makes proposals regarding grants of stock options and performance shares to the Group's employees, and more generally regarding employee shareholding and employee savings programs;
- issues recommendations on the consistency of the compensation of Executive Directors as compared with that of the other managers and employees.

**Activities of the Remunerations Committee**

- reviewed the Group's variable compensation plan and its application;
- reviewed the Company's policy regarding equal employment and wages;
- discussed the elaboration of a new project of long-term compensation plan in the form of performance shares (LTIP 2017);
- monitored the implementation of this plan;
- studied the compensation of the Chief Executive Officer involving, in particular, setting variable compensation targets and the compensation of the new Chairman.

### *The Strategy Committee*

| 25 meetings in 2017 | 5 members | 93% average participation rate | 80% independence rate |
|---|---|---|---|

**Composition in 2017**

| | |
|---|---|
| Mr. Bruce Hack (Chairman, Independent) | Mr. Thierry Sommelet (Independent) |
| Mr. Frédéric Rose | Mr. Hilton Romanski (Independent) |
| Ms. Laura Quatela (Independent) | |

**Individual attendance rates to Strategy Committee meetings held in 2017**

| | |
|---|---|
| ■ **Mr. Bruce Hack**: 100% | ■ **Mr. Thierry Sommelet**: 100% |
| ■ **Mr. Frédéric Rose**: 100% | ■ **Mr. Hilton Romanski**: 83% |
| ■ **Ms. Laura Quatela**: 83% | |

| Mission | Activities of the Strategy Committee |
|---|---|
| ■ assists the Board in monitoring the implementation of the Company's strategic plan;<br>■ prepares the Board's decisions in relation to the monitoring of the implementation of the strategic plan under execution and, generally speaking, reviews the Company's overall strategy. | ■ reviewed the Group's strategic projects and strategy;<br>■ actively participated in the implementation of the Group strategic plan. |

It is to be noted that any Board member can assist to the Strategy Committee's meetings, even if he or she is not a member of such committee.

## 4.1.3 REGULATED AGREEMENTS

### 4.1.3.1 Regulated agreements – conflicts of interest

GRI [G4-27] [G4-41]

French law governs agreements known as "regulated agreements". This applies to all agreements which are entered into directly or through an intermediary between the Company and its Chief Executive Officer, or one of its Directors or certain shareholders (shareholders holding more than 10% of the voting rights or, in the case of a corporate shareholder, its parent company) and which do not relate to ordinary transactions concluded under normal conditions.

In accordance with Article L. 225-38 *et seq.* of the French Commercial Code, these agreements must be submitted to the Board of Directors for special prior authorization, which must be substantiated. The agreements must also be examined in a special report by the Statutory Auditors and the Shareholders' Meeting must be consulted. See section 4.1.3.2: "Statutory Auditors' special report on Regulated Agreements and Commitments" below.

During fiscal year 2017, no regulated agreement was authorized by the Board of Directors and signed by the Company. Two regulated agreements previously approved by the General Meeting were continued in 2017, without implementation during the year:

- one pertaining to Mr. Rose's severance package in the event of his dismissal from the position of CEO, which was approved by the General Meeting held on June 16, 2009, in its 9th resolution;
- the other pertaining to Mr. Rose's non-compete indemnity in the event of his dismissal from the position of CEO, which was approved by the General Meeting held on June 16, 2009, in its 8th resolution.

The Company is not aware of potential conflicts of interest between the obligations of Directors and Company managers towards Technicolor and their private interests and/or other obligations.

## 4.1.3.2 Statutory Auditors' special report on regulated agreements and commitments

GRI [G4-33]

*This is a free translation into English of the Statutory Auditors' special report on regulated agreements and commitments that is issued in the French language and provided solely for the convenience of English-speaking readers.*

*This report should be read in conjunction with, and construed in accordance with French law and professional auditing standards applicable in France. It should be understood that the agreements and commitments reported on are only those provided for by the French Commercial Code and that the report does not apply to those related-party transactions described in IAS 24 or other equivalent accounting standards.*

To the Shareholders,

In our capacity as Statutory Auditors of your Company, we hereby report on the regulated agreements and commitments.

We are required to inform you, based on information provided to us, on the principal terms, conditions and the interests of those agreements and commitments brought to our attention or which we may have discovered during the course of our audit, without expressing an opinion on their usefulness and appropriateness nor ascertaining whether any other agreement and commitments exist. It is your responsibility, pursuant to article R. 225-31 of the French Commercial Code (Code de commerce), to assess the benefits resulting from the conclusion of these agreements and commitments prior to their approval.

Moreover, it is our responsibility, if any, to give you the information specified in article R. 225-31 of the French Commercial Code (Code de commerce) relating to the implementation, during the past year, of agreements and commitments that have already been approved by previous Shareholders' Meetings.

We conducted the procedures we deemed necessary in accordance with the professional guidelines of the French National Institute of Statutory Auditors (Compagnie Nationale des Commissaires aux comptes) relating to this engagement. These procedures consisted in agreeing the information provided to us with the relevant source documents.

### *Statutory auditors' special report on regulated agreements and commitments*

We hereby inform you that we have not been advised of any agreement or commitment authorized during the year to be submitted to the approval of the Shareholders' Meeting pursuant to article L. 225-38 of the French Commercial Code.

### *Agreements and commitments already approved by the shareholders' meeting*

A) AGREEMENTS AND COMMITMENTS ALREADY APPROVED DURING PREVIOUS YEARS AND HAVING CONTINUING EFFECT DURING THE YEAR

We inform you that we have not been given notice of any agreement or commitment already approved by the general meeting whose execution would have continued during the financial year.

B) AGREEMENTS AND COMMITMENTS ALREADY APPROVED DURING PREVIOUS YEARS THAT WERE NOT IMPLEMENTED DURING THE YEAR

In addition, we have been informed of the continuation of the following commitments, already approved by the General Meeting in previous financial years, which did not give rise to execution during the financial year.

**Severance pay in case of dismissal of the Chief Executive Officer**

Person concerned: Mr. Frederic Rose.

Nature and purpose: severance pay in the event of removal from office as Chief Executive Officer, except in the case of serious misconduct.

Terms and conditions: this commitment was authorized by your Board of Directors on March 9, 2009 and approved by the Shareholders' Meeting of June 16, 2009. Mr. Frederic Rose would receive compensation of a maximum gross amount equal to fifteen months of his fixed and variable remuneration, based on his fixed and variable remuneration prior to the amendment of July 2013. The payment of the indemnity would be subject to meeting performance conditions based on for 50% on the achievement of the EBITDA target and 50% on the achievement of the Group's consolidated Free Cash Flow objective over a period of three years, determined annually by the Board of Directors. The objectives are the same as those used annually to determine the variable portion of Mr. Frederic Rose's compensation.

**Non-compete obligation as of the date of termination of the duties of Chief Executive Officer**

Person concerned: Mr. Frederic Rose.

Nature and purpose: Payment of compensation in consideration of compliance with the non-compete obligation.

Terms and conditions: this commitment was authorized by your Board of Directors on July 23, 2008 and March 9, 2009 and approved by the Shareholders' Meeting of June 16, 2009. In the event of termination of his duties, Frederic ROSE will be bound by a 9-month non-compete commitment applicable to Europe, Asia and the United States, for which he will receive a monthly allowance calculated on the basis of his fixed and variable remuneration, determined according to the principles applied to the determination of severance pay; this allowance will be reduced by half in case of resignation.

The Statutory Auditors

Neuilly-sur-Seine, March 16, 2018
Deloitte & Associés
French original signed by
Ariane Bucaille
Partner

Courbevoie, March 16, 2018
Mazars
French original signed by
Guillaume Devaux
Partner

Jean-Luc Barlet
Partner

## 4.1.4 INTERNAL BOARD REGULATIONS

GRI [G4-34] [G4-35] [G4-37] [G4-41] [G4-42] [G4-44] [G4-45]

The Internal Board Regulations explain the functioning of the Board of Directors, the powers of the different bodies in the Company and the duties of each Director. They are regularly reviewed by the Board of Directors and were last amended on February 22, 2017.

**Article 1. Membership**

1.1. The Board shall be composed of at least five (5) members. Directors are elected by the General Shareholders' Meeting upon recommendation by the Board.

1.2. In the event of a vacancy due to the death, incapacity or resignation of one or more Directors, the Board may, in between General Shareholders' Meetings, nominate Directors on a provisional basis. Such nominations shall be subject to ratification by the next General Shareholders' Meeting. A Director appointed in replacement of another Director shall serve for the duration of the term of the Director being replaced.

1.3. Directors shall serve for a term of three (3) years, subject to any legal provision relating to age limitations. Save for the Employee Director, a Director's term shall expire at the close of the General Shareholders' Meeting having approved the accounts of the prior fiscal period and held in the year of the expiration of such Director's term.

**Article 2. Chairman of the Board**

2.1. The Board shall elect from among its members a Chairman. The Board can also elect one or two Vice-Chairmen. The Vice-Chairman can qualify as "Lead Independent Director".

2.2. The Board determines the term of office of the Chairman and Vice-Chairman, which may not in any case exceed their respective terms as Director. They may be re-elected.

2.3. Notwithstanding the provisions of the previous section, the office of the Chairman shall expire when the Chairman reaches the age of seventy-five (75) years.

2.4. In case of absence or unavailability of both the Chairman and the Vice-Chairman, the Board shall designate for each meeting a Director to chair the meeting.

2.5. In addition to the powers vested to him by applicable laws and other provisions of this Internal Board Regulations, the Chairman:

- can be regularly consulted by the Chief Executive Officer on all events of significance regarding the Group's strategy, external growth projects or financial transactions;
- monitors exceptional operations (external and internal) affecting the Group's scope or structure;
- monitors the implementation of the Strategic plan Drive 2020;
- organizes his activity in such a way that he ensures his availability and shares his knowledge of the market and his deep experience with the Chief Executive Officer (at the invitation of the Chief

Executive Officer, the Chairman can participate to internal meetings with managers and teams of the Company, so as to bring his opinion and experience on strategic issues);

- can meet the main executives of the Group;
- promotes the values and image of Technicolor, both internally and externally; and
- coordinates the work of the Board of Directors with its committees.

**Article 3. Choice of the Board to Combine or Separate the offices of Chairman and Chief Executive Officer**

When appointing or renewing the term of the Chairman or the Chief Executive Officer, the committee responsible for governance shall submit to the Board an opinion on whether the Company is best served by separating or combining the offices of Chairman and Chief Executive Officer.

**Article 4. Board Observers (*censeurs*)**

4.1. The Board may select up to two Board Observers (*censeurs*). The Board Observers are appointed for up to 18 (eighteen) month term, and are eligible for re-appointment, as stated in Article 11.5 of the bylaws.

4.2. Board Observers shall be convened in the same manner as Directors, and shall participate in meetings of the Board in an advisory capacity only. The Board may appoint the Board Observers as committee members.

**Article 5. Secretary**

Upon recommendation by the Chairman, the Board may appoint a Secretary. Each Board member can consult the secretary and benefit from his/her services. The Secretary ensures the observance of the procedures related to the Board's functioning and draws up the minutes of each meeting.

The Secretary is empowered to certify the copies or extracts of the minutes of Board.

**Article 6. Duties of the Board**

6.1. The Board determines the Group's strategic directions and ensures their implementation. It gives its opinion on all decisions relating to the Company's general strategic, financial and technological policies and supervises the implementation of these policies by senior management.

6.2. The strategic direction of the Group is defined in a strategic plan. The draft of the strategic plan is prepared and presented by the Chief Executive Officer and approved by the Board. The Chief Executive Officer presents an annual budget in line with the strategic plan. The Chief Executive Officer oversees the implementation of the strategic plan.

6.3. The Chief Executive Officer shall notify the Board promptly of any problem or, more generally, any event that could affect the implementation of a direction of the strategic plan.

6.4. The Board convenes the Shareholders' Meeting and sets its agenda. Subject to the authority expressly granted to Shareholders' Meetings and within the limit of the corporate purpose, it examines all questions relating to the proper functioning of the Company.

**Article 7. Meetings of the Board – Agenda**

7.1. The Board shall meet as often as necessary and as may be required in the interest of the Company and pursuant to applicable legal and regulatory requirements. The Board shall meet no fewer than four (4) times per year.

7.2. Each year, upon recommendation by the Chairman, the Board shall approve a calendar of regular Board meetings for the coming year. In addition to the regular Board meetings, specific meetings may be organized as needed.

7.3. Meetings of the Board shall be held at the corporate headquarters, or at any other location indicated in the convening notice. Convocations of Board meetings may be provided by any means, including by letter, facsimile, email or orally.

7.4. The Chairman is responsible for setting the agenda for each meeting in consultation with the Chairmen of the committees of the Board and the Chief Executive Officer, and communicates the agenda to the Directors in a timely manner by any appropriate means. Upon recommendation by the Chairman, the Board may deliberate on issues not on the agenda which have been brought to the attention of the Board.

7.5. Upon request by the Chairman, members of the Group's management, internal and external auditors and outside advisors may attend meetings of the Board as appropriate in light of the agenda.

7.6. Upon request by the Chairman, non-executive Directors may meet in "executive" sessions, in which the Chief Executive Officer does not participate. An executive session is scheduled once a year for the Chairman and Chief Executive Officer's performance review.

7.7. The duration of the meetings of the Board shall be sufficient to permit an in-depth review and discussion of the issues by the Board. The Chairman is responsible for guiding the discussion at Board meetings.

7.8. Meetings of the Board may be held by videoconference or other telecommunications facilities. In such case, the Board ensures that the videoconference or telecommunication facilities are compliant with applicable legal requirements and standards. First, appropriate measures shall be taken to ensure the identification of each participant and the verification of the quorum. Failing this, the meeting shall be adjourned. Second, the facilities used must permit continuous and simultaneous transmission of the discussions.

Members of the Board participating in a meeting by videoconference or other telecommunication means shall be deemed to be present for the calculation of the quorum and majority, except for meetings during which matters referred to in Articles L. 232-1 and L. 233-16 of the French Commercial Code (approval of the Company financial statements and management report and approval of the Group consolidated financial statements and management report) are addressed.

**Article 8. Limitations of the powers of the Chief Executive Officer**

The Chief Executive Officer must obtain prior Board approval for:

**(i)** any material transaction outside the scope of Technicolor's stated strategy or that is likely to materially affect the operational or financial situation of the Group;

**(ii)** the conclusion of any material strategic partnership;

**(iii)** any transaction (contribution, acquisition, disposal, merger, transfer of any entity, activity or assets) by any member of the Technicolor group for an amount of more than €25 million, either per operation or per series of related operations;

**(iv)** the conclusion of new finance contracts increasing the Group's level of indebtedness by more than €25 million;

**(v)** the appointment of a statutory auditor who is not part of a network of international repute;

**(vi)** any decision, by any member of the Technicolor group, to settle a litigation where such settlement would result in a payment of more than €10 million to the relevant counterparty; and

**(vii)** any significant changes to accounting principles applied by Technicolor or to any Company of the Technicolor group, other than changes made in application of applicable law or required by the Statutory Auditors of Technicolor or the relevant Company.

**Article 9. Directors' and Board Observers' Right to Information**

9.1. Each Director shall receive all information needed to perform his/her duties, and may request any documents he or she considers appropriate. The Chairman may deny such requests for additional documents when such request does not appear reasonably warranted by the corporate interest or useful to the Director in carrying out his or her duties. The Chairman shall inform the Board regarding the follow-up provided to each such request.

9.2. Directors shall be provided in advance with the documents necessary to cast an informed vote based on full knowledge of the facts regarding the matters on the agenda.

9.3. Other than in connection with Board meetings, Directors shall be kept informed, on a regular basis and by any mean, of the financial and liquidity situation, of the Company's commitments, as well as of any significant event and transaction relating to the Company.

9.4. Directors may request to visit a place of business of the Company, as may be required to perform their duties. Such requests shall be sent to the Chairman and to the Chief Executive Officer. Any visit of a Company place of business shall be organized so as to minimize disruptions to the functioning of the business.

9.5. Any Director shall be entitled to meet with the group's senior management without the presence of executive Officers (*dirigeants mandataires sociaux*) of the Company, after having informed the Chairman and the Chief Executive Officer.

**Article 10. Board committees**

10.1. The Board shall create one or more specialized committees and shall define their composition, powers and responsibilities. Members of the committees shall be chosen among Board Members. The role of the committees shall be to examine and prepare matters to be put to the Board and to assist the Board in its work. Each committee presents its opinions, proposals and recommendations to the Board.

10.2. The following matters shall be subject to a preparatory work carried out by a specialized Board committee: (i) the examination the financial statements and internal procedures to verify compliance with applicable laws and regulations, (ii) the follow up of the Internal Audit, (iii) the review of the internal and risk management procedures, (iv) the selection of the Statutory Auditors, the control of their independence and the follow-up of their work, (v) corporate governance, (vi) nomination of the members of the Board of Directors and its committees, (vii) remuneration and (vii) the monitoring of the implementation of the strategic plan.

10.3. As of the date hereof, there are four committees of the Board, (i) the Audit Committee; (ii) the Nominations and Governance Committee, (iii) the Remunerations Committee and (iv) the Strategy Committee. The number of committees may change as decided by the Board. The matters set forth in Article 10.2 must however remain covered.

10.4. Each committee shall draw up a draft charter defining its duties and responsibilities, its powers, and its method of functioning, which shall be presented to the Board for approval. The charter of each committee shall, among other things, define the number of independent Directors who shall serve on each committee.

10.5. In the performance of their duties, and after informing the Chairman, the committees may conduct or commission, at the Company's expense, any studies or investigations that such committee deems useful in the fulfilment of its mission and which may be useful in assisting the Board in its deliberations. The committees shall report to the Board on the results of any study or investigation carried out pursuant hereto. The committees can request, under the conditions described above, the assistance of external counsels.

10.6. The committees shall also have access to Group's executives and internal and external auditors as they may deem useful in preparing their works.

10.7. The Chairman of each committee shall report to the Board on its works. The opinions, proposals and recommendations made by each committee shall, if necessary, be recorded in minutes.

**Article 11. Directors' and Board Observers' Duty of Confidentiality**

11.1. Directors and Observers are bound by a general duty of confidentiality with respect to the deliberations, discussions and resolutions of the Board and its committees and any information presented at Board meetings.

11.2. The Chief Executive Officer informs the Directors of the information to be disclosed to the markets as well as the text of statements or releases issued for this purpose on behalf of the Company.

11.3. The Chief Executive Officer shall take appropriate measures to ensure that employees of the Group who, by virtue of their functions, have access to material non-public information keep such information confidential.

**Article 12. Directors' Duty of Independence and conflicts of interest**

12.1. In the performance of their duties, each Director must make decisions in consideration of the sole interest of the Company.

12.2. Each Director is required to inform the Lead Independent Director, or in the absence of a Lead Independent Director, the Chairman of any situation that could create a conflict of interests with the Company or one of the companies of the Group, and must refrain from taking part in discussions and voting on any related resolutions. A Director must resign in the event of a permanent conflict of interests.

12.3. The Lead Independent Director, or in its absence the Chairman, must disclose to the Board any situation of conflict of interest for which he has been informed.

12.4. The Board of Directors shall review any "regulated agreements" governed by section L. 225-38 of the French Commercial Code to ensure that the interest of the Company is protected in all respects in the event of a possible conflict of interest between the Company and persons covered by Article L. 225-38 of the French Commercial Code. If there is any doubt regarding the application of section L. 225-39 of the French Commercial Code to a particular transaction, the Board shall assume that such provision applies.

**Article 13. Directors' Duty of Diligence**

13.1. The Board collectively represents all shareholders and shall act in the interests of the Company in all circumstances.

13.2. Prior to accepting an appointment as Director, each Director is responsible for familiarizing himself or herself with the laws, regulations and duties relating to their office, the Company's by-laws, these Internal Board Regulations, the Group's Code of Ethics and Financial Ethics Charter, the Insider Trading Policy, as well as the charter of any committee on which such Director is intended to serve.

13.3. Each Director undertakes to discharge fully the duties and responsibilities of his/her office, including:

- devoting the necessary time, care and attention to his/her duties and to analyze the issues brought before the Board and any committee on which such Director serves;
- ensuring that these Internal Regulations are meticulously followed;
- attending all meetings of the Board and of committees on which such Director serves, and all Shareholders' Meetings;
- requesting any additional information he/she may deem necessary to perform his/her duties and to form an opinion on matters on the agenda of any meeting of the Board or any committee on which he/she serves;
- working continually to improve the effectiveness of the Board and any committees on which such Director serves and to advance the interests of the Company and the shareholders.

13.4. Each Director undertakes to resign his/her position on the Board when such Director believes in good faith that he/she is no longer capable of faithfully executing the duties and obligations of the position.

**Article 14. Company Shares held by Directors**

14.1. Directors must hold at a minimum the number of shares stipulated in the Company's by-laws as soon as they become Directors.

14.2. The Board also considers that for the purpose of aligning the Directors' interests with those of shareholders, it is desirable that each Director personally holds a substantial number of shares. Consequently, each Director must acquire 1,000 Technicolor shares within the end of the first three-year term of his directorship. The 200 shares whose holding is imposed by the Company's by-laws are taken into account for the purpose of this paragraph.

14.3. The Directors shall hold any shares they hold in the Company in registered form.

14.4. Directors must declare to the *Autorité des marchés financiers* and to the Board any transactions in the Company's securities pursuant to and in compliance with the terms of Article L. 621-18-2 of the French Monetary and Financial Code and the General Regulations of the *Autorité des marchés financiers*. The Company may, upon request, declare those transactions on behalf and in the name of the Directors.

14.5. Directors shall refrain from:

- engaging in any transaction involving securities of the Company or the Group while in possession of material, non-public information regarding the Group;
- directly or indirectly conducting short sales involving the Company's shares.

As a general rule, the Directors shall comply with the provisions of the Company's Insider Trading Policy.

**Article 15. Remuneration of Directors**

15.1 Directors shall receive an annual amount of attendance fees (*jetons de présence*), the maximum amount of which is determined by the Shareholders' Meeting. The committee in charge of remuneration proposes to the Board the global amount of Directors' fees to be submitted for approval to the Shareholders' Meeting, as well as the allocation of such amount amongst the Directors.

15.2 The annual allocation of the attendance fees is determined by the Board according to the effective attendance of the Directors at meetings of the Board and its committees.

15.3 As permitted by law, the Directors may be entitled to compensation for the execution of a mandate or a specific mission. The amount of this compensation is determined by the Board upon recommendation of the committee in charge of remuneration matters.

15.4 Board Observers may be entitled to compensation. The amount of this compensation is determined by the Board upon recommendation of the committee in charge of the remuneration matters, using the same principles as those applicable to the Directors' compensation.

15.5 Directors shall be entitled to reimbursement for any reasonable expenses incurred in connection with their attendance of meetings of the Board or any committee on which they serve.

15.6 As a general matter, the remuneration of Directors must be determined in such a manner as for their independence to be preserved.

**Article 16. Performance Evaluation**

16.1 The Board shall conduct an evaluation of its composition, organization and that of its committees on a regular basis, the objective being once a year. The Board dedicates one of the points on its agenda to a debate concerning its operation once a year and performs a formal evaluation at least once every three years. The purposes of the formal evaluation shall be notably to assess the way the Board operates, to check that the important matters are addressed and efficiently prepared and discussed, and to assess the contribution of the Directors to the Board's activities.

16.2 The Board may require the assistance of an external Company for the conduction of such evaluation.

16.3 The Board shall consider the opportunity to review those Internal Board Regulations according to the results of the evaluation.

16.4 The results of the evaluation carried out are reported in the Company's Annual report communicated to the shareholders.

## 4.1.5 EXECUTIVE COMMITEE

### 4.1.5.1 Members of the Executive Committee

GRI [G4-48] [G4-LA12]

As of the date hereof, the Executive Committee comprises twelve members. The following table shows their responsibilities and year of appointment.

| Name of Executive Committee Member | Age | Responsibility | Appointed |
|---|---|---|---|
| Frédéric Rose | 55 | Chief Executive Officer | 2008 |
| Fabienne Brunet | 62 | Human Resources & Corporate Social Responsibility | 2014 |
| Laurent Carozzi | 53 | Chief Financial Officer | 2018 |
| Ginny Davis | 50 | Chief Information Officer, Chief Security Officer | 2018 |
| Cristina Gomila | 44 | Research & Innovation, Chief Technology Officer | 2016 |
| Simon Hibbins | 54 | International Operations, Home Entertainment Services | 2016 |
| Quentin Lilly | 56 | Home Entertainment Services | 2014 |
| Luis Martinez-Amago | 55 | Connected Home | 2016 |
| Vince Pizzica | 54 | Corporate Development & Strategy | 2008 |
| Michel Rahier | 65 | Deputy CEO, Key Strategic Initiatives | 2011 |
| Tim Sarnoff | 58 | Deputy CEO – Production Services | 2014 |
| Nathan Wappet | 50 | Chief Operating Officer, Production Services | 2016 |

### 4.1.5.2 Biographies of Executive Committee Members

Mr. Frédéric Rose has assumed the position of Chief Executive Officer since September 1, 2008. For more information about his biography, please refer to paragraph 4.1.3.1 above.

Ms. Fabienne Brunet is Head of Human Resources & Corporate Social Responsibility and a member of the Executive Committee since June 2014. She joined Technicolor in 2009 as Senior Vice-President Corporate Human Resources. Prior to joining Technicolor, Ms. Brunet was Vice-President Human Resources of Alcatel-Lucent's Services group. She began her career at Thomson-CSF before joining Alcatel-Alstom where she held the positions of General Secretary at Occidentale Medias and Human Resources Director at Express group, and subsequently of Vice-President group Internal Communications. Ms. Fabienne Brunet holds a Master of Law degree and a Master of Science in Human Resources degree from Paris University.

Mr. Laurent Carozzi is Chief Financial Officer and a member of the Executive Committee since he joined the Group in March 2018. Previously, he was deputy of the CFO at Publicis from early 2017. Prior to this, he spent 12 years at Lagardère Group, where he held the positions of Head of Investor Relations, then of Head of Group Financial Control. From 2011, he focused on the turnaround of the Sports & Entertainment Business Unit as Chief of Operations and Chief Financial Officer. As part of his responsibilities he was a member of the Executive Committee of Lagardère Sports & Entertainment.

Ms. Ginny Davis is group Chief Information Officer since 2008 and in 2015 was appointed to the additional role of group Chief Security Officer. Prior to these appointments, she held a number of leadership positions within the global Information Technology organization including Vice-President of Supply Chain Systems and Divisional Chief Information Officer. Before joining Technicolor in 1996, she spent 5 years in the Pharmaceutical industry at McKesson leading the deployment and management of various technologies. Ms. Davis holds a degree in Computer Information Systems from the University of Michigan and in 2005 completed the Executive Management program at London Business School. Ms. Davis is an active member of the following organizations, Kudelski Security Advisory Board, Convergence Technology Council for Media and Entertainment, Women in Technology (WITI) and the CIO/CISO Academy at UC Berkeley.

Ms. Cristina Gomila is Head of Research & Innovation since 2014, and Chief Technology Officer and member of the Executive Committee since 2016. She joined Technicolor in 2002 and has spent most of her career in the USA moving into different positions for strategy and management of R&D engineering teams with focus on Consumer Electronics and Media & Entertainment markets. Ms. Gomila holds an MS degree in Telecom Engineering from the UPC (Spain) and a PhD degree from Mines ParisTech (France). She has authored more than 60 granted patents and a large number of standard contributions and publications.

Mr. Simon Hibbins joined Technicolor in 2000 and since then has held various positions across Australia and Asia Pacific of increasing responsibility and in 2012 was appointed Senior Vice-President of Technicolor Home Entertainment Services (HES) International Operations. Prior to joining Technicolor Mr. Hibbins worked in various roles in the publishing and printing industry for News Corporation and for Price Waterhouse in Corporate Finance. He holds a Bachelor of Commerce degree from the University of Melbourne in Australia, and in 2008 completed the Advanced Management program at INSEAD.

Mr. Quentin Lilly is Head of the Home Entertainment Services Division and a member of the Executive Committee since June 2014. He has been President of Technicolor Home Entertainment Services (HES) since 1999. Prior to this appointment, he held a number of positions of increasing responsibility within HES including Senior Vice-President of Corporate Development as well as Chief Operating Officer. Before joining Technicolor in 1994, Mr. Lilly spent approximately 10 years in the corporate finance sector as a member of the Investment Banking/Capital Markets groups at Smith Barney and Crowell, Weedon & Co. Mr. Quentin Lilly holds a Bachelor of Science degree in Business Administration, with a concentration in Finance, from California Polytechnic University.

Mr. Luis Martinez-Amago is President of the Connected Home Division since January 2018. He joined Technicolor in October 2015 as Head of Connected Home North America and has been a member of the Executive Committee since January 2016. Coming to Technicolor from Alcatel-Lucent, Mr. Martinez-Amago has carried out multiple roles and responsibilities during his 27 years with Alcatel. Most recently he was the CEO of Alcatel-Lucent Shanghai Bell in China. Prior to this, he spent several years as President of the Europe, CIS, Middle East and Africa region. Prior to that, he held the responsibility of several worldwide business Divisions as its President, from Fixed Broadband Networks Division, to Applications Business Division, to Wireless Transmission Division. Before this he was COO of the Integration and Services Division of the Company. Mr. Martinez-Amago holds a Technical degree in Telecommunications Engineering from the University La Salle, Barcelona; as well as PDD in General Management from IESE Business School.

Mr. Vincent Pizzica is Head of Corporate Development since May 2014. In addition, he assumes responsibility for managing the Corporate Ventures investments and for Mergers & Acquisitions. Previously, he led the Digital Delivery Business group. He joined Technicolor as Head of the Strategy, Technology and Research corporate teams. Prior to joining Technicolor and over a 29-year career in the telecoms industry, Mr. Vince Pizzica spent 17 years at Telstra at various operation and Technology positions. In 2008, he was Advisor to the COO of Telstra on Mediacomms Technology. He also spent 7 years at Alcatel-Lucent in charge of Technology, Strategy and Marketing for the EMEA and APAC region.

Mr. Vince Pizzica holds a Bachelor of Engineering degree from the Institute of Engineers in Australia, and a Master of Telecoms & Info Systems from the University of Essex, UK.

Mr. Michel Rahier is Deputy CEO since February 2015, in charge of Key Strategic Initiatives. He joined the group in April 2011 as Executive Vice-President Operations Services & Transformation and was President of the Connected Home Division from October 2011 to December 2017. During that period, he was also in charge of Global Operations for the Group including IT, Sourcing and Real Estate. Before joining Technicolor, Mr. Rahier was Executive Vice-President Operations and member of the Management Committee at Alcatel-Lucent, in charge of the global Company transformation. Prior to this, he became President of the Fixed Communications group at Alcatel in 2005, then at Alcatel-Lucent, and President of the Carrier Business group in 2007. Mr. Michel Rahier holds a Master and a Ph.D. in electrical engineering from the University of Louvain as well as an MBA from Boston University.

Mr. Tim Sarnoff is Head of the Production Services Division. As a Deputy CEO since February 2015, he also manages the marketing function and the development of closeness with Technicolor's key entertainment customers. Mr. Sarnoff joined Technicolor in 2009 as President of Technicolor Digital Production. Prior to joining Technicolor, Mr. Sarnoff was President of Sony Pictures ImageWorks for 12 years, and previously created Warner Digital Studios as a Division of Warner Bros., and shepherded the start-up and growth of Warner Bros. Animation. Mr. Sarnoff holds Bachelor's Degrees in Psychology and in Journalism from Stanford University.

Mr. Nathan Wappet joined Technicolor in 2013 in the role of Chief Operating Officer (COO) for its Creative Services Division and became COO of the Production Services Division in 2014. Mr. Wappet has some 25 years' experience in the IT&T industries with multinational companies such as Alcatel-Lucent and HP, as well Australia's largest carrier, Telstra. He has significant operational experience, particularly in implementing large-scale integrations as well as bringing value to an organization through a Services-based model. Mr. Wappet holds an Honors degree in Electrical & Communications Engineering from Swinburne University of Technology in Australia and an Executive Masters in Business Administration (EMBA) from the Australian Graduate School of Management (AGSM).

### 4.1.5.3 Role of the Executive Committee

The Executive Committee meets every month under the direction of the CEO, with an agenda determined collectively by its Members. It examines questions relating to the activities of the Group. In this regard, it deals primarily with business activities, specific projects, following up on transactions and financial results, and the identification and assessment of risks.

Please refer to section 3.3.2: "General control environment – Group management and decision-making processes" of this Registration Document.

# 4.2 COMPENSATION

## 4.2.1 COMPENSATION AND BENEFITS OF CORPORATE OFFICERS

### 4.2.1.1 Compensation policy for Corporate Officers

GRI [G4-51] [G4-52] [G4-53]

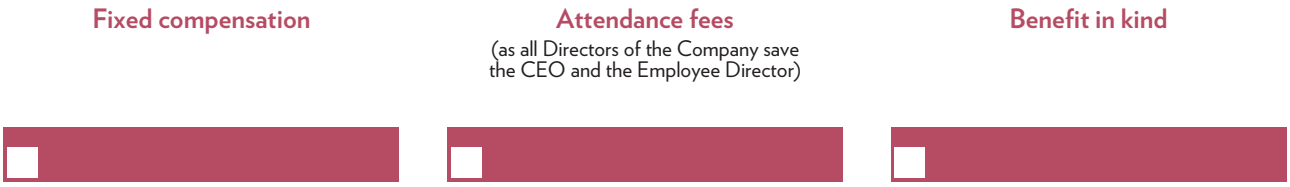
This report on the compensation policy for Corporate Officers *(mandataires sociaux)* was adopted on February 21, 2018 by the Board of Directors upon recommendation by the Remunerations Committee. It describes, in accordance with Article L. 225-37-2 of the French Commercial Code, the principles and criteria for the determination, allocation and distribution of the fixed, variable and exceptional elements of the total remuneration and the benefits of all kinds that may be granted to Corporate Officers.

The compensation policy is applicable for the Chairman of the Board of Directors and the Chief Executive Officer. It is compliant with the principles contained in the AFEP-MEDEF Corporate Governance Code, to which the Company refers.

This report will be submitted to shareholders' approval during the Annual General Meeting to be held on April 26, 2018 in its 11th and 12th resolutions.

#### *4.2.1.1.1 Compensation policy for the Chairman of the Board of Directors*

The office of Chairman being separated from that of Chief Executive Officer, the compensation of the Chairman will consist of the following items:




The Board of Directors has chosen to compensate its Chairman solely *via* the grant of a fixed compensation and attendance fees, in order to guarantee his total independence in the exercise of his duties. The Chairman of the Board will not be awarded any annual or multi-annual variable compensation and stock options or performance shares, nor will he benefit from any commitment in the event of termination of his duties.

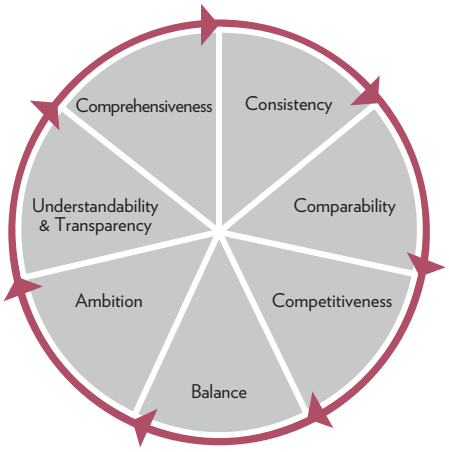
- **The fixed compensation** will aim at adequately remunerating his specific involvement as Chairman of the Board. Upon recommendation by the Remunerations Committee, the Board of Directors decided to set the fixed compensation at €150,000 in consideration of the extended scope of his responsibilities which can justify a higher compensation (see article 2.5 of the Internal Board Regulations, available on sub-section 4.1.4 "Internal Board Regulations" hereafter).
- **Attendance fees** will be due as for all other Directors. As a reminder, the rules governing the allotment of the Directors' fees include a significant variable portion in line with the AFEP-MEDEF Corporate Governance Code.

These two items were determined after benchmarking the proposed compensation policy with those of the non-executive independent Chairmen of the peer group detailed below in point 4.2.1.1.2. "Compensation policy for the Chief Executive Officer".

### *4.2.1.1.2 Compensation policy for the Chief Executive Officer*

#### General principles

The compensation policy for the Chief Executive Officer was determined by the Board of Directors and the Remunerations Committee based on the following principles:




- **Consistency**: The policy applicable to the compensation of the Chief Executive Officer is entirely consistent with the general compensation policy that applies to group executives and employees:
  - the components of the compensation package are the same as those provided to senior executives (fixed compensation, variable compensation and long-term plans),
  - none of the compensation plans of which the Chief Executive Officer is a beneficiary is specific to him (the variable compensation plan applies to more than 2,000 employees),
  - the quantifiable performance criteria applicable to the Chief Executive Officer's variable and long-term compensation are the same for the Chief Executive Officer and for other executives;

The only components which are specific to the Chief Executive Officer are his severance package and his non-compete indemnity.

- **Comparability**: The general policy for the compensation of the Chief Executive Officer has been developed in light of market practices. To that effect, the Remunerations Committee established in July 2016 with the assistance of outside advisors a peer group of public companies which are comparable to Technicolor by size, industry and geographical presence. The peer group's composition is reviewed every year by the Remunerations Committee. It reflects in particular:
  - the Group's strong presence in the United States: the Group generates more than half of its revenues in the United States, 7 out of the 12 Executive Committee members and the Group's main competitors are U.S. based,
  - the business diversity of the Group: Technicolor being a worldwide Technology leader operating in the Media and Entertainment industry, the peer group is made up of direct competitors or clients in its key operating segments (Arris International, Telenet group, *etc.*) and of other companies in the broader Technology, media and entertainment industries.

**The peer group thus determined is made up of the following companies[1]: • Arris International plc • Criteo SA • Daily Mail and General Trust plc • Dassault Systèmes SE • Ingenico Group SA • ITV plc • JCDecaux SA • Lagardère SCA • Pearson plc • Publicis Groupe SA • Telenet Group Holding NV • Télévision Française 1 SA • Vivendi SA • Wolters Kluwer NV.**

- **Competitiveness**: Competitiveness of the compensation attributed to Corporate Officers is key in attracting, retaining and motivating the talents necessary to the Group's success and the protection of shareholders' interest. As such, it is considered by the Board of Directors when setting the compensation.
- **Balance**: The Board of Directors and the Remunerations Committee ensure that there is a proper balance between (i) fixed and variable components of the compensation, (ii) short and long-term components and (iii) cash and equity-based components. The Chief Executive Officer's compensation is made up of 3 main components: fixed, short-term variable and long-term variable compensation. These components aim to remunerate the work done by the Chief Executive Officer, tie compensation to the results achieved, and partly align the Chief Executive Officer's interest with that of shareholders.

*(1) Upon recommendation from the Remunerations Committee of February 20, 2018, the Board of Directors decided to amend the peer group's composition as follows:*
*- TiVo Corporation and Dolby Laboratories, Inc.. were deleted following the announcement made on December 18, 2017 of the strategic transaction concerning the Company's Patent Licensing business;*
*- Gemalto NV was deleted following the take-over bid by Thalès on December 17, 2017;*
*- Havas SA was deleted following the mandatory squeeze-out by Vivendi SA announced on October 11, 2017;*
*- Criteo SA was added to the peer group due to the technological sector in which it operates ; and*
*- Pearson plc and Télévision Française 1 SA were both added to the peer group following their selection in 2016 by ISS, this choice seeming relevant.*

- **Ambition**: All variable compensation plans are subject to challenging performance conditions for all beneficiaries which are more than 2,000 around the world. The quantifiable objectives used are the performance indicators set out by the Group in its financial communication. These quantifiable objectives are also the objectives used for determining the variable compensation of all Group employees who receive such variable compensation.

  Moreover, the stock options and performance shares awarded to management are subject to a continued presence condition in the Group and, as laid down in the Corporate Policy on the Purchase and Sale of Company Shares, Insider Trading and Protection of Inside Information, Corporate Officers who have been awarded stock options and/or performance shares (i) are not allowed to carry out risk hedging transactions pursuant to the AFEP-MEDEF Corporate Governance Code and (ii) are subject to black-out periods during which they must not exercise their options.
- **Understandability of the rules and Transparency**: The variable compensation and long-term compensation plans are linked to stringent and transparent criteria of quantifiable and qualitative performance for which targets are clearly defined and set out in advance.
- **Comprehensiveness**: The Board of Directors and the Remunerations Committee take into consideration all components of the Corporate Officer's compensation in their overall appraisal of the compensation.

## Compensation items of the Chief Executive Officer during his term of office

### FIXED COMPENSATION

The Chief Executive Officer benefits from a fixed annual compensation which is determined by taking into account the level and complexity of his responsibilities, his experience in the position, seniority in the Group and market practices for comparable companies.

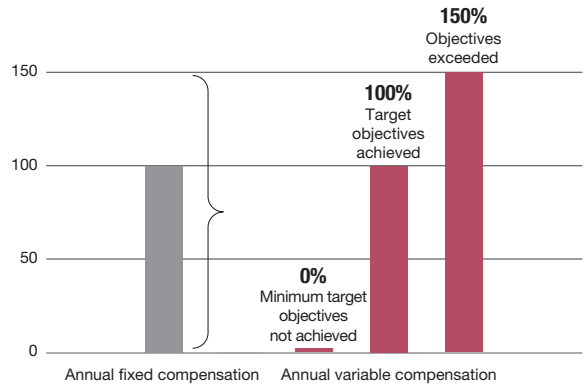
This fixed compensation can be paid in part in different currencies.

The Board of Directors reviews the amount of the fixed compensation at relatively long intervals. However, should it be decided to revise the fixed compensation, the rationale for such revision would be clearly disclosed to shareholders.

### ANNUAL VARIABLE COMPENSATION

The Chief Executive Officer is entitled to an annual variable compensation for which the Board of Directors, upon recommendation by the Remunerations Committee, defines each year performance criteria that are diverse and challenging, precise and pre-set, allowing for a comprehensive performance analysis, aligned with the Company's guidance and shareholders' interests.

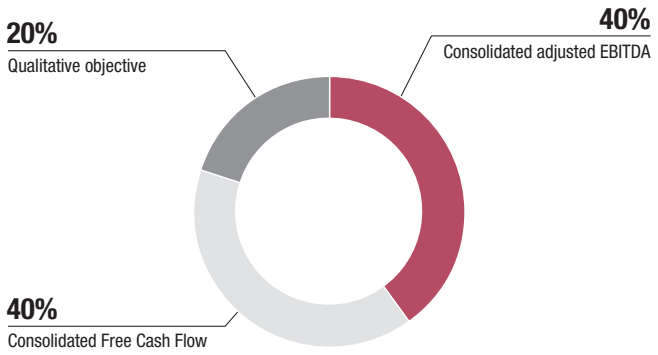
The variable compensation amounts to 100% of the annual gross fixed compensation if the objectives are achieved, and up to 150% if the objectives are exceeded. It may be paid in different currencies as for the fixed compensation.




The quantifiable objectives are the performance indicators set out by the Group in its financial communication. These objectives are also those used for determining the variable compensation of all Group employees who receive such compensation.

The variable compensation is subject to the achievement of minimum targets with respect to the financial objectives set by the Board each year, which must be above 80% of the target objectives. The same minimum targets are applicable to all Group employees benefiting from the variable compensation Plan.

The Board of Directors defined the performance objectives for the Chief Executive Officer's variable compensation as follow:



The qualitative objective relates to strategic objectives and should be clearly defined by the Board of Directors.

Payment to the Chief Executive Officer of his variable compensation will be subject to approval of his compensation package by the shareholders at the Annual General Meeting, in accordance with Article L. 225-100 of the French Commercial Code.

BENEFITS IN KIND

The Chief Executive Officer is entitled to a benefit in kind for his transportation which could be given either through a car allowance or any other kind of benefit.

LONG-TERM INCENTIVE COMPENSATION

As other senior executives of the Group, the Chief Executive Officer benefits from a Long-Term Management Incentive Plan aimed at involving employees in the Group's performance and development, within the framework of the Group Strategic Plan. Such plan allows to ensure the competitiveness of the compensation offered by the Group, in dynamic and competitive international markets, and in sectors where the ability to attract talents is a key factor to success.

This Long-Term Management Incentive Plan could be based on the grant of performance shares or stock options or other equity instruments. Such plan would be consistent with the following principles:

- the instrument would be subject to challenging vesting conditions (the Board of Directors should acknowledge that the performance conditions determined upon grant have been achieved);
- these performance conditions should be assessed over a minimum period of three years; and
- the vesting of such instrument should be subject to the beneficiary's continued employment in the Group (the beneficiary must not leave the Group before the expiration of the vesting period, except in certain early exit situations provided for by law and other customary exceptions approved by the Board).

In addition to these principles, the Board of Directors decided that, specifically for the Chief Executive Officer:

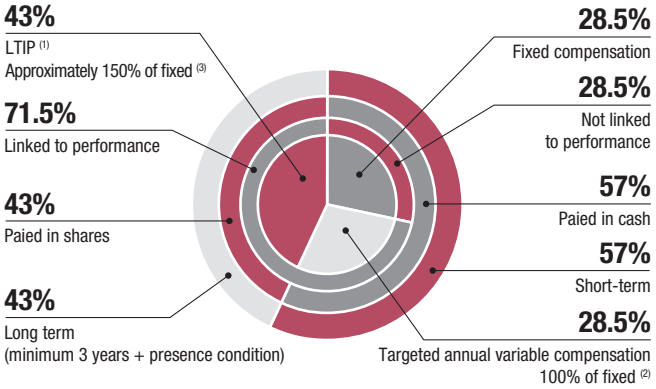
- the long-term instruments, valued in accordance with IFRS standards, should not represent a disproportionate percentage of the Chief Executive Officer's overall compensation (not more than 300% of both fixed and targeted variable compensations);
- the award to the Chief Executive Officer should also not represent an excessive portion of the total Plan (maximum 15% of the total allocation);
- the Chief Executive Officer should formally undertake not to use hedging instruments for the duration of the lock-up period. The sale of the shares definitively vested to the Chief Executive Officer is not possible during black-out periods, in accordance with applicable legal and regulatory provisions and Group procedures;
- in accordance with applicable law and Group procedures, the Chief Executive Officer must hold a significant and increasing number of shares and is required to hold in registered form and for as long as he remains in office, 20% of the shares that he acquires under such plans at the end of the vesting period.

The Board has resolved for 2018 not to submit any new long-term incentive plan to the Shareholders' Meeting. This is further to the announcement made on March 1, 2018 of the disposal of the patent licensing business, which results in 2018 being a transition year for the Company. A new plan will be proposed to the 2019 Shareholders' Meeting which will be subject to performance conditions fitted to the Company's then scope of business.

ATTENDANCE FEES

Executive Corporate Officers do not receive attendance fees in their capacity as Directors. Consequently, the Chief Executive Officer does not receive attendance fees in his capacity as a Director.

SUMMARY OF THE MAIN COMPENSATION ITEMS OF THE CHIEF EXECUTIVE OFFICER




## Compensation items of the Chief Executive Officer upon leaving office

SEVERANCE INDEMNITY AND NON-COMPETE INDEMNITY

As a reminder, the Chief Executive Officer benefits from a severance indemnity and a non-compete indemnity in the event of his dismissal, already approved by the Ordinary Shareholders'Meeting on June 16, 2009 in its 8th and 9th resolutions, which are described below.

*(1) Long Term Incentive Plan*

*(2) Between 0% to 150%*

*(3) Based upon the two latest performance share plans (LTIP 2016 and LTIP 2017)*

IMPACT OF THE CHIEF EXECUTIVE OFFICER'S DEPARTURE ON LONG-TERM COMPENSATION

A beneficiary of the Long-Term Management Incentive Plans who would leave the Group before the expiration of the vesting period of at least three-years would forfeit his shares.

By exception, the participant will keep his rights to part of the shares granted in the event of death, disability, leaving on retirement and termination of office at the initiative of the Company without cause. In these events, subject to the achievement of the performance conditions, the number of shares to be delivered will be pro-rated by the number of days elapsed from the date of the plan to the date of such event, as compared to the total duration of the plan. The Board of Directors may also decide, under exceptional circumstances, that the presence condition is satisfied.

SUPPLEMENTARY PENSION PLAN

The Chief Executive Officer does not benefit from any supplementary pension plan.

COMPENSATION ITEMS OF THE CHIEF EXECUTIVE OFFICER ON TAKING UP OF HIS OFFICE

Should a new outside Chief Executive Officer be hired, the Board of Directors may decide, upon recommendation from the Remunerations Committee, to compensate the appointee for some or all of the benefits he may have forfeited on leaving his previous employer. In that case, the terms on which the Chief Executive Officer would be hired would aim at replicating the compensation that was forfeited, with a comparable level of risk (variable portion, medium-term equity-based or cash compensation). The new Chief Executive Officer would then be paid in accordance with the compensation policy set forth above.

In this case, Technicolor would release, at the time it is set, the amount and information relating to such indemnity.

## 4.2.1.2 Compensation and benefits of Corporate Officers

GRI [G4-51] [G4-53] [G4-EC3]

### *4.2.1.2.1 Compensation and benefits of Mr. Bruce Hack, Chairman since February 27, 2017*

Mr. Bruce Hack was appointed Chairman of the Board of Directors with an effective date on February 27, 2017. Mr. Hack is also Chairman of the Strategy Committee and a member of the Nominations and Governance Committee.

Mr. Hack's compensation as Chairman of the Board was set by the Board of Directors on April 26, 2017 and was composed of a fixed compensation and Directors' fees. For 2017, his total compensation amounted to €228,000.

Pursuant to a decision of the Board of Directors on October 24, 2013, Mr. Hack is bound by a minimum investment requirement in Technicolor shares. This requirement is for a number of shares equal to investing one year's average Directors' fees over a three-year term of office, or around €90,000 as of the date of the Board's decision. This number of shares is doubled in the event of a renewal of his term. As of the date hereof, Mr. Hack holds 518,000 shares, thus meeting the minimum investment requirement.

In accordance with Article L. 225-100 of the French Commercial Code, the Company will submit to the shareholders' vote the following compensation items paid or granted to Mr. Bruce Hack for the last fiscal year (9th resolution to be approved by the shareholders at the Annual General Meeting to be held on April 26, 2018).

**Compensation items paid or granted to Mr. Bruce Hack for fiscal year 2017**

| | Gross amounts | Comments |
|---|---|---|
| **Fixed compensation** | €125,000 | Mr. Hack's fixed compensation, set at €150,000, adequately remunerates his involvement as Chairman of the Board and takes into consideration the extended scope of his responsibilities. For the year 2017, this fixed compensation was pro-rated to take into account the fact that he was appointed in the course of the year. As such, for 2017, Mr. Hack received a fixed compensation of €125,000. |
| **Directors' fees** | €103,000 | Mr. Hack received Directors' fees as for all other Directors for a total of €103,000, following the same allocation rules as any other Director, *i.e.*:<br>■ a fixed amount of €30,000;<br>■ a fixed amount of €10,000 for the Chairmanship of the Strategy Committee;<br>■ a variable amount depending on his attendance at Board and Committee meetings, set at €4,000 per Board meeting, €3,000 per meeting of the Audit Committee and €2,000 per meeting of the Nominations and Governance Committee and of the Strategy Committee, in a total amount of €53,000; and<br>■ an exceptional Directors' fee of €10,000 for participation to strategy meetings. |

For 2017, Mr. Bruce Hack was not awarded nor did he benefit from the following: annual or multi-annual variable compensation, exceptional compensation, stock options, performance shares or other long-term instrument, welcome bonus, severance pay, non-compete indemnity, supplemental retirement plan or benefit in kind.

He is not linked to the Company, nor to any other Company of the Group, by an employment contract, nor is he an Officer of any other Company of the Group.

**Table summarizing the compensation, stock options and shares awarded to Mr. Bruce Hack (Table No. 1 of Annex 3 to the AFEP-MEDEF Corporate Governance Code)**

| *(in euros)* | 2016 | 2017 |
|---|---|---|
| Compensation due | 110,000[1] | 228,000[2] |
| Value of options granted | N/A | N/A |
| Value of performance shares granted | N/A | N/A |
| Value of other long-term compensation plans | N/A | N/A |
| **TOTAL** | **110,000** | **228,000** |

*(1) Amount of Directors' fees due to Mr. Bruce Hack as Director before his appointment as Chairman of the Board of Directors.*
*(2) Amount of Directors' fees and fixed compensation due to Mr. Bruce Hack as Chairman of the Board.*

**Table summarizing the compensation of Mr. Bruce Hack (Table No. 2 of Annex 3 to the AFEP-MEDEF Corporate Governance Code)**

| | 2016 | | 2017 | |
|---|---|---|---|---|
| *(in euros)* | Amounts due | Amounts paid | Amounts due | Amounts paid |
| Fixed | N/A | N/A | 125,000 | N/A |
| Variable | N/A | N/A | N/A | N/A |
| Directors' fees | 110,000[1] | 110,500[2] | 103,000[3] | 110,000[4] |
| Benefits in kind[4] | N/A | N/A | N/A | N/A |
| **TOTAL** | **N/A** | **N/A** | **228,000** | **110,000** |

*(1) Amount of Directors' fees due for 2016 to Mr. Bruce Hack as Director before his appointment as Chairman of the Board of Directors.*
*(2) Amount of Directors' fees paid to Mr. Bruce Hack in 2016 for 2015 as Director before his appointment as Chairman of the Board of Directors.*
*(3) Amount of Directors' fees due for 2017 to Mr. Bruce Hack as Chairman of the Board of Directors.*
*(4) Amount of Directors' fees paid to Mr. Bruce Hack in 2017 for 2016 as Director before his appointment as Chairman of the Board of Directors.*

**Table summarizing the benefits awarded to Mr. Bruce Hack (Table 11 of Annex 3 to the AFEP-MEDEF Code)**

| Employment Contract | | Supplementary pension plan | | Indemnifications or benefits due or likely to be due as a result of termination or change of position | | Indemnifications relating to a non-compete clause | |
|---|---|---|---|---|---|---|---|
| Yes | No | Yes | No | Yes | No | Yes | No |
| | X | | X | | X | | X |

### *4.2.1.2.2 Compensation and benefits of Mr. Didier Lombard, Chairman until February 27, 2017*

Mr. Didier Lombard served as Chairman of the Board of Directors from May 22, 2014 to February 27, 2017. He was also Chairman of the Nominations and Governance Committee and a member of the Strategy Committee.

Mr. Lombard's compensation as Chairman of the Board exclusively consisted of Directors' fees which, for 2017, amounted to €36,000.

In accordance with Article L. 225-100 of the French Commercial Code, the Company will submit to the shareholders' vote the following compensation items paid or granted to Mr. Didier Lombard for the last fiscal year (8th resolution to be approved by the shareholders at its Annual General Meeting to be held on April 26, 2018).

**Compensation items paid or granted to Mr. Didier Lombard for fiscal year 2017**

| | Gross amounts | Comments |
|---|---|---|
| **Directors' fees** | €36,000 | Mr. Lombard's compensation as Chairman of the Board exclusively consisted of Directors' fees. Mr. Lombard received Directors' fees only, the amount of which was defined as follows:<br>■ a fixed amount of €60,000 as Chairman of the Board, prorated to his term of office, for a total amount of €17,500 for 2017;<br>■ a variable amount depending on his attendance at Board and Committee meetings, for a total amount of €18,500. |
| **Benefits in kind** | €3,034[1] | Mr. Lombard had the use of a vehicle representing a benefit in kind. |

*(1) Amount prorated to the length of his term as Chairman of the Board of Directors, i.e. for January and February.*

For 2017, Mr. Didier Lombard was not awarded nor did he benefit from the following: fixed compensation, annual or multi-annual variable compensation, exceptional compensation, stock options, performance shares or other long-term instrument, welcome bonus, severance pay, non-compete indemnity or supplemental retirement plan.

He was not linked to the Company, nor to any other Company of the Group, by an employment contract, nor is he an officer of any other Company of the Group.

## Table summarizing the compensation, stock options and shares awarded to Mr. Didier Lombard (Table No. 1 of Annex 3 to the AFEP-MEDEF Corporate Governance Code)

| *(in euros)* | 2016 | 2017 |
|---|---|---|
| Compensation due | 127,369 | 39,034 |
| Value of options granted | N/A | N/A |
| Value of performance shares granted | N/A | N/A |
| Value of other long-term compensation plans | N/A | N/A |
| **TOTAL** | **127,369** | **39,034** |

## Table summarizing the compensation of Mr. Didier Lombard (Table No. 2 of Annex 3 to the AFEP-MEDEF Corporate Governance Code)

| | 2016 | | 2017 | |
|---|---|---|---|---|
| *(in euros)* | Amounts due | Amounts paid | Amounts due | Amounts paid |
| Fixed | N/A | N/A | N/A | N/A |
| Variable | N/A | N/A | N/A | N/A |
| Directors' fees | 117,000[1] | 122,000[2] | 36,000[3] | 117,000[4] |
| Benefits in kind[5] | 10,369 | 10,369 | 3,034 | 3,034 |
| **TOTAL** | **127,369** | **132,369** | **39,034** | **120,034** |

*(1) Amount of Directors' fees due for 2016 to Mr. Didier Lombard.*
*(2) Amount of Directors' fees paid to Mr. Didier Lombard in 2016 for 2015.*
*(3) Amount of Directors' fees due for 2017 to Mr. Didier Lombard.*
*(4) Amount of Directors' fees paid to Mr. Didier Lombard in 2017 for 2016.*
*(5) Vehicle leasing.*

## Table summarizing the benefits awarded to Mr. Didier Lombard (Table 11 of Annex 3 to the AFEP-MEDEF Code)

| Employment Contract | | Supplementary pension plan | | Indemnifications or benefits due or likely to be due as a result of termination or change of position | | Indemnifications relating to a non-compete clause | |
|---|---|---|---|---|---|---|---|
| Yes | No | Yes | No | Yes | No | Yes | No |
| | X | | X | | X | | X |

### *4.2.1.2.3 Compensation and benefits of Mr. Frédéric Rose, Chief Executive Officer*

Mr. Frédéric Rose is Chief Executive Officer of the Company since September 1, 2008. In agreement with the Board of Directors, the Chief Executive Officer has been performing, since 2015, a large part of his duties in the United States and the United Kingdom. Thus, in addition to his position as Chief Executive Officer of the Company, Mr. Rose holds the following positions:

- President of Technicolor Inc., one of the Group's holding companies in the United States; and
- Chairman of Technicolor Limited (UK), holding Company for the Group in the UK.

These positions are positions of leadership and supervision of the Group's operations in the United States and in the United Kingdom. They are tied to his term of office as Chief Executive Officer and shall cease with such term. He does not receive any Directors' fees for his terms held in Group companies.

Pursuant to a decision by the Board of Directors on October 24, 2013, Mr. Rose is bound by a minimum investment requirement in Technicolor shares. This obligation is for a number of shares equal to investing one year's average Directors' fees over a three-year term of office, or around €90,000 as of the date of the Board's decision, which is doubled in the event of a renewal of his term. As of the date hereof, Mr. Rose holds 660,565 shares, thus meeting the minimum investment requirement.

In accordance with Article L. 225-100 of the French Commercial Code, the Company will submit to the shareholders' vote the following compensation items paid or granted to Mr. Frédéric Rose for the last fiscal year (10th resolution to be approved by the shareholders at its Annual General Meeting to be held on April 26, 2018).

**Compensation items paid or granted to Mr. Frédéric Rose for fiscal year 2017**

| | Gross amounts 2017 | Comments |
|---|---|---|
| **Fixed compensation** | **€1,017,378**[1] (for reference, €1,017,378[2] in 2016) | Mr. Rose's total fixed compensation for his position as Chief Executive Officer, initially determined by a decision of the Board on March 9, 2009, was revised by the Board of Directors on July 25, 2013. It has not been reviewed since.<br>At its meeting of April 22, 2015, the Board of Directors resolved to proceed with a partial conversion of this compensation into U.S. dollars and pounds sterling, due to the relocation of Mr. Rose's activities, on the basis of the average exchange rates over the second half of 2014. Since July 1, 2015, the fixed compensation of Mr. Rose has thus been paid in part in each one of the following currencies, *prorata* to the time dedicated to each one of his offices within the Group's companies: euros, U.S. dollars and pounds sterling. |
| **Annual variable compensation** | **€428,179**[1] (for reference, €599,330[2] in 2016) | The variable compensation of the Chief Executive Officer depends upon the achievement of objectives which are precisely defined and determined according to the results of the Group after the close of the fiscal year. The variable compensation amounts to 100% of the annual gross fixed compensation if the target objectives are achieved, and up to 150% if the target objectives are exceeded. It is paid in euros, U.S. dollars and pounds sterling according to the same distribution key as the fixed compensation.<br>The variable portion of Mr. Rose's compensation for 2017 was subject to the following performance objectives:<br>■ a consolidated adjusted EBITDA target accounting for 40% of the target bonus:<br>- if the consolidated adjusted EBITDA does not amount to at least €440 million, no compensation would be paid in respect of that objective;<br>- if the consolidated adjusted EBITDA amounts to €477 million, 100% of the compensation would be paid in respect of that objective;<br>- if the consolidated adjusted EBITDA exceeds €477 million, the compensation paid in respect of that objective could be up to 150% of the compensation.<br>■ a consolidated Free Cash Flow objective accounting for 40% of the amount of the target bonus:<br>- if the consolidated Free Cash Flow does not amount to at least €130 million, no compensation would be paid in respect of that objective;<br>- if the consolidated Free Cash Flow amounts to €150 million, 100% of the compensation would be paid in respect of that objective;<br>- if the consolidated Free Cash Flow exceeds €150 million, the compensation paid in respect of that objective could be up to 150% of the compensation.<br>■ a qualitative objective accounting for 20% of the amount of the target bonus, the fulfillment of which was assessed by the Board of Directors, relating to the development of new growth opportunities related to the strategic plan Drive 2020 and to continued market share gains for the Group's operating businesses.<br>The quantifiable objectives are the performance indicators set out by the Group in its financial communication. These objectives are also those used for determining the variable compensation of all Group employees who receive this type of compensation. |

| | Euro | Pounds sterling | U.S. dollar |
|---|---|---|---|
| For his role in | Technicolor SA | Technicolor Limited (UK.) | Technicolor Inc.. |
| Distribution key | 20% | 40% | 40% |
| Amounts paid in currency | €200,000 | £317,000 | $516,800 |

**Compensation items paid or granted to Mr. Frédéric Rose for fiscal year 2017**

| Gross amounts 2017 | Comments |
|---|---|
| | On February 21, 2018, the Board of Directors examined the level of achievement of Mr. Rose's performance conditions for 2017 and recorded that the overall achievement of the 2017 objectives was 42% of his fixed compensation, versus 65% for 2016. This results from the following elements:<br>■ the consolidated adjusted EBITDA objective was not achieved;<br>■ the consolidated Free Cash Flow amounting to €141 million (after adjustments), the consolidated Free Cash Flow objective was partially achieved with a grade of 0.55 (on a scale of 0 to 1.5);<br>■ the qualitative objective recommended by the Board achieved a rating of 1.35 (on a scale of 0 to 1.5), reflecting the Group continued strong market position notwithstanding a difficult environment and massive price increases of key components. Mr. Rose asked the Board to revise downward this achievement factor to better account for the overall Group performance and the related share price evolution. As a result, the Board of Directors agreed to trim this factor down to 1.<br>The adjustments performed by the Board of Directors on Free Cash Flow is applicable to the 2,370 beneficiaries of short-term variable compensation plans. It consisted in incorporating into the 2017 Free Cash Flow patent licensing revenues for the agreements concluded in December 2017 but received early January 2018. The Board of Directors considered that this adjustment was justified by the presentation under Discontinued operations of the Patent Licensing activity, following the announcement of December 18, 2017 of the planned sale. Consequently, said revenues are not taken into account for any future objective and a double counting for 2018 is excluded.<br>The overall achievement rate of Mr. Rose's objectives for 2017 is thus of 42% and his variable compensation of €428,179 (after conversion into euros at the reference exchange rates below), to be compared with a variable compensation of €599,330 for 2016.<br>Payment to the Chief Executive Officer of such variable compensation is subject to approval by the shareholders at the 2018 Annual General Meeting of his compensation package, in accordance with Article L. 225-100 of the French Commercial Code. |

**Determination of the annual variable compensation of Mr. Frédéric Rose (2017 fiscal year)**

| | 2017 | | | | Appraisal by the Board at year end | Reminder: 2016 |
|---|---|---|---|---|---|---|
| | Rules set at the beginning of the fiscal year | | | | | |
| | Target amount | | Maximum amount | | | |
| **Gross amounts** *(in euros, at comparable exchange rates)* [1] | **As % of fixed compensation** | **Target amount** *(in euros)* | **As % of fixed compensation** | **Maximum amount** *(in euros)* | **Achieved** | **Achieved** |
| EBITDA objective | 40% | €406,951 | 60% | €610,427 | 0.00% | 0.00% |
| Free Cash Flow objective | 40% | €406,951 | 60% | €610,427 | 22.09% | 45.44% |
| Qualitative objective: drive 2020 | 20% | €203,476 | 30% | €305,213 | 20.00% | 20.00% |
| Total | | | | | 42.09% | 65.44% |
| **TOTAL VARIABLE** | 100% | €1,017,378 | 150% | €1,526,066 | 42.09% | 58.90%[2] |
| **ANNUAL VARIABLE COMPENSATION *(IN EUROS)*** | | | | | **€428,179**[1] | **€599,330**[3] |

*(1) For greater clarity, the amounts reported are converted into euros, even though they are paid in part in U.S. dollars and in pounds sterling, based on the average exchange rates for 2017, i.e. £0.87485 for €1 and $1.13575 for €1.*

*(2) Upon the recommendation of the Chief Executive Officer, the Board further applied a negative 10% performance factor to Mr. Rose's variable compensation, thus diminishing his achievement rate from 65.44% to 58.90%.*

*(3) Restated at the exchange rate used for the conversion of the 2016 and 2017 compensation: average exchange rates for 2017, see supra.*

**Compensation items paid or granted to Mr. Frédéric Rose for fiscal year 2017**

| | Gross amounts 2017 | Comments |
|---|---|---|
| **Performance shares** | **€1,436,020**<br>**380,000 shares** (for reference, €1,536,300 270,000 shares in 2016) | Mr. Rose, as other managers of the Group, was the beneficiary in 2017 of the 2017 Long-Term Incentive Plan (LTIP 2017) implemented by the Board of Directors on March 9, 2017 under the authorization granted by the Annual General Meeting of April 29, 2016 in its twenty-eighth resolution.<br>Upon the Remunerations Committee's recommendation, the Board decided to grant Mr. Rose 380,000 performance shares (*i.e.* 0.09% of the share capital on December 31, 2017) subject to the same plan rules, as other beneficiaries, which, *inter alia*, specify that the performance shares:<br>■ will vest on April 30, 2020;<br>■ are subject to performance conditions;<br>■ are subject to presence condition within the Group.<br>Pursuant to Article L. 225-197-1 II of the French Commercial Code, Mr. Rose must keep in registered form 20% of the vested performance shares until he leaves offices.<br>For more details on the condition of the LTIP 2017, see sub-section 4.2.3 "Stock Option Plans and Performance or Restricted Share Plans" of this Registration Document. |
| **Severance package** | **No payment** | In the event of his dismissal from the position of Chief Executive Officer, except in cases of serious or gross misconduct, Mr. Rose shall receive an indemnity which is compliant with the AFEP-MEDEF Corporate Governance Code and the provisions of Article L. 225-42-1 of the French Commercial Code, according to the following principles.<br>■ The indemnity would amount to a maximum of 15 months of his fixed and variable compensation, determined on the basis of a fixed compensation of €800,000 and variable compensation of €800,000 (corresponding to his fixed and variable compensation prior to the amendment of July 2013). The compensation elements other than the annual fixed and variable compensation, and in particular, the Long Term Incentive Plans, will not be taken into account in the determination of the indemnity.<br>■ The indemnity will be determined and paid in euros, according to the principles determined by the Board of Directors on July 23, 2008 and March 9, 2009, without taking into account the splitting into currencies in effect after.<br>■ The payment of the indemnity shall be subject to compliance with the performance conditions over a three-year period as determined annually by the Board of Directors which are the same as those used for Mr. Rose's annual variable compensation:<br>– half of the indemnity payment is subject to the achievement of a consolidated EBITDA target; and<br>– the remaining half is subject to the achievement of a consolidated Free Cash Flow target.<br>■ The achievement of operational consolidated EBITDA and Free Cash Flow targets is measured, on the basis of a constant scope of consolidation, by comparison to the average EBITDA and Free Cash Flow targets determined for the three fiscal years prior to the dismissal date:<br>– if at least 80% of either the EBITDA or Free Cash Flow performance target is not achieved, no indemnity will be due;<br>– should the percentage of achievement of either target fall between 80% and 100%, the indemnity would be reduced accordingly.<br>This commitment was authorized by the Board of Directors meeting of March 9, 2009 and approved by the Ordinary Shareholders' Meeting on June 16, 2009, in its 9th resolution. |
| **Non-competition indemnity** | **No payment** | In the event of termination from his duties, Mr. Rose will be required, for a period of nine months following termination, not to work, in whatever manner it may be, for the benefit of any entity carrying on operations which are in competition with Technicolor in Europe and/or in the United States, and/or in Asia, in exchange for a monthly indemnity calculated on the basis of his fixed and variable compensation, determined according to the principles applied to the determination of the severance pay.<br>This commitment was authorized by the Board of Directors meeting of July 23, 2008 and modified on March 9, 2009 and was approved by the Ordinary Shareholders' Meeting on June 16, 2009 in its 8th resolution. |
| **Benefits in kind** | **€12,002**[1]<br>(for reference, €12,002[2] in 2016) | Mr. Rose benefited from a car allowance in the amount of £10,500 for 2017, corresponding to €12,002 on the basis of the reference exchange rate. |

*(1) For greater clarity, the amounts reported are converted into euros, even though they are paid in part in U.S. dollars and in pounds sterling, based on the average exchange rates for 2017, i.e. £0.87485 for €1 and $1.13575 for €1.*

*(2) Restated at the exchange rate used for the conversion of the 2016 and 2017 compensation: average exchange rate for 2017, see supra.*

For 2017, Mr. Frédéric Rose was not awarded nor did he benefit from the following: multi-annual variable compensation, exceptional compensation, stock options, welcome bonus, supplemental retirement plan or Directors' fees.

Employer contributions paid by the Group's companies in respect of Mr. Frédéric Rose's compensation amounted to €177,572 in 2017.

## Table summarizing the compensation, stock options and shares awarded to Mr. Frédéric Rose (Table No. 1 of Annex 3 to the AFEP-MEDEF Corporate Governance Code)

| **Gross amounts** *(in euros, at comparable exchange rates)*[1] | **2016** *(restated data)*[2] | **2017** |
|---|---|---|
| Compensation due | 1,628,709 | 1,457,559 |
| Value of options granted | N/A | N/A |
| Value of performance shares granted | 1,536,300 | 1,436,020 |
| Value of other long-term compensation plans | N/A | N/A |
| **TOTAL** | **3,165,009** | **2,893,579** |

*(1) For greater clarity, the amounts reported are converted into euros, even though they are paid in part in U.S. dollars and in pounds sterling, based on the average exchange rates for 2017, i.e. £0.87485 for €1 and $1.13575 for €1.*
*(2) Restated at the exchange rate used for the conversion of the 2016 and 2017 compensation: average exchange rates for 2017, see supra.*

## Table summarizing the compensation of Mr. Frédéric Rose (Table No. 2 of Annex 3 to the AFEP-MEDEF Corporate Governance Code)

| | **2016** *(restated data)*[2] | | **2017** | |
|---|---|---|---|---|
| **Gross amounts** *(in euros, at comparable exchange rates)*[1] | **Amounts due** | **Amounts paid** | **Amounts due** | **Amounts paid** |
| Fixed | 1,017,378 | 1,017,378 | 1,017,378 | 1,017,378 |
| Annual variable | 599,330[3] | 1,432,648[4] | 428,179[5] | 599,330[3] |
| Multi-annual variable | N/A | N/A | N/A | N/A |
| Directors' fees | N/A | N/A | N/A | N/A |
| Benefits in kind | 12,002[6] | 12,002[6] | 12,002[7] | 12,002[7] |
| **TOTAL** | **1,628,709** | **2,462,027** | **1,457,559** | **1,628,709** |

*(1) For greater clarity, the amounts reported are converted into euros, even though they are paid in part in U.S. dollars and in pounds sterling, based on the average exchange rates for 2017, i.e. £0.87485 for €1 and $1.13575 for €1.*
*(2) Restated at the exchange rate used for the conversion of the 2016 and 2017 compensation: average exchange rates for 2017, see supra.*
*(3) Variable compensation for 2016, paid in 2017.*
*(4) Variable compensation for 2015, paid in 2016.*
*(5) Variable compensation for 2017, to be paid in 2018 after approval by the General Shareholders' Meeting to be held on April 26, 2018.*
*(6) Car allowance in the amount of £10,500 for 2016, corresponding to €12,002 on the basis of the average exchange rate of fiscal year 2017, see supra.*
*(7) Car allowance in the amount of £10,500 for 2017, corresponding to €12,002 on the basis of the average exchange rate of fiscal year 2017, see supra.*

## Reminder: In the 2016 Registration Document, this data was presented as follows (p. 95):

| | **2016** | |
|---|---|---|
| *Gross amounts (in euros, at comparable exchange rates)*[1] | **Amounts due** | **Amounts paid** |
| Fixed | 1,054,091 | 1,054,091 |
| Annual variable | 620,957[2] | 1,469,267[3] |
| Multi-annual variable | - | - |
| Directors' fees | N/A | N/A |
| Benefits in kind | 12,769[4] | 12,769[4] |
| **TOTAL** | **1,687,817** | **2,536,127** |

*(1) For greater clarity, the amounts reported are converted into euros, even though they are paid in part in U.S. dollars and in pounds sterling, based on the average exchange rates for 2016, i.e. £0.8223 for €1 and $1.10289 for €1.*
*(2) Variable compensation for 2016, paid in 2017.*
*(3) Variable compensation for 2015, paid in 2016.*
*(4) Car allowance in the amount of £10,500 for 2016, corresponding to €12,769 on the basis of the average exchange rate of fiscal year 2016, see supra.*

## Summary of the compensation of Mr. Frédéric Rose

| | 2016[1][2] | 2017[1] |
|---|---|---|
| | Amounts due | Amounts due |
| Fixed | 1,017,378 | 1,017,378 |
| Variable | 599,330 | 428,179 |
| Directors' fees | N/A | N/A |
| Benefits in kind | 12,002 | 12,002 |
| Multi-annual variable | N/A | N/A |
| **TOTAL** | **1,628,709** | **1,457,559** |
| **Performance shares (LTIP): number of performance shares granted** | **270,000** | **380,000** |
| Value of the shares on the grant date[3] | 1,536,300 | 1,436,020 |

*(1) For greater clarity, the amounts reported are converted into euros, even though they are paid in part in U.S. dollars and in pounds sterling, based on the average exchange rates for 2017, i.e. £0.87485 for €1 and $1.13575 for €1.*
*(2) Restated at the exchange rate used for the conversion of the 2016 and 2017 compensation: average exchange rates for 2017, see supra.*
*(3) According to IFRS 2, this valuation is re-estimated at the end of each fiscal year depending on the level of achievement of the performance conditions of the plan.*

## Stock options granted to Mr. Frédéric Rose during 2017 (Table No. 4 of Annex 3 to the AFEP-MEDEF CorporateGovernance Code)

| No. and date of the plan | Nature of options | Valuation of the options | Number of options | Exercise price | Exercise period |
|---|---|---|---|---|---|
| None | None | None | None | None | None |

Mr. Rose was not granted any stock options during the course of the 2017 fiscal year. In the framework of the Management Incentive Plan (MIP 2015) implemented by the Board of Directors on May 23, 2013, and following the Board of Directors' review, on February 22, 2017, of the level of achievement of the Free Cash Flow performance condition for 2016, the last tranche of 25% of the stock options awarded (696,716 options) became exercisable on May 23, 2017.

Pursuant to Article L. 225-185 paragraph 4 of the French Commercial Code, Mr. Rose must keep 20% of the shares resulting from the exercise of the options under the plan in registered form until he leaves office (for more details see sub-section 4.2.3 "Stock Option Plans and Performance or Restricted Share Plans" of this Registration Document).

## Stock options exercised by Mr. Frédéric Rose during 2017 (Table No. 4 of Annex 3 to the AFEP-MEDEF Corporate Governance Code)

| No. and date of the Plan | Number of options exercised during the fiscal year | Exercise price |
|---|---|---|
| May 23, 2013 Plan | None | €3.19 |

## Performance shares granted to Mr. Frédéric Rose during 2017 (Table No. 6 of Annex 3 to the AFEP-MEDEF Corporate Governance Code)

| No. and date of the Plan | Number of shares granted during the year | Valuation of the shares | Acquisition date | Availability date | Performance conditions |
|---|---|---|---|---|---|
| LTIP 2017<br>March 9, 2017 | 380,000 | 1,436,020 | April 30, 2020 | April 30, 2020 | Yes (see section 4.2.3) |

**Performance shares granted to Mr. Frédéric Rose that have become available in 2017 (Table No. 7 of Annex 3 to the AFEP-MEDEF Corporate Governance Code)**

| Performance shares that became available in 2017 | Number of performance shares |
|---|---|
| | None |

Tables 8 and 9 of the Annex to the AFEP-MEDEF Corporate Governance Code are included in sub-section 4.2.3 "Stock Option Plans and Performance or Restricted Share Plans" of this Registration Document.

**Summary of the benefits awarded to Mr. Frédéric Rose (Table No. 11 of Annex 3 to the AFEP-MEDEF Corporate Governance Code)**

| Employment Contract | | Supplementary pension plan | | Indemnifications or benefits due or likely to be due as a result of termination or change of position | | Indemnifications relating to a non-compete clause | |
|---|---|---|---|---|---|---|---|
| Yes | No | Yes | No | Yes | No | Yes | No |
| | X | | X | X | | X | |

## 4.2.1.3 Directors' fees and other compensation

GRI [G4-51] [G4-53]

In accordance with Article L. 225-37 of the French Commercial Code, the principles and rules defined by the Board of Directors to determine Directors' fees granted to Board Members are set out below.

The Remunerations Committee recommends to the Board of Directors the total amount of Directors' fees to be submitted for shareholders' approval at the Annual General Meeting, and their allocation among the Directors. The maximum annual amount of Directors' fees that can be paid to the Directors was set at €850,000 by the Annual General Meeting held on April 29, 2016. The rules governing the allotment of the Directors' fees payable for 2017 are the following:

- a fixed fee of €30,000 for each Director;
- a fee of €4,000 for each meeting of the Board of Directors and an additional Director's fee of €2,500 for each meeting that requires overseas or U.S. Coast to Coast travel;
- a fixed fee of €10,000 for each committee Chairman;
- a fee of €3,000 for each meeting of the Audit Committee and €2,000 for other committees; et
- an exceptional Directors' fees set at €10,000 per Director present within the Board of Directors as of December 31, 2017 for Directors' participation to strategy meetings.

It is to be noted that there is no payment of fees for teleconference meetings or meetings lasting under two hours, nor any fees paid to Director representing employees.

Except for Mr. Frédéric Rose and Mr. Bruce Hack, the Directors received no compensation other than Directors' fees for fiscal year 2017. Except for Mr. Frédéric Rose, the Directors held no offices in other Group companies.

**Directors' fees and other compensation paid to Directors in 2017 and 2018 (Table No. 3 of the Annex of the AFEP-MEDEF Code)**

| Name | Gross amounts due in respect of fiscal year 2016 and paid in 2017 | | Gross amounts due in respect of fiscal year 2017 and paid in 2018 | |
|---|---|---|---|---|
| *(in euros)* | Directors' fees | Extraordinary compensation | Directors' fees | Extraordinary compensation |
| Bpifrance Participations | 63,000 | - | 86,000 | - |
| Virginie Calmels[1] | 50,000 | - | - | - |
| Birgit Conix | 50,500 | - | 74,000 | - |
| Yann Debois[2] | N/A | - | - | - |
| Ana Garcia Fau | 50,500 | - | 102,000 | - |
| Nicolas Grelier[3] | 50,000 | - | 25,000 | - |
| Bruce Hack | 110,000 | - | 103,000 | - |
| Hugues Lepic[4] | 57,000 | - | - | - |
| Didier Lombard[5] | 117,000 | - | 36,000 | - |
| Melinda Mount | 57,500 | - | 104,000 | - |
| Laura Quatela | 92,000 | - | 101,500 | - |
| Hilton Romanski | 59,500 | - | 77,500 | - |
| **TOTAL** | **757,000** | **-** | **709,000** | **-** |

(1) *Ms. Virginie Calmels was Board Censor in 2016.*
(2) *Mr. Yann Debois is Employee Director since July 2017.*
(3) *Mr. Nicolas Grelier's term of office as Employee Director ended in July 2017.*
(4) *Mr. Hugues Lepic resigned from his office in July 2017.*
(5) *Mr. Didier Lombard's term of office ended in April 2017.*

## 4.2.2 EXECUTIVE COMMITTEE COMPENSATION

GRI [G4-51]

### 4.2.2.1 Executive Committee compensation

In 2017, the total compensation paid by the Company and/or companies of the Group to Members of the Executive Committee (including that paid to the CEO) amounted to €9.4 million for a total of 12 members (excluding charges and including variable components - short-term plans - of €2.6 million, calculated on the basis of the 2016 Group financial results).

In 2016, the total compensation paid by the Company and/or other companies of the Group to the Members of the Executive Committee, including the CEO, was €12.4 million (excluding charges and including a variable component of €5.4 million calculated on the basis of the 2015 Group financial results).

The total amount provided for pensions and retirement and other similar benefits granted to the Members of the Executive Committee amounted to €0.31 million in 2017.

### 4.2.2.2 Loans and guarantees granted or established for the Members of the Executive Committee

None.

## 4.2.3 STOCK OPTIONS PLANS AND PERFORMANCE OR RESTRICTED SHARES PLANS

GRI [G4-51] [G4-EC3] [G4-LA2]

### 4.2.3.1 Stock Option Plans

This section constitutes the Board of Directors' report to shareholders made in accordance with Article L. 225-184 of the French Commercial Code, describing the allocations of the Board of Directors of share subscription or purchase options under Articles L. 225-177 to L. 225-186 of the French Commercial Code during fiscal year 2017.

The Shareholders' Meeting of May 23, 2013, in its 15th resolution, authorized the Board of Directors to proceed with the allocation, in one or several times, in favor of employees or Executive Officers of the Company and its French and foreign subsidiaries, of share subscription or purchase options. This authorization has been given for a 38-month period and was valid until July 23, 2016. Options granted under this authorization would not give rights to a total number of shares greater than 26,843,507 representing 8% of the share capital at the date of the Shareholders' Meeting held on May 23, 2013 and 6,5% of the share capital as of December 31, 2017.

## Stock option plans in existence as of December 31, 2017 (Table No. 8 of Annex 3 to the AFEP-MEDEF Code)

| | Plan MIP-SP1 | Plan MIP 2015 | Plan MIP 2016 | Plan MIP June 2017 | Plan MIP October 2017 |
|---|---|---|---|---|---|
| **Date of Shareholders' Meeting** | **05/22/2008** | **05/23/2013** | **05/23/2013** | **05/23/2013** | **05/23/2013** |
| **Date of Board of Directors' meeting** | 06/17/2010 | 05/23/2013<br>06/07/2013<br>10/24/2013<br>12/18/2013<br>03/26/2014 | 06/20/2014<br>10/21/2014<br>04/09/2015 | 06/26/2015 | 10/19/2015 |
| **Type of options** | | | Subscription | | |
| Number of options initially granted, including: | 12,167,000[1] | 17,188,000 | 5,145,000 | 250,000 | 1,710,000 |
| *Number of options granted to Directors and Officers[2]:* | | | | | |
| **Frédéric Rose** | | | | | |
| ■ before adjustments and performance condition review | 2,155,700[1] | 2,685,000 | - | - | - |
| ■ *after 2010 & 2012 adjustments and performance condition review[3]* | *190,529* | - | - | - | - |
| ■ *after 2015 adjustments[4]* | *197,758* | *2,786,864* | | | - |
| *Number of options granted to the first ten employee beneficiaries – before adjustments and performance condition review when applicable* | *6,533,400[1]* | *4,345,000* | *1,790,000* | *250,000* | *1,310,000* |
| ■ *after adjustments and performance condition review[3][4]* | *599,324* | *4,490,875* | *1,857,913* | *259,485* | *1,310,000* |
| Beginning of the exercise period | 06/18/2014 | 05/23/2015 | 06/20/2016<br>10/21/2016 | 06/26/2017 | 10/19/2017 |
| Plan life | | | 8 years | | |
| Expiration date | 06/17/2018 | 05/23/2021 | 06/20/2022<br>10/21/2022 | 06/26/2023 | 10/19/2023 |
| Exercise price at grant time | €0.66[1] | 05/23: €3.31<br>06/07: €3.31<br>10/24: €4.07<br>12/18: €3.81<br>03/26: €4.70 | 06/20: €6.00<br>10/21: €5.10<br>04/09: €6.05 | 06/26: €6.10 | 10/19: €7.11 |
| Exercise period | 100%:<br>06/18/2014 | 50%:<br>05/23/2015<br><br>75%:<br>05/23/2016<br><br>100%:<br>05/23/2017 | 50%:<br>06/20/2016<br>10/21/2016<br><br>75% :<br>06/20/2017<br>10/21/2017<br><br>100%:<br>06/20/2018<br>10/21/2018 | 50%:<br>06/26/2017<br><br>75%:<br>06/26/2018<br><br>100%:<br>06/26/2019 | 50%:<br>10/19/2017<br><br>75%:<br>10/19/2018<br><br>100%:<br>10/19/2019 |
| Number of shares subscribed as of December 31, 2017 | 116,190 | 7,084,221 | 41,517 | - | - |
| Number of options cancelled since the beginning of the plan | 3,395,679 | 3,916,574 | 1,328,337 | 155,691 | 660,000 |
| Number of options cancelled during the 2017 exercise | 0 | 175,375 | 363,278 | - | 430,000 |
| Number of outstanding options at the end of the exercise (after adjustment)[4] | 805,476 | 6,654,294 | 3,949,376 | 103,794 | 1,050,000 |
| Exercise price (after adjustments)[4] | €6.29 | 05/23: €3.19<br>06/07: €3.19<br>10/24: €3.93<br>12/18: NA[5]<br>03/26: €4.53 | 06/20: €5.79<br>10/21: €4.92<br>04/09: €5.83 | 06/26: €5.88 | 10/19: €7.11 |

(1) *Before 2010 reverse share split.*
(2) *Information provided pursuant to Article L. 225-184 of the French Commercial Code.*
(3) *2012 capital share increase adjustment coefficient: 1,012348451.*
(4) *November 2015 capital share increase adjustment coefficient: 1,037937866.*
(5) *All beneficiaries of this attribution have left the Company.*

As of December 31, 2017, the total outstanding options under the plans amounted to 12,562,940 subscription options to the benefit of 98 beneficiaries. If all subscription options under the stock option plans mentioned above were exercised, Technicolor's share capital would be composed of 427,024,118 ordinary shares, *i.e.* a 3,03% increase in the number of shares from December 31, 2017.

In accordance with Article L. 225-184 of the French Commercial Code, it is noted that 436,461 options were exercised in 2017.

## *Management Incentive Plans 2017 - MIP June 2017 and MIP October 2017*

Upon recommendation of the Remunerations Committee, the Board of Directors, making use of the authorization given by the Shareholders' Meeting of May 23, 2013 in its fifteenth resolution, granted stock options on June 26, 2015 (MIP June 2017) and October 19, 2015 (MIP October 2017). The table below summarizes the characteristics of both plans (MIP June 2017 and MIP October 2017).

**Management Incentive Plans 2017 – MIP June 2017 and MIP October 2017**

| Shareholders' Meeting authorizing the grants | May 23, 2013 (15th resolution) | |
|---|---|---|
| **Plan** | **MIP June 2017** | **MIP October 2017** |
| Remunerations Committee recommending the grants | June 26, 2015 | October 19, 2015 |
| Board of Directors approving the grants | June 26, 2015 | October 19, 2015 |

| | |
|---|---|
| Beneficiaries | Additional key contributors promoted or hired since autumn 2014 or coming from the newly acquired companies |
| Number of beneficiaries (as of December 31, 2017) | 16 |
| Number of outstanding stock options (as of December 31, 2017) | 1,153,794 representing 0.27% of the share capital[1] |
| Exercise price | No discount (€5.88 for MIP June 2017 and €7.11 for MIP October 2017) |
| Conditions for exercise | ■ Performance condition (consolidated Free Cash Flow)<br>■ Condition of presence (loss of the right to exercise the option if departure from the Group before the exercise date of the options) |

*(1) after the November 17, 2015 share capital increase adjustment.*

**Characteristics of the MIP**

| | | 1st tranche | 2nd tranche | 3rd tranche |
|---|---|---|---|---|
| Performance condition | | Generation of consolidated Free Cash Flow | | |
| | **MIP June 2017** | for fiscal year 2016 equal or greater than €100 million | for fiscal year 2017 equal or greater than €75 million | for fiscal year 2018 equal or greater than €100 million |
| | **MIP October 2017** | for fiscal year 2016 equal or greater than €240 million | for fiscal year 2017 equal or greater than €260 million | for fiscal year 2018 equal or greater than €320 million |
| Options becoming exercisable | | 50% of the options awarded | 25% of the options awardedIf performance objective for 2016 not achieved: 75% of the options | 25% of the options awardedIf performance objective for 2016 and/or 2017 not achieved: options that had not become exercisable in 2017 and/or 2018 |
| Review of the level of achievement of the performance condition | | Board of Directors of February 22, 2017 | Board of Directors of February 21, 2018 | Exam of this achievement shall be realized in 2019 by the Board |
| Number of options acquired at Board date | **MIP June 2017** | 51,897 | 25,948 | - |
| | **MIP October 2017** | 740,000 | 0 | - |
| Period of exercise | **MIP June 2017** | From June 26, 2017 to June 26, 2023, subject to fulfillment of the presence condition | From June 26, 2018 to June 26, 2023, subject to fulfillment of the presence condition | From June 26, 2019 to June 26, 2023, subject to fulfillment of the presence condition |
| | **MIP October 2017** | From October 19, 2017 to October 19, 2023, subject to fulfillment of the presence condition | N/A | From October 19, 2019 to October 19, 2023, subject to fulfillment of the presence condition |

## *Management Incentive Plan 2016 – MIP 2016*

Upon recommendation of the Remunerations Committee, the Board of Directors, making use of the authorization given by the Shareholders' Meeting of May 23, 2013 in its fifteenth resolution, granted stock options on June 20, 2014, October 21, 2014 and April 9, 2015. The table below summarizes the characteristics of these plans.

**Management Incentive Plans 2016 – MIP 2016**

| Shareholders' Meeting authorizing the grants | May 23, 2013 (15th resolution) | | |
|---|---|---|---|
| **Plan** | **MIP June 2016** | **MIP October 2016** | **MIP April 2016** |
| Remunerations Committee recommending the grants | June 20, 2014 | October 21, 2014 | April 9, 2015 |
| Board of Directors approving the grants | June 20, 2014 | October 21, 2014 | April 9, 2015 |

| | |
|---|---|
| Beneficiaries | Additional key contributors who were promoted or hired since spring 2013 |
| Number of beneficiaries (as of December 31, 2017) | 51 |
| Number of outstanding stock options (as of December 31, 2017) | 3,949,376 representing 0,95% of the share capital[1] |
| Exercise price | No discount (€5.79 for MIP June 2016, €4.92 for MIP October 2016 and €5.83 for MIP April 2016) |
| Conditions for exercise | ■ Performance condition (consolidated Free Cash Flow)<br>■ Condition of presence (loss of the right to exercise the option if departure from the Group before the exercise date of the options) |

*(1) after the November 17, 2015 share capital increase adjustment.*

**Characteristics of the MIP**

| | | 1st tranche | 2nd tranche | 3rd tranche |
|---|---|---|---|---|
| Performance condition | | Generation of consolidated Free Cash Flow | | |
| | | for fiscal year 2015 equal or greater than €100 million | for fiscal year 2016 equal or greater than €100 million | for fiscal year 2017 equal or greater than €75 million |
| Options becoming exercisable | | 50% of the options awarded | 25% of the options awarded<br>If performance objective for 2015 not achieved: 75% of the options | 25% of the options awarded<br>If performance objective for 2015 and/or 2016 not achieved: options that had not become exercisable in 2016 and/or 2017 |
| Review of the level of achievement of the performance condition | | Board of Directors of February 18, 2016 | Board of Directors of February 22, 2017 | Board of Directors of February 21, 2018 |
| Number of options acquired at Board date | **MIP June 2016** | 1,318,199 | 625,358 | 521,577 |
| | **MIP October 2016** | 718,783 | 346,410 | 333,449 |
| | **MIP April 2016** | 207,588 | 103,794 | 103,794 |
| Period of exercise | **MIP June 2016** | From June 20, 2016 to June 20, 2022, subject to fulfillment of the presence condition | From June 20, 2017 to June 20, 2022, subject to fulfillment of the presence condition | From June 20, 2018 to June 20, 2022, subject to fulfillment of the presence condition |
| | **MIP October 2016**<br>**MIP April 2016** | From October 21, 2016 to October 21, 2022 subject to fulfillment of the presence condition | From October 21, 2017 to October 21, 2022 subject to fulfillment of the presence condition | From October 21, 2018 to October 21, 2022 subject to fulfillment of the presence condition |

## *Management Incentive Plan 2015 – MIP 2015*

Upon the recommendation of the Remunerations Committee, the Board of Directors, making use of the authorization given by the Shareholders' Meeting of May 23, 2013 in its fifteenth resolution, granted stock options on several occasions (see the chart below). The table below summarizes the characteristics of these plans.

**Management Incentive Plans 2015 – MIP 2015**

| Shareholders' Meeting authorizing the attributions | May 23, 2013 (15th resolution) | | | | |
|---|---|---|---|---|---|
| Remunerations Committee recommending the grants | May 23, 2013 | June 7, 2013 | October 24, 2013 | December 18, 2013 | March 26, 2014 |
| Board of Directors de approving the grants | May 23, 2013 | June 7, 2013 | October 24, 2013 | December 18, 2013[2] | March 26, 2014 |
| Number of beneficiaries (as of December 31, 2017) | 47 | | | | |
| Number of outstanding stock options (as of December 31, 2017) | 6,654,294 representing 1.6% of the share capital[1] | | | | |
| Exercise price | No discount (€3.19 for May 23 and June 7, 2013; €3.93 for October 24, 2013 and €4.53 for March 26, 2014) | | | | |
| Conditions for exercise | ▪ Performance condition (consolidated Free Cash Flow, chosen for being one of the main objectives of the Amplify 2015 plan)<br>▪ Condition of presence (loss of the right to exercise the option if departure from the Group before the exercise date of the options) | | | | |

*(1) after the November 17, 2015 share capital increase adjustment.*
*(2) All beneficiaries of this attribution have left the Company.*

**Characteristics of the MIP**

| | 1st tranche | 2nd tranche | 3rd tranche |
|---|---|---|---|
| Performance condition | Generation of consolidated Free Cash Flow | | |
| | for fiscal year 2014 equal or greater than €100 million | for fiscal year 2015 equal or greater than €100 million | for fiscal year 2016 equal or greater than €100 million |
| Options becoming exercisable | 50% of the options awarded | 25% of the options awarded<br>If performance objective for 2014 not achieved: 75% of the options | 25% of the options awarded<br>If performance objective for 2014 and/or 2015 not achieved: options that had not become exercisable in 2015 and/or 2016 |
| Review of the level of achievement of the performance condition | Board of Directors of February 18, 2015 | Board of Directors of February 18, 2016 | Board of Directors of February 22, 2017 |
| Number of options acquired at Board date | 7,640,000 | 3,409,801 | 2,857,954 |
| Period of exercise | From May 23, 2015 to May 23, 2021 subject to fulfillment of the presence condition | From May 23, 2016 to May 23, 2021 subject to fulfillment of the presence condition | From May 23, 2017 to May 23, 2021 subject to fulfillment of the presence condition |

### 4.2.3.2 Performance or Restricted Share Plans

This section constitutes the Board of Directors' report to shareholders made in accordance with Article L. 225-197-4 of the French Commercial Code, describing the allocations by the Board of Directors of performance shares under Articles L. 225-197-1 to L. 225-197-3 of the French Commercial Code during fiscal year 2017.

In order to promote the achievement of the objectives pursued, the Company announced, in February 2015, at the time of the launch of its strategic plan Drive 2020, its intention to put into place a multi-year stock Incentive Plan in order to involve the Group's employees in the success of Drive 2020.

The Shareholders' Meeting of April 29, 2016, in its twenty eighth resolution, authorized the Board of Directors to proceed with the allocation of existing shares or shares to be issued, in favor of the Group's employees or certain categories of employees. This authorization has been given for a 26-month period and is valid until June 29, 2018. The shares to be issued pursuant to this authorization shall not represent more than 2% of the share capital on February 29, 2016 (*i.e.* 8,239,744 shares).

Upon recommendation of the Remunerations Committee, on April 29, 2016, the Board of Directors, making use of the authorization given by the Shareholders' Meeting of April 29, 2016 in its twenty eighth resolution, approved the establishment of a Long-Term Incentive Plan designed to retain key Group employees while aligning their interests with those of the Company and its shareholders (the 2016 Long-Term Incentive Plan). The Company wishes to mobilize its teams in order to successfully lead the integration of the acquisitions made in the second half of 2015, and to carry out its strategic plan Drive 2020, upon which the development of the Group relies.

The Board of Directors made another use of this same authorization, upon recommendation of the Remunerations Committee, on January 6, 2017 to establish the 2017 Long-Term Incentive Plan designed to retain key Group employees while aligning their interests with those of the Company and its shareholders.

These plans allow Technicolor to ensure the competitiveness of the compensation offered by the Group, in dynamic and competitive international markets, and in sectors where the ability to attract talent is a key factor to success.

## Performance and Restricted Share Plans in existence as of December 31, 2017 (Table No. 9 of Annex 3 to the AFEP-MEDEF Corporate Governance Code)

| | Restricted Shares Plan 2013 | LTIP 2016 | LTIP 2017 |
|---|---|---|---|
| **Date of Shareholders' Meeting** | **May 23, 2013** | **Apr. 29, 2016** | **Apr. 29, 2016** |
| **Date of Board of Directors' meeting** | Oct. 24, 2013 | Apr. 29, 2016<br>Jul. 27, 2016<br>Oct. 20, 2016 | Jan 6, 2017<br>March 9, 2017<br>Apr.26, 2017<br>Jul. 26, 2017 |
| Number of shares initially granted, including: | 1,604,000 | 3,040,500 | 4,507,500 |
| *Number of shares granted to Directors and Officers*[1]*:* | | | |
| ***Frédéric Rose*** | **0** | **270,000** | **380,000** |
| *Number of shares granted to the top ten employee beneficiaries* | *1,250* | *840,000* | *1,509,000* |
| Acquisition date | Nov. 6, 2017 | Apr. 30, 2019 | Apr. 30, 2020 |
| End of the holding period | N/A | N/A | N/A |
| Performance conditions | No | Yes | Yes |
| Number of shares acquired as of December 31, 2017 | 779,250 | - | - |
| Number of forfeited shares since the beginning of the plan | 824,750 | 435,313 | 244,455 |
| Number of forfeited shares cancelled during the 2017 exercise | 100,625 | 154,313 | 244,455 |
| Number of outstanding shares to be acquired | - | 2,605,187 | 4,263,045 |

(1) *Information provided pursuant to Article L. 225-184 of the French Commercial Code.*

As of December 31, 2017, the total outstanding shares under the plans amounted to 6,868,232 shares, *i.e.* 1.66% of the share capital as of December 31, 2017.

In accordance with Article L. 225-184 of the French Commercial Code, it is noted that 779,750 shares were acquired in 2017 under those plans.

## *Long-Term Incentive Plan – LTIP 2017*

Upon recommendation of the Remunerations Committee, the Board of Directors, making use of the authorization given by the Shareholders' Meeting of April 29, 2016 in its twenty eighth resolution, granted Performance Shares. The table below summarizes the characteristics of these grants.

**Long-Term Incentive Plans 2017 – LTIP 2017**

| Shareholders' Meeting authorizing the attributions | April 29, 2016 (28th resolution) | | | |
|---|---|---|---|---|
| Remunerations Committee recommending the grants | January 6, 2017 | February 22, 2017 | April 25, 2017 | July 25, 2017 |
| Board of Directors approving grants | January 6, 2017 | March 9, 2017 | April 26, 2017 | July 26, 2017 |
| Number of beneficiaries (as of December 31, 2017) | 224 | | | |
| Number of outstanding shares (as of December 31, 2017) | 4,263,045 representing 1.03% of the share capital | | | |
| Vesting period | 3 years | | | |
| Holding Period | None except for:<br>■ the members of the Executive Committee who should retain, until the term of their contracts, at least 10% of the vested Performance Shares<br>■ the CEO who should retain in registered form, until the end of his term of office, 20% of the vested Performance Shares | | | |
| Delivery Date | April 30, 2020 or as promptly as possible thereafter (subject to presence condition on that date) | | | |

**Characteristics of the LTIP – Performance conditions**

| | | | | | |
|---|---|---|---|---|---|
| | 2 financial objectives of the Drive 2020 plan and of a complementary type reflecting the key indicators tracked by investors and analysts | | | | |
| Performance conditions | Adjusted EBITDA objective assessed over a three-year period:<br>■ if the sum of the annual adjusted EBITDA realized over a three-year period were greater or equal to the sum of the objectives of the annual adjusted EBITDA announced to the public by the Company for the same period, 50% of the Performance Shares would be definitively earned<br>■ in the opposite case, no Performance Shares would be earned | | | Group Free Cash Flow objective assessed over a three-year period:<br>■ if the sum of the Group's yearly Free Cash Flow realized over three years were greater than or equal to the sum of the annual Free Cash Flow objectives for the Group announced to the public by the Company over the same period, 50% of the Performance Shares would be definitively earned<br>■ in the opposite case, no Performance Shares would be earned | |
| Detailed objectives | | **2017** | | **2018** | **2019** |
| | **Set objectives for the plan** | **Restated objective** (1) | **Achieved** | **Determined objective by the Board of Directors** (1) | **Determined objective by the Board of Directors** (1) |
| | **Adjusted EBITDA** | €326 million | €306 million | The objectives determined in February 2018 will be disclosed in February 2019. | The objectives will be determined in February 2019 and will be disclosed in February 2020. |
| | **Group Free Cash Flow** | €32 million | €66 million | | |
| | *(1) The LTIP 2017 plan rules, as designed by the Board of Directors of January 6, 2017, provided that the annual Adjusted EBITDA and Group Free Cash Flow objectives would be those announced to the market in February of yeach year.*<br>*The Board of Directors took note of two issues relating to this rule.*<br>*Firstly, following the December 18, 2017 announcement of the sale of the Patent Licensing business, the latter is considered as discontinued operations or held for sale operations. Hence, there is a gap between (i) the objectives announced in February 2017 which included the Patent Licensing business and (ii) the achievement of objectives announced in February 2018 which did not include the Patent Licensing business.*<br>*Secondly, as Company did not release publication an annual guidance but only a medium-term guidance (2020), rules provided by the plan referring to the annual guidance announced in February are not relevant anymore.*<br>*Pursuant to the AFEP-MEDEF Code, exceptional circumstances as a substantial change to scope justify modifying the performance conditions during the period of assessment. The Board of Directors considered therefore that the sale of Patent Licensing business and the end of the annual guidance constituted exceptional circumstances. The LTIP 2017 plan rules were thus amended to provide that:*<br>■ *the Adjusted EBITDA and group Free Cash Flow objectives for 2017 should be restated by excluding the Patent Licensing contribution (the 2017 Adjusted EBITDA objective is thus €326 million and the 2017 group Free Cash Flow objective is €32 million);*<br>■ *the Adjusted EBITDA and group Free Cash Flow objectives for 2018 and 2019 would be determined by the Board of Directors in February 2018 and February 2019, in line with the annual budget.* | | | | |
| Review of the level of achievement of the performance condition | Review of this achievement shall be realized in 2020 by the Board | | | | |

**Characteristics of the LTIP – Presence condition**

| | |
|---|---|
| Cases of forfeiture | Beneficiary of Performance Shares who would leave the Group before the expiration of the vesting period of at least three years. |
| Exceptions | Case of legal premature exit (including cases of death, disability, retirement, termination without cause) and other customary exceptions decided upon by the Board of Directors. |

The plan prevents beneficiaries who are members of the Executive Committee from using hedging instruments for the performance shares and requires that they retain a significant number of shares up until the termination of their positions within the Group.

## *Long-Term Incentive Plan – LTIP 2016*

Upon recommendation of the Remunerations Committee, the Board of Directors, making use of the authorization given by the Shareholders' Meeting of April 29, 2016 in its twenty eighth resolution, granted Performance Shares. The table below summarizes the characteristics of these grants.

**Long-Term Incentive Plans 2016 – LTIP 2016**

| Shareholders' Meeting authorizing the attributions | April 29, 2016 (28th resolution) | | |
|---|---|---|---|
| Remunerations Committee recommending the grants | April 27, 2016 | July 26, 2016 | October 11, 2016 |
| Board of Directors approving grants | April 29, 2016 | July 27, 2016 | October 20, 2016 |
| Number of beneficiaries (as of December 31, 2017) | 196 | | |
| Number of outstanding shares (as of December 31, 2017) | 2,605,187 representing 0.63% of the share capital | | |
| Vesting period | 3 years | | |
| Holding Period | None except for:<br>■ the members of the Executive Committee who should retain, until the term of their contracts, at least 10% of the vested Performance Shares<br>■ the CEO who should retain in registered form, until the end of his term of office, 20% of the vested Performance Shares | | |
| Delivery Date | April 30, 2019 or as promptly as possible thereafter (subject to presence condition on that date) | | |

**Characteristics of the LTIP – Performance conditions**

| | | | | | |
|---|---|---|---|---|---|
| Performance conditions | 2 financial objectives of the Drive 2020 plan and of a complementary type reflecting the key indicators tracked by investors and analysts | | | | |
| | Adjusted EBITDA objective assessed over a three-year period:<br>■ if the sum of the annual adjusted EBITDA realized over a three-year period were greater or equal to the sum of the objectives of the annual adjusted EBITDA determined by the Board of Directors for the same period, 50% of the Performance Shares would be definitively earned<br>■ in the opposite case, no Performance Shares would be earned | | | Group Free Cash Flow objective assessed over a three-year period:<br>■ if the sum of the Group's yearly Free Cash Flow realized over three years were greater than or equal to the sum of the annual Free Cash Flow objectives for the Group determined by the Board of Directors for the same period, 50% of the Performance Shares would be definitively earned<br>■ in the opposite case, no Performance Shares would be earned | |
| Detailed objectives | **2016** | | | **2017** | **2018** |
| | **Set objectives for the plan** | **Announced objective** | **Achieved** | **Restated objective**(1) **Achieved** | **Determined objective by the Board of Directors** (1) |
| | **Adjusted EBITDA** | €600 million | €565 million | €326 million €306 million | The objectives determined in February 2018 will be disclosed in February 2019. |
| | **Group Free Cash Flow** | €240 million | €248 million | €32 million €66 million | |
| | *(1) The LTIP 2016 plan rules, as designed by the Board of Directors of April 29, 2016, provided that the annual Adjusted EBITDA and Group Free Cash Flow objectives would be those announced to the market in February of each year.*<br>The Board of Directors took note of two issues relating to this rule.<br>*Firstly, following the December 18, 2017 announcement of the sale of the Patent Licensing business, the latter is considered as discontinued operations or held for sale operations. Hence, there is a gap between (i) the objectives announced in February 2017 which included the Patent Licensing business and (ii) the achievement of objectives announced in February 2018 which did not include the Patent Licensing business.*<br>*Secondly, as the Company did not release an annual guidance but only a medium-term guidance (2020), rules provided by the plan referring to the annual guidance announced in February are not relevant anymore.*<br>*Pursuant to the AFEP-MEDEF Code, exceptional circumstances as a substantial change to scope justify modifying the performance conditions during the period of assessment. The Board of Directors considered therefore that the sale of Patent Licensing business and the end of the annual guidance constitute exceptional circumstances. The LTIP 2016 plan rules were thus amended to provide that:*<br>■ *the Adjusted EBITDA and Group Free Cash Flow objectives for 2017 should be restated by excluding the Patent Licensing contribution. (the 2017 Adjusted EBITDA objective is thus €326 million and the 2017 group Free Cash Flow objective is €32 million);*<br>■ *the Adjusted EBITDA and Group Free Cash Flow objectives for 2018 is determined by the Board of Directors in February 2018, in line with the annual budget.* | | | | |
| Review of the level of achievement of the performance condition | Review of this achievement shall be realized in 2019 by the Board | | | | |

| Characteristics of the LTIP – Presence condition | |
|---|---|
| Cases of forfeiture | Beneficiary of Performance Shares who would leave the Group before the expiration of the vesting period of at least three years. |
| Exceptions | Case of legal premature exit (including cases of death, disability, retirement, termination without cause) and other customary exceptions decided upon by the Board of Directors. |

The plan prevents beneficiaries who are members of the Executive Committee from using hedging instruments for the performance shares and requires that they retain a significant number of shares up until the termination of their positions within the Group.

## *Restricted Share Plan 2013 (My Technicolor Shares)*

Making use of the authorization given by the Shareholders' Meeting on May 23, 2013, held in its sixteenth resolution, to the Board of Directors to proceed with the allocation of existing shares or shares to be issued which would not represent more than 0.50% of the share capital at the date of such Shareholders' Meeting, in favor of Group's employees or certain categories of employees, the Board of Directors on October 24, 2013 approved the implementation, in accordance with Article L. 225-197-1 of the French Commercial Code, of a global Restricted Share Plan to the benefit of 12,832 eligible employees of the Group in 13 countries.

This worldwide Plan provided, for all beneficiaries, an acquisition period of four years. 125 shares would be delivered to eligible employees at the end of the acquisition period subject to conditions of continuous employment within the Technicolor group during the acquisition period. The plan was not subject to performance conditions.

Thus, 778,750 shares were delivered to 6,230 employees on November 6, 2017 in the following countries: Germany, Australia, Belgium, Brazil, Canada, China, United States of America, Hong Kong, India, Mexico, Poland and United Kingdom.

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# GLOBAL REPORTING INITIATIVE (GRI) GUIDELINES AND DISCLOSURES

GRI [G4-15] [G4-32]

Technicolor follows the Global Reporting Initiative (GRI) G4 Guidelines, a worldwide framework for reporting on sustainability. The Group reports on the GRI G4 general standard disclosures and specific standard disclosures, including disclosures on management approach (DMA) and indicators clustered into six categories (economic, environmental, labor practices and decent work, human rights, society and product responsibility).

The Group's Sustainability report includes the GRI G4 Content Index 'In accordance' with the **GRI G4 Guidelines – Comprehensive option**, and is available on the Technicolor website:

https://www.Technicolor.com/corporate-social-responsibility

GRI Disclosure labels are included in the Registration Document and in the Sustainability report. Disclosures labels (for example [G4-3], [G4-EN1], [G4-DMA Compliance]) help readers locate the information that they are looking for as indicated in the GRI G4 Content Index. They contribute to give more control over the transparency and integrity of the Group's sustainability data.

# 5.1 EMPLOYEES AND WORKFORCE

## 5.1.1 OVERVIEW

GRI [G4-9] [G4-10] [G4-LA1] [G4-LA12] [G4-DMA Employment]

On December 31, 2017, the Group employed 16,307 employees (70% male and 30% female), compared to 17,017 employees on December 31, 2016, a decrease of 4.17%.

The highly competitive and rapidly-changing Media & Entertainment sector in which the Group provides its products, Technology and services requires continuing adjustment to the workforce.

The table below shows Technicolor's total workforce as of December 31, 2017, 2016, and 2015, as well as the distribution of personnel across geographical regions.

| | 2017 | 2016 | 2015 |
|---|---|---|---|
| Europe | 3,852 | 3,988 | 4,231 |
| North America | 6,767 | 7,678 | 7,790 |
| Asia[1] | 3,722 | 3,387 | 2,510 |
| Other countries[2] | 1,966 | 1,964 | 2,189 |
| **TOTAL NUMBER OF EMPLOYEES** | **16,307** | **17,017** | **16,720** |
| Number of employees in entities accounted for under the equity method | 46 | 45 | 352 |
| *(1) Including India.* | *3,247* | *2,862* | *1,915* |
| *(2) Including Mexico.* | *1,334* | *1,313* | *1,395* |

Total workforce figures above account for executives, non-executives and workers. Agency workers, trainees and apprentices are excluded.

French "Intermittent" contracts are not part of the above table. They represent the equivalent of 347 full time jobs over 2017 while their number grew from 388 in December 2016 to 413 in December 2017. Over the year 932 "intermittents" persons have worked for Technicolor.

The following table indicates the number of Group employees by segment as of December 31, 2017:

| Segment | Number of employees | Percentage |
|---|---|---|
| Entertainment Services | 12,830 | 78.68% |
| Connected Home | 1,903 | 11.67% |
| Corporate and Other | 1,574 | 9.65% |
| **TOTAL** | **16,307** | **100%** |

## Split by gender and age

At the end of December 2017, the Group employed 4,894 women (representing 30% of Technicolor headcount) and 11,413 men (representing 70% of Technicolor headcount) with the following breakdown per age:

| Age | Women | Men | Total |
|---|---|---|---|
| < 20 | 7 | 21 | 28 |
| 20 to 29 | 1,137 | 2,811 | 3,948 |
| 30 to 39 | 1,600 | 4,129 | 5,729 |
| 40 to 49 | 1,130 | 2,460 | 3,590 |
| 50 to 59 | 823 | 1,560 | 2,383 |
| 60+ | 197 | 432 | 629 |
| TOTAL | 4,894 | 11,413 | 16,307 |

## Hiring and Termination

During 2017, 5,731 employees have been hired of which 2,246 permanent employees and 1,632 were made redundant.

## Methodology

Employees and workforce figures are extracted from the Technicolor worldwide HR repository system currently implemented in all Technicolor.

## 5.1.2 EMPLOYEE PROFIT-SHARING [G4-LA2]

GRI

The Holding Company and eight French subsidiaries of the Company offer employees incentive plans based on the related subsidiary's results.

The total annual bonuses distributed to employees in connection with these incentive plans over the three most recent years amount to the following:

- amounts distributed in 2015 for year 2014: €1,992,803;
- amounts distributed in 2016 for year 2015: €2,198,531; and
- amounts distributed in 2017 for year 2016: €2,140,252.

In addition, several of our locations offer their employees profit-sharing plans based on Company results and/or achievement of objectives.

## 5.1.3 SHARES HELD BY EMPLOYEES [G4-LA2]

GRI

As of December 31, 2017, the number of shares held by the Group's employees in the Group Saving Plan *(Plan d'épargne entreprise)*, by employees and former employees through Technicolor's Savings Plan *(Fonds communs de placement d'entreprise)* was 286,000 shares, representing 0.07% of the share capital.

## 5.1.4 HUMAN RESOURCES & SUSTAINABLE DEVELOPMENT

GRI [G4-DMA Overall] [G4-DMA Employment]

Technicolor's Human Resources & Corporate Social Responsibility (HR&CSR) organization is aimed at reinforcing Technicolor's strategic priorities and at contributing to the Group's objectives. In order to remain fully aligned with the needs of the Group's different businesses and to reinforce global HR leadership capability, HR&CSR has adopted in 2010 a new operating model and has, during 2017, pursued its reinforcement across the Group.

This model has three dimensions:

- strong partnership with Business Divisions;
- global centers of expertise;
- regional Human Resources competence centers, reinforced with HR sites leaders.

The integration of business strategy within the HR processes has been reinforced through the HR Business Partner function. HR Business Partners work closely with each business leader to analyze and plan the evolution of Technicolor's workforce skills and competencies, and ensure they are in line with their development goals. They leverage the Company's HR Global Centers of Expertise and Regional Competence Centers to deliver high quality and cost-efficient services.

The HR Global Centers of Expertise ensure consistency and delivery of key Group HR projects and provide specialized advice and expertise across the whole organization in the following areas:

- Compensation & Benefits focusing on rewards, incentive programs, international mobility programs, pension schemes, medical care and other benefits;
- Talent and Development focusing on people development, organizational development practices, career and performance management;
- HR Information Systems, HR Processes and KPIs focusing on implementing coherent and sustainable tools supported with adequate processes;
- Resources Management focusing on Technicolor resource plan definition and tracking;
- Corporate Social Responsibility (CSR) focusing on all areas pertaining to Sustainable Responsibility, Environmental care, and Social Responsibility;
- Labor Relations, focusing on keeping a consistent set of relationships and interactions with all European Union's representatives.

The Regional HR Competence Centers, built on a shared service model, ensure a consistent HR approach across sites and functions within each geographical region, and guarantee that Technicolor remains compliant with local employment laws and practices. In order to maximize services delivery and quality, Technicolor's regions (Asia Pacific, Americas, Europe and India) are regrouped under a unique HR leader. During 2017, the Regional HR Centers have been further optimized and are now regrouped under two centers:

- Europe, India, Asia-Pacific: including India, China, Malaysia, Hong Kong, Japan, Singapore, Taiwan, Korea, Australia, France, Belgium, Germany, the Emirates, Switzerland, UK., the Netherlands, Sweden, Norway, Italy, Israel, Spain, Hungary and Poland;
- Americas: including Brazil, Chile, Mexico, Canada and USA;

HR Leaders are appointed within the Regional Competence centers in each of the sites to better support business activities with common processes and regulations at site level by delivering all necessary HR transactional activities. HR Site Leaders also contribute to the implementation of Corporate HR programs and facilitate coherent local communications. HR Sites Leaders report to their respective Regional HR Competence Centers.

The Head of HR&CSR, a Member of Technicolor's Executive Committee, defines HR&CSR strategic priorities in line with Technicolor's strategic plan, implements and adapts the HR&CSR model, identifies organizational needs and related resources, and pilots HR&CSR initiatives across all of the Group's activities.

## 5.1.5 TALENT AND DEVELOPMENT

GRI [GA-LA9] [G4-LA10] [G4-LA11] [G4-LA12] [G4-HR3] [G4-HR12] [G4-DMA Training and education] [G4-DMA Diversity and equal opportunity] [G4-DMA Equal remuneration for women and men] [G4-DMA Labor practices grievance mechanisms] [G4-DMA Non-discrimination]

The global Talent and Development policies at Group level rely mainly on the following principles.

Further to the deep analysis of the learning and development needs and the alignment of training investments with the strategy, Technicolor's priorities in Talent and Development focus on leadership development, innovation and excellence in execution to support the growth of our divisions and the implementation of the Drive 2020 strategic plan.

In parallel, many programs in all divisions and corporate functions enable the identification of the technical and non-technical critical competencies to be developed in the next years. The outputs of these programs are the foundations of a global training and development strategy.

### Talent review and development of leadership

A yearly Leadership Talent Review process is conducted in all divisions and corporate functions. The process involves managers at all levels of the organization as well as the members of the Executive Committee and of the Management Committee in the identification of employees with the right level of potential and performance to integrate the Group's talent pool. The members of this talent pool are eligible to benefit from dedicated leadership development trainings, activities and events during the year.

The total talent pool represents 8.6% of the permanent exempt population of the Group.

Members of the Leadership talent pool were led to assess their competencies through a 360 evaluation against the brand new leadership profile that was collaboratively designed for the Company during the year. Individual Development Plans were drawn and executed from the conclusions of this assessment. HR professionals or coaches were assigned to each member of the talent pool to guide and support the execution of the Individual Development Plans and the development of their leadership competencies.

The newly designed leadership model was defined based on inputs of more than 400 employees worldwide: it results in a unique set of 18 leadership competencies that are expected from Technicolor leaders to ensure the success of the Company. The related Leadership Development programs defined for 2017 included workshops on "leading with agility" where members of the talent pool reflect and learn how to take action not only on their leadership development but also on recognizing and fostering talents of others. These workshops took place in Paris and Los Angeles and gathered participants from all geographic regions.

Our support to our employees who have been identified as able and willing to take some Group level leadership positions (Group High Potential) has been updated again in 2017 to stick to the needs of the Drive 2020 strategic plan. To do so, we have designed and implemented a dedicated workshop that aimed at developing their strategic skills and their ability to inspire and lead teams.

### HR Development and Management Academy

Based on the new leadership competencies model, a training course was also developed to reinforce the people development capabilities of HR Team Members so that they can support the development of skills aligned with Technicolor vision, values and strategy. This initiative resulted in a pool of 36 HR people fully trained and who can operate as internal coaches for High Potentials.

The Management Academy plays an important role in the support HR provides to managers in the Group. After a pilot period during which sessions were delivered both internally and externally in the U.S., UK., France and Belgium in 2014, we evolved the program in 2015 to a truly "bootcamp" for management capabilities at Group level in 2015 & 2016. In 2017, 3 sessions of the new program were delivered: 4 days of collaborative training sessions were delivered in UK., U.S., and India, impacting 59 managers in all divisions and functions. We also provided participants with 4 additional webex to reinforce the learnings and give them an opportunity to keep working on a couple of topics that were covered during the sessions.

A total of 13,249 hours of training were delivered to managers world-wide in order to enhance management capacities and posture for our employees.

### Resource & Development Plans

After a pilot phase in 2013, all the divisions and functions now monitor their Resource & Development Plan. The ambition is to provide each division or function with a comprehensive HR road map that is fully consistent with the business needs and strategy evolutions. These plans that rely mainly on the existing HR processes and tools are built by HRBPs hand in hand with their business leaders. They aim at identifying HR priorities for the future and detail specific HR action plans to support the business evolutions: hiring policies, evolution and mobility, learning and development priorities and training plans, and all HR-related actions that could support the business transformation.

As part of these plans, a comprehensive work has been initiated to identify the evolutions of key jobs. This work includes a review of the mission and responsibilities of jobs as well as the set of competencies that are necessary to achieve excellence in the execution of these jobs. A set of customer facing, R&D and research jobs were the first to benefit from this initiative.

One "Training and Development program" also addresses the specific needs of four key roles identified as critical throughout the Resource & Development Plan process (ex: Producers, Customer Service, Sales, and Heads of departments). These roles benefit from specific curricula that are defined at job level and delivered internally or externally. The objective is to improve employee engagement and develop and maintain excellence on specific skills that will drive innovation and customer engagement and support the growth of the business in the future.

The MPC Academy also supports globally the efforts to develop excellence in our skills and jobs: this program can be defined as an endeavor to bring in raw talent freshly graduated from University and provides training to prepare them to work on shots; it targets graduate level artists who are recognized as high potential but yet to show a full level of competency. Participants benefit from 6 to 12 weeks of training while being paid, followed by 12 months of employment. This program impacted 431 artists in three locations in 2017 (Bangalore, Vancouver, Montreal) – representing 176,788 hours of training.

## Diversity & Inclusion in the Workplace

End of 2015, a global plan for Diversity and Inclusion was launched. The objective of this plan is to improve globally our processes to ensure that practices are not discriminatory at any stage in the Group, but also to promote a mindset of openness and inclusiveness globally and a willingness to bring support and assistance to persons or groups who may be under-represented compared to their regional demographics. The 4 key areas of the plan are gender diversity, disability, aging, and ethnicity.

In 2016, additional awareness sessions were held in-person with the senior leadership team and also with the HR leadership team. After that, a learning experience focused on reducing and mitigating unconscious bias was offered to the HR leadership team on a pilot program basis with a duration of about four months. The majority of participants completing the learning experience achieved long-term reduction in unconscious bias partnered with decision-making tools that assist to combat unconscious bias during critical decisions, as with recruitment and hiring.

During 2017, at the Group level work focused on action planning and internal communication and awareness building, while several business units launched programs and networks related to diversity and inclusion in alignment with their workforce requirements.

### *Gender Diversity*

A first program was launched in 2014 under the sponsorship of the EXCOM, in order to better balance gender diversity and increase the ratio of women in business roles, management levels and leadership pipeline. Actions were put in place through a full range of processes and progress continued during 2017:

- four women are members of the EXCOM, representing 33% of the total number of members on December 31, 2017. At MCOM level, four women are members, reaching 32% of the total number of members including Excom members;
- a recruitment policy was adopted to encourage gender diversity in senior management positions: Technicolor requires recruitment and personnel search professionals worldwide to ensure that the curriculum vitae of at least one qualified woman is included in every list of finalists submitted for open senior management positions within the Company;
- leadership talent criteria are adapted to secure equity between men and women in leadership positions; gender diversity is integrated in Divisions Talent review, which outcomes are presented to EXCOM, including dedicated action plans as needed;

In addition, initiatives to promote gender diversity are encouraged locally as in India, France, the UK. and Poland:

- in India, the local Women's Network continued to build momentum and several specific events were held during the year 2017 such as one week of Women's Day celebration, 2 Women's Discussion Circle sessions, awareness sessions on sexual harassment, and an awareness session on prevention of sexual harassment at work place. Technicolor India also developed outreach information and activity at other entity locations such as JAIN school of Animation ICAT Design and Media College, the Asian Institute of Gaming and Animation, Yellow Tree Academy and the Maya Academy of Advanced Cinema, all with the idea to attract more women to join Technicolor. Also, women are actively encouraged to participate and to present their papers to the Grace Hopper celebration of women in computing that is India's largest Gathering of Women Technologists;
- in France, an agreement was reached early in 2016 about "Gender Equity." It includes compensation alignment between men and women, with a dedicated budget, training for managers to appreciate gender diversity, training to support women in developing their leadership and promoting their career. During 2017 about 42 changes in compensation for women were introduced as part of the Gender Equity program actions. Technicolor ranked 4 in 2017 in the yearly ranking for gender diversity in the governance bodies of French companies (SBF120);
- in the UK., The MPC Balance program was launched, a global initiative focusing on improving gender diversity within MPC operations. Currently at MPC, at least half of the senior management team in each location is female and slightly more in the overall leadership team. All MPC locations launched local women steering committees during 2017, and a hiring target for MPC Academy was set at 40 percent women. Technicolor continued its engagement with Women in Film & Television Network by continuing to sponsor the Creative Technology Award Category for the 2017 Women in Film and Television Awards. Technicolor continue to attract and retain female talent with the focus on work-life balance and engagement with flexible working policy, which had a 57% increase in flexible working requests from 2016 to 2017;
- in Poland, women candidates make up at least 50% of the short list for any open permanent position, and the industrial operation actively manages lifestyle expectation concerning shift duration, physical capability, on-site restaurant offerings, and social events. Women are represented in the same proportion as employment for the site's stakeholder representatives Committee, which reviews operational changes and provides input to management.

## Principle of Non-discrimination

A diverse workforce is a business imperative to Technicolor in its competitive environment. It must be able to recruit and retain the most talented candidates from a broad range of disciplines and experiences. Technicolor's policy is to provide equal employment opportunity without regard to race, sex, religion, national origin, age or disability status.

Non-discrimination and equal employment opportunity policies, based upon the Ethics Charter and locally augmented according to specific legal requirements if needed, including the anti-harassment policy, are implemented at all Technicolor sites. In several countries, managers and supervisors are provided Legal awareness training sessions about anti-harassment and non-discrimination. Several initiatives continued or were launched in 2016 and continued to develop during 2017:

- in France, the "generation contract" initiative to enhance employment of juniors and maintain employment of seniors continued;

- in the UK., equal opportunities policy is part of the employee handbook and of the induction for all new starters. MPC held a week of activities focused on ethnicity during National Inclusion Week, and also launched a social club at each location named MPC Pride, open to everyone, focusing on being a welcoming space for all LGBTQ workers at MPC;
- in India, practice was developed to make provision for mutually agreeable extension of employment for senior workers, past the national retirement age of 58. The Bangalore operation also provides a written document concerning local community conditions and advice for new workers moving in from other areas. Partnering with Oxfam India, the Technicolor team supported 24 local teams in the 2017 Trailwalker "Walk for Equality" event, with walks of 50 and 100 km over three days, while also staffing a checkpoint along the route for support and hospitality during the 3 day event.

In addition to the role of the management, detection of discrimination cases also relies on the whistleblower policy allowing any employee to confidentially disclose their situation or the situation of a co-worker, without fear of publicity or adverse reaction. Such cases are reported to the Ethics Committee and investigated. Some countries implement in addition an official trust person or advocate for employees if there is a discrimination issue. Overall, about twenty-six cases of discrimination and harassment were reported in 2017.

## *Employment and Integration of Disabled People*

Depending on national legislations, legal requirements to integrate disabled persons or to hire a specified number or percentage of disabled employees, and thus the definition of a disabled employee, may strongly vary, or may not even exist. Also, labeling, categorizing, or making a record of an employee as disabled may be legally prevented in certain countries or subject to the individual authorization by each concerned employee who may refuse. Therefore, statistics cannot reflect the reality with accuracy.

However, beyond the legal requirements when they exist, Technicolor strives to adapt our working places, including factories, to provide equal employment opportunities with no discrimination against disabled people with regard to hiring, training, allocation of work, promotion, or reward, and seeks to eliminate employment barriers and to accommodate disabled employees. In that regard, employment of disabled is part of our non-discrimination policy, and Technicolor has been and continues to be willing to integrate different needs including modified duties, adapted hours, and adapted workspaces.

In France, agreements were signed during 2016 with labor representatives in support of Technicolor's 'Mission Handicap – France' program, which was launched during the second half 2016 and focuses on four critical aspects: increase recruitment of persons with disabilities, provided their competence is in line with the position requirements; encourage job retention and career development of employees with disabilities; develop knowledge and expertise on disability within Technicolor through training and coaching; and increase the use of disabled people from service providers.

In Canada, Technicolor policy recognizes and promotes the hiring of persons with disability.

In Australia, Technicolor partnered with a disability employment agency to hire employees with disabilities, and placements are on-going.

In the UK., a joint industry network was announced under the name of Access: VFX, with the guiding principle of promoting diversity and inclusion in the VFX industry. The Mill and MPC are both key correspondents in the Access: VFX launch, including hosting seminars and workshops on-site for small groups of targeted individuals. MPC held three events as part of National Inclusion Week: See with your ears, Hear with your eyes; Notes on blindness; and Channel 4: We're the superhumans – all targeting awareness building:

In Poland, Technicolor extended efforts into families of workers who care for children with disability, providing increased benefits to the family *via* the worker in these cases.

## 5.1.6 TRAINING POLICY

GRI [G4-LA9] [G4-LA10] [G4-LA11] [G4-DMA Training and education]

The objective of Technicolor training policy is to ensure the development of competencies and capabilities are aligned with the Group's strategy and, simultaneously, support employee's growth and development.

Training priorities are set based on the evolution of existing jobs and technologies, on the identification of new capabilities to develop and on the individual needs of employees in terms of job performance and/or of professional evolution. The creation of specific learning tracks per job has been encouraged in each division, resulting in an optimization of training resources and in an increased number of training opportunities. In order to ensure the same quality level as well as alignment and consistency, development programs regarding Leadership, Management and Technical or Functional skills are coordinated at corporate level.

To do so, Talent & Development Center of Expertise supports business heads and HR Business Partners in all aspects regarding Learning and Development. HR Business Partners coordinate the building and monitoring of the Development Plans at division or function.

Training is implemented locally by the HR Competency Centers who are in charge of ensuring training actions are optimized between the divisions and that training complies with all local regulations.

Overall training initiatives offered in 2017 encompass 292,534 hours of training for both employees and external persons working under the Group supervision, of which 278,304 delivered to 11,791 Technicolor employees. It does represent 23.6 hours per employee trained. Additional training hours of informal on the job training activities and discussion groups having taken place in 2017 are not reported.

## 5.1.7 REMUNERATION POLICY

GRI [G4-52]

Total remuneration is considered a key pillar of Technicolor's Human Resources policy. The remuneration policy is tailored to acknowledge and fairly recognize an employee's contribution to the short and longer-term success of the Group.

Technicolor continues to incorporate a classification structure based upon Towers Watson methodology, with grades and bands that ultimately emphasizes and reinforces the strong link between contribution and remuneration. Technicolor is steadily reviewing its job definitions and levels and reflects the evolutions of the Group. Such classification allows the Group to ensure the internal equity of remuneration packages; moreover, Technicolor participates to relevant salary surveys to assess the competitiveness of remuneration in the proper marketplaces. This provides Technicolor with sustainable, objective and equitable means of remunerating employees while closely controlling its wage bill.

The total remuneration policy is structured around flexible and competitive fixed and variable compensation elements driven by market best practices and the Group's objectives for long-term value creation appropriate to circumstances and goals:

- **competitiveness:** appropriate market benchmarks of total compensation against comparable companies allow Technicolor to offer competitive compensation packages to employees in accordance with competitive pressures in the marketplace. This ensures that Technicolor continues to attract, motivate and retain high potentials and key contributors for which Technicolor competes in an international market place while controlling cost structures;
- **equitable approach:** Technicolor believes that it remunerates its employees on an equitable basis in each of its geographical locations both in line with local standards and proposed corporate programs. The remuneration policy is set according to the Group's "broadbanding policy" which allows consistent assessment of responsibility, contribution and levels of expertise on an international business basis across all businesses and functions. In addition, the remuneration policy of top executives is managed by Corporate Human Resources to facilitate consistency of various remuneration components and ease international and cross-business mobility;
- **business and skills focus:** the remuneration of professionals, engineers and managers is a sound, market-driven policy and ultimately administered to stimulate business performance. A substantial part of the total remuneration package is composed of variable elements which drive a performance culture and support the Company's strategy. These variable elements are meant to stimulate, recognize and reward not only individual contribution, especially innovation and risk-taking, but also and in particular, solid and consistent Group and divisions performances.

In accordance with the principles and rules established by the Group, each Group entity is entitled to recognize the potential and encourage the development of its employees by means of various remuneration factors defined by the Group.

At constant currency rate exchange (end 2017) and at constant population of employees (all employees present both in 2016 and in 2017), the evolution of the base salary payroll mass (without variable elements and social contributions paid by the employer) between 2016 and 2017 increased by 4.12%.

## 5.1.8 LABOR RELATIONS

GRI [G4-11] [G4-DMA Labor/Management relations]
[G4-DMA Freedom of association and collective bargaining]

Labor relations with Technicolor employees are the responsibility of Site managers in each country with the support of Human Resources.

With respect to its European operations, Technicolor entered into a labor agreement with a European council of employee representatives (the "European Council") confirming the Group's labor practices. This council, which meets several times each year, comprises union representatives or Members of local works councils in European countries.

The European Works Council is composed with:

| Country | Number of European Works Council seats |
|---|---|
| Belgium | 1 |
| France | 2 |
| Poland | 1 |
| United Kingdom | 2 |

Technicolor's European Works Council is a supranational body, the purpose of which is to address topics of a transnational nature. The European Works Council is informed of Technicolor's European operations in respect of personnel, finance, production, sales, and research and development, and their impacts upon employment and working conditions. It is also informed of major structural, industrial and commercial changes as well as organizational transformations within the Group. It met one time in 2017.

In accordance with applicable law in the European Union, Technicolor's managers of each European country meet annually with labor organizations to discuss remuneration and working conditions.

In accordance with domestic laws, data regarding the level of unionization is not available in most of European countries (the laws in these countries do not allow this type of statistic to be published). In 2017, Technicolor entered into 31 collective bargaining agreements: 1 in Australia, 1 in Belgium, 7 in Brazil, 1 in Spain, 16 in France, 2 in Italy, 3 in Mexico.

In several countries, collective bargaining agreements are negotiated on a pluriannual basis, (three years or more), and therefore agreement may not have be to be renewed in 2017 in certain countries, such as Canada and the U.S., due to this calendar.

## 5.1.9 WORKING TIME MANAGEMENT AND ABSENTEEISM

GRI [G4-LA6] [G4-DMA Employment]
[G4-DMA Occupational health and safety]

Working time is managed according to the needs of Technicolor's various business activities in both the parent company and its subsidiaries. The Group complies with regulatory obligations and contractual commitments in terms of working time in each country in which it operates. Through various working time management tools, the Group ensures employees do not exceed legal thresholds and are appropriately compensated for any overtime according to their employment agreement. However, a large part of Technicolor's workforce is exempt and paid a flat rate for a number of days worked per year: worked days are then monitored.

Part time and remote working are authorized on a case-by-case basis according to the Group policies and depending on the occupational requirements. During 2017 Technicolor had in average 285 employees working less than 5 days per week. Over the year, part time employees working at least half time represent 97% of part time employees and part time employees working at least the equivalent of 4 days per week (80% of a full time worker's time) represent 57% of part time employees. French "intermittent" contracts are not considered as part time employees.

Some activities of Technicolor experience seasonal peak workloads (such as DVD Services) and require significant interim and temporary (fixed-term) workers to support client requirements, mainly in the distribution and warehouse sites, in addition to overtime. These seasonal workers are typically directly hired over a period of a few months (temporary) or contracted through a third party labor services Company (interim), while overtime for long-term employees is more achievement-related and is used to complete very time-limited peak activity (manufacturing or project development achievement). Interim workers are not included in the year end Group headcount figures as they are not employees of the Group. The main countries employing seasonal workers are the United States, Mexico, Poland and to a lesser extent Canada and Australia.

Production Services activities such as Visual Effects, Animation and post-production are mainly project based driven activities and rely for a significant part on fixed-term contracts (including "Intermittents" contracts) to be able to adapt team skills mix, experience and size to the requirement and the timeline of the productions, as this is the common rule in this industry.

Overall, seasonal interim workers represent about the equivalent of 5,960 full time jobs while at the peak they may more than double the number of workers present on the relevant sites.

Fixed-term contracts and "intermittents" represent the equivalent of about 2,890 full time jobs across the Group activities.

Across Technicolor, total overtime represents about the equivalent of 580 full time jobs.

Working time is managed in the Group's various sites *via* software such as ADP, Punchout, Kronos, Sisnom and Casnet. There are also some additional manufacturing related tools that track working time such as ScheduAll, Laserbase and CETA.

Absences are generally defined on an annual basis in terms of holidays, vacations, personal and family medical leave or other possible unplanned absence such as jury duty, as described by bargaining unit contract, employment contract, or regulation. Throughout the year, each employee categorizes any absence according to its definition, and all absences are subsequently reviewed and approved inside the applicable working time tracking software solution.

The average rate of employee absenteeism for sickness and unauthorized absence at the Group level in 2017 was 2.8%.

## Absenteeism Methodology

Population coverage: 98.9% of the employees are covered for the calculation. All employees with an active and not terminated working contract with Technicolor are included in the scope (interns, apprentices, contracted workers, employees under a notice period are excluded).

Absence reported: paid and unpaid medical leave up to 12 continuous week of absence, work accidents absence, short-term and long-term disability if employment working contract is not suspended, unauthorized absences – Unpaid leave / absence – other unjustified unpaid absence. All other categories of absence are not included. The 2017 coverage is identical to 2016 and 2015 coverage.

Absenteeism rate divides volume of recorded absence (days) by the product of theoretical number of days worked during the year and the monthly full time equivalent average headcount of the covered population.

## 5.1.10 ILO AND GLOBAL COMPACT PROGRESS

GRI [G4-15] [G4-DMA Labor/Management relations] [G4-DMA Investment] [G4-DMA Non-discrimination] [G4-DMA Freedom of association and collective bargaining] [G4-DMA Child labor] [G4-DMA Forced and compulsory labor] [G4-DMA Compliance]

Technicolor closely follows the international principles laid out in the International Labor Organization's (ILO) Declaration on Fundamental Principles and Rights at Work in its approach to Ethics and Social Responsibility, a standard reinforced in the Group's Ethics policy and in its membership with the UN Global Compact. In this way, the Company pledges to ensure freedom of association and the effective recognition of the right to collective bargaining, elimination of all forms of forced or compulsory labor, effective abolition of child labor and elimination of discrimination in respect of employment and occupation. These principles carry through into the supply chain, and supplier compliance with the Company's policies and principles relating to ethics and human rights is monitored through a Supplier Ethics and Social Responsibility program.

Technicolor has been a Member of the United Nations Global Compact since 2003. The Global Compact is a United Nations initiative which challenges Member companies to align their operations and strategies around 10 universally accepted principles in the areas of human rights, labor standards, environmental practices and anti-corruption and to develop best practices in these fields. Technicolor seeks to comply with the highest ethical standards, to take into account the legitimate and ethical interests of all its stakeholders as well as the United Nations founding principles and each year submits a Communication on Progress as part of its support and engagement in favor of the Global Compact. The Communication on Progress is available as part of the Sustainability report on the Group's website at the following location under the Governance and Ethics section:

http://www.Technicolor.com/en/corporate-social-responsibility

## 5.1.11 HEALTH AND SAFETY MANAGEMENT

GRI [G4-27] [G4-LA5] [G4-LA6] [G4-LA7] [G4-LA8] [G4-DMA Occupational health and safety] [G4-DMA Local communities]

### Health and Safety

An effective occupational Health and Safety (H&S) program, as defined by Technicolor, looks beyond specific requirements of law to address all hazards. The aim of the occupational health and safety program is to prevent injuries and illnesses, whether or not compliance is an issue. The Group believes that the necessary elements of an effective program include, at a minimum, provisions for systematic identification, evaluation, and prevention or control of general workplace hazards, specific job hazards, and potential hazards that may arise from foreseeable conditions.

Technicolor's health and safety programs are designed to identify potential risks and take appropriate prevention and severity reduction measures. Accident and injury prevention programs include active local Safety Committees and specialized task forces, job safety analysis, written plans and procedures, employee training, monitoring for potential chemical, physical, biological, and ergonomic risks, inspections and audits, incident investigations and the implementation of appropriate corrective actions.

There were many notable H&S achievements during 2017 and several of them are summarized below. In industrial locations, the prevention of physical injury remains the focal point when reducing hazards around the operational areas and warehouses. At non-industrial sites, many initiatives and programs were implemented to improve working condition, to address specific risks, and to develop well-being while ensuring the safety of the workplace.

An Health and Safety Management System helps reduce risks in a sustainable manner and maintain focus year after year. The Melbourne DVD Services safety practices include monthly safety meetings, risks assessments are conducted periodically, hearing loss is prevented by providing hearing tests and hearing protection in noisy areas, posters are displayed in walkways to alert employees on higher risk work practices. These efforts are rewarded by a low injuries incident rate for three years in a row, with zero reportable injuries in 2017.

Pooling with others on the road to increased safety is the way to go in Canada where the Toronto DVD Services site joined the site Employee Insurance provider safety scheme whereby the site is given five goals to achieve each year and meets with peers and shares best practices.

Occupational safety addresses physical risks as a priority. In Piaseczno, the circulation of vehicles was reorganized in the warehouse to prevent collision with pedestrians and in Huntsville, metal railing was also installed to similarly separate employee walkways from forklift operations.

## ERGONOMICS AND FITNESS

In non-industrial sites where occupational risks include health risks associated to sedentary lifestyles, ergonomic and fitness awareness campaigns or office ergonomics training sessions were proposed.

The Chennai site proposed to workers some health related workshops such as Yoga, eye and dental camp, general medical check-ups, Friday fitness sessions. The New York MPC site proposed a healthier selection of snacks for the Studio and has organized a one-day Health Fair with local service providers including massages, nutritionists, chiropractors, fitness instructors. Health screenings are also part of the benefits enrollment.

In Issy les Moulineaux, one hour ergonomic training sessions were proposed to groups of employees after which individual visits were made on demand by the trainers.

In Los Angeles at The Mill a wellness month was proposed to promote healthier living. Some sites are experimenting with multi-position desks allowing sitting or standing, such as in Edegem or Boulogne.

## GENERAL HEALTH PREVENTION

In Mexico, Guadalajara, Tultitlan and Mexicali sites propose employee vaccination programs and annual health campaigns to detect chronic diseases such as diabetes, cholesterol an overweight with the support of local health authorities.

## FOSTERING A SPIRIT OF SOLIDARITY

In many locations, donations in time or resources were made vis-a-vis local communities. Of particular note, to cite a few among many others, the Manaus site led campaigns to prevent Dengue fever, reduce traffic accidents, promote breast cancer early detection, and led awareness campaigns in public schools on the environment. Camarillo employees participated in coastal or inland waterway clean-up actions. Chennai employee held stands at the local market to sell their products to collect funds for buying new fans for an old age home as well as offered gifts for children in need. The Memphis site collected money to donate to the victims of Hurricane Harvey.

Technicolor has initiated some discussion bearing on health and safety with employee representatives in countries where structured dialogue with employee representatives is well established.

Technicolor understands that each employee has the ability to impact Environment, Health and Safety (EH&S) efforts and performance, thus it is critical that they are provided with the appropriate tools, resources and knowledge. EH&S training programs develop awareness and skills that allow employees and contractors to perform their jobs in such a manner that will not only ensure compliance with appropriate laws, regulations and policies, but also so that they may prevent accidents which may lead to injuries or harm to the environment. Training programs are evaluated during the EH&S Audit process and are a core requirement in the EH&S performance measurement process.

### *EH&S Training*

In 2017, about 36,552 hours of documented training on a wide variety of environmental and safety compliance and protection, injury prevention, emergency preparation and response, and occupational health topics were provided to employees and contractors throughout Technicolor.

### *Community Outreach and Employee Initiatives*

Technicolor sites facilitated a variety of community outreach and employee protection initiatives in 2017, including medical exams, vaccinations, flu shots, blood drives, wellness programs, massage, yoga, ergonomic evaluations, first aid training, holiday adoptions, food, clothing, eyewear collections and other cash, product, and time donations.

## *Safety Performance*

What follows are results of key safety metrics that were tracked in 2017.

In 2017, Technicolor experienced a 19% increase in work-related injury and illness incident rate (number of reportable injuries and occupational illnesses per 200,000 hours worked) from 0.96 in 2016 to 1.14 in 2017.

The work-related lost workday incident rate (number of reportable lost workday injuries and occupational illnesses per 200,000 hours worked), increased similarly to 0.53.

Technicolor records all days lost due to work-related injuries or illnesses as calendar days, beginning on the day after the injury or illness occurs. Severity is viewed using a variety of definitions, from French regulatory definition which equals average number of days lost per 1,000 hours worked (0.042), to average lost days per incident (7.5), to average lost days per equivalent full-time worker (0.083).

### Work related incident rates for 200,000 hours worked

| | Injury and Occupational Illness | | Lost workday incident | |
|---|---|---|---|---|
| | Incidents | Rate | Incidents | Rate |
| 2015 | 159 | 0.91 | 77 | 0.44 |
| 2016 | 215 | 0.96 | 102 | 0.46 |
| 2017 | 243 | 1.14 | 114 | 0.53 |

### 2017 incident and lost workday incident rates for 200,000 hours worked

| | Injury and Occupational Illness | | Lost workday incident | |
|---|---|---|---|---|
| | Incidents | Rate | Incidents | Rate |
| Connected Home | 8 | 0.41 | 4 | 0.21 |
| Entertainment Services | 233 | 1.24 | 110 | 0.58 |
| Corporate & Other | 2 | 0.35 | 0 | 0 |

# 5.2 ENVIRONMENTAL MATTERS

GRI [G4-14] [G4-27] [G4-DMA Overall]

This report provides an overview of the activities that Technicolor is taking to fulfill its responsibilities as a global corporate citizen with respect to Environment, Health, and Safety (EH&S). As such, Technicolor is reporting on what it has determined to be the most significant aspects and impacts, both globally and by business unit, for the fiscal year 2017.

In alignment with the principles stated within the EH&S Charter, Technicolor continually assesses the EH&S performance of its facilities to identify opportunities and implement measures to reduce adverse environmental impacts and to improve the health and safety of its workplaces and their surrounding communities. For the 2017 management report, a total of 50 reporting locations are included.

There were many notable environmental achievements during 2017 targeting energy efficiency, conservation of water, and improved recycling. Several of them are summarized as follows.

## ENERGY HIGHLIGHTS

Many programs were put in place to reduce energy consumption or more generally reduce site carbon footprint. Among these, the following initiatives have been selected as representing a characteristic sample.

Lighting fixtures are increasingly supplied with new energy efficient LED lights (Manaus, Mumbai, Culver City MPC, Boulogne, Piaseczno) in replacement of fluorescent light bulbs or older LED lights. This paired with sensors allows for energy savings such as in Rugby or Sydney DVD facilities.

In Manaus, the site installed additional external solar powered lighting as part of its Green Factory program to improve consumption of energy from renewable sources.

The energy demand of servers at Creative Services sites is carefully monitored and systems may be conditionally adapted to reduce consumption when possible. Some sites raise the minimum temperature in the server rooms by up to three degrees when load permits, (London MPC) or even shut down servers when they are not needed (Chennai).

Similarly, in the Chicago The Mill offices, central air conditioning shuts down during the nights to conserve energy.

In London MPC alone many initiatives were taken which reflect all the different aspects of an energy saving program such as installing more efficient uninterruptible power supply equipment, changing lights to LED, increasing data center set temperature, installing a building management system to control building temperature, installing video conferencing to reduce travel, including a systematic review of the energy performance of any new equipment purchased and also training security staff to turn lights off after hours.

Some initiatives to reduce carbon emissions due to commuting or to develop offset credits are in place or are being established at non-industrial sites. The Mill operation in London has committed to 100% of its electricity coming from renewable sources. MPC operations in Los Angeles has planted trees in its park, the Technicolor Hollywood site participates in a program to compensate vehicle emissions by purchasing $CO_2$ emissions offset credits. The Edegem site participated in a "national car free day" with alternative transport promoted to come to work, offering breakfast to all employees arriving by bicycle, or on foot. The Rennes site in France has a complete plan including financial incentives to use public transportation, training sessions on bike safety in an urban environment, bike repair shops, and dedicated parking spots for carpoolers.

## WATER HIGHLIGHTS

Regardless of site geographical location, in drought affected areas or in more temperate climates, sites endeavor to reduce their water footprint as well.

Initiatives range from small adjustments to regulate pressure and consumption such as introducing tap aerators and optic sensors, to leak detection and repair (Rennes rainwater harvesting tank tightness works), improving the efficiency of cooling towers, or reducing water used for cooling render farms by externalizing those (Montreal MPC).

On the non-technical side, campaigns to remind staff to make a conservative use of water are in place, as is water-conscious gardening by planting drought resistant species in California, and re-use of condensate water from the air conditioning systems to irrigate an organic garden at Manaus.

## WASTE HIGHLIGHTS

In DVD manufacturing facilities, waste programs included recycling purge material into DVD lines, internal recycling and repairing of wooden pallets, and improved collection and recycling of cardboard packaging waste.

In non-industrial sites, paperless is growing and recycling programs are increasing to include more aluminum cans, more paper and other recyclables. In Bangalore a paper recycling scheme has been put in place. In Mumbai the organic waste is being collected by an NGO for composting.

Newly acquired businesses are reviewed by Technicolor to identify EH&S aspects of their operations, to evaluate the status and effectiveness of existing management and control systems, to determine compliance with Technicolor EH&S Policies and Guidelines, to communicate Technicolor's EH&S initiatives and requirements, and finally, to assist in the establishment of location-specific programs that conform to Technicolor's requirements and meet the needs of the Group.

## 5.2.1 GENERAL

GRI [G4-DMA Overall]

### Policy and Charter

As a global leader in providing a diverse range of communication and video technologies, finished products, systems, equipment, and services to businesses and professionals in the entertainment and media industries, Technicolor understands the importance of establishing consistent and universally applied standards. Such standards not only assist each of its locations to meet the requirements of the country in which they are located, but also provide an added benefit of encouraging each location to develop programs that go beyond local regulatory requirements. To formalize this critical philosophy, Technicolor has developed a Corporate Environment, Health, and Safety (EH&S) Charter. The EH&S Charter supports the Technicolor Ethics Charter and the Corporate Social Responsibility Charter, and is the cornerstone of the Group's EH&S program. It defines key management principles designed to protect human health and the environment, helps Technicolor meet its legal and corporate responsibilities, and provides direction for each Technicolor location's activities and operations.

The EH&S Charter has been translated into six languages and is available on the Group's Intranet, and is displayed at each industrial site.

### Environmental Risk Profile

During 2017, the Group operated 50 main locations, 13 of which are industrial. By Technicolor's definition an industrial location is a facility where DVDs are produced, packaged or distributed or where any Connected Home product is made.

To provide finished products and services, Technicolor utilizes purchased materials, chemicals, components, energy, and water. As a result of the products and services it provides, there are a number of potential activities that may result in adverse impacts to the environment.

Environmental aspects reviewed in this report include waste management (total waste generated, landfilled, and recycled), energy consumption (electricity and fossil fuels), water consumption, air emissions (greenhouse gas emissions), main materials used, and processing wastewater effluents. The 50 sites included in this report may be reviewed in the subsection "Data Collection Method and Rationale" (5.2.4) herein.

### Organization

EH&S is managed transversally within Technicolor and by extension becomes the duty of each Executive Committee Member, Technicolor business manager and Site manager. Technicolor established a Corporate EH&S group in 1993 to develop, direct and oversee the development of global policies, guidelines, programs and initiatives. The Corporate EH&S organization reports to Corporate Social Responsibility, headed by the Director of Human Resources and Corporate Social Responsibility, who is a Member of Technicolor's Executive Committee. Overseeing the EH&S group is a Corporate manager, who directs the efforts of EH&S personnel throughout the business. Business Unit liaisons work to ensure that initiatives relevant to their particular business are shared quickly among sites with similar industrial activity. Legal support and counsel for issues such as product safety, environmental protection and workplace safety is provided by Technicolor in-house attorneys.

It is the responsibility of the Corporate EH&S Organization to develop policies, programs, processes and initiatives to help the business meet the principles and commitments outlined within the EH&S Charter. Each Technicolor location identifies personnel who, along with the support of local EH&S Committees, are responsible for reviewing and localizing Corporate Policies and Guidelines and applicable governmental laws and regulations, and for implementing site-specific programs and procedures which will ensure compliance and minimize the potential for their operation to cause harm to human health or the environment.

## 5.2.2 PROGRAMS, SYSTEMS, AND ACTIVITIES

GRI [G4-DMA Overall]

A number of programs and initiatives have been established and implemented to ensure that the Group meets its legal responsibilities and operates in a manner that identifies risks and takes measures to reduce harm to human health and the environment. The most significant of these are described below.

## Policies and Guidelines

Corporate EH&S Policies and Guidelines have been developed to establish requirements and provide guidance for the development, implementation and maintenance of EH&S programs. EH&S Policies and Guidelines are periodically reviewed and revised, and when necessary, adapted to ensure that they address current regulatory and business needs, most recently working alone and first-aid, Cardio-Pulmonary Resuscitation, and Automated External Defibrillator.

Each Technicolor industrial location is responsible for reviewing the EH&S Policies and Guidelines and applicable laws and regulations, and developing local programs that ensure compliance and address site-specific issues. Along with the Charter and other key information, the Policies and Guidelines are available to employees *via* the Technicolor EH&S Intranet website.

## Annual Performance Measurement Process

A process was implemented in 1997 to allow for the consistent internal benchmarking of key management programs and requirements within each of the Group's industrial locations, and tracking of site progress toward environmental, safety and resource conservation improvement goals. This process was revised during 2012 to better support the wider network and diversity within the Group's mix of industrial and non-industrial locations, and it assesses benchmark criteria, helping the Group create consistent global focus and action plans on key programs, requirements and initiatives.

## Training

### GRI [G4-LA9] [G4-DMA Training and education]

Technicolor understands that each employee has the ability to impact the Group's EH&S efforts and performance, thus it is critical that they are provided with appropriate tools, resources and knowledge. The EH&S training program develops awareness and skills that allow employees and contractors to perform their jobs in such a manner that will not only ensure compliance with appropriate laws, regulations and policies, but also prevents accidents which may lead to injuries or harm to the environment. Training programs are evaluated during the Corporate EH&S audit process, and are a core requirement in the EH&S performance measurement process. In 2017, about 36,552 hours of documented training were provided on a wide variety of environmental and safety compliance and protection, injury prevention, emergency preparedness and response, and occupational health topics.

## Emergency Preparedness and Response

Even the best designed programs and procedures cannot eliminate the occurrence of unforeseen events. The development and periodic review of emergency preparedness and response plans is critical to the success of Technicolor's EH&S program, making these, along with associated training and testing, key components of the EH&S performance measurement process.

One of the many challenges that are present in a globally operated business is ensuring effective communication, particularly in the event of a crisis. At Technicolor, a system was designed to provide a consistent worldwide approach for managing and mitigating significant EH&S incidents. The Significant Business Incident (SBI) system enables timely communication to and involvement of top management and ensures the quick and effective allocation of appropriate resources with consistent crisis management measures throughout the world. This process also serves as a valuable tool for identifying potential concerns within each of Technicolor's businesses and to ensure that appropriate preventive measures are effectively implemented.

In 2017, nine SBIs associated with EH&S aspects were reported, and no penalties or fines were incurred as a result of these SBI events.

## Environmental Management Systems

### GRI [G4-DMA Environmental grievance mechanisms]

An Environmental Management System (EMS) is a continual cycle of planning, implementing, evaluating and improving practices, processes and procedures to meet environmental obligations and successfully integrate environmental concerns into normal business practices. An effective EMS helps identify and eliminate the causes of potential environmental problems, establish and achieve environmental goals, reduce potential risk and liability, and operate a more effective environmental program.

ISO 14001 is the most widely accepted international standard for an EMS. In today's global market, participation in the ISO 14001 process is one way for an organization to demonstrate its commitment to the environment. To receive certification, organizations are required to develop detailed plans and procedures to identify, evaluate, quantify, prioritize and monitor environmental impacts of its activities.

During 2017, a total of six sites held an ISO 14001 certification and two additional recently acquired operations are working toward it. The Group makes an environmental risk assessment of each site before concluding an ISO 14001 certification is required. A few sites work beyond the Group requirement and achieve the certification even though the risk threshold is not exceeded.

**Technicolor locations with ISO 14001 certified EMS**

| Site | Segment | Original certification date |
|---|---|---|
| Guadalajara | Entertainment Services | October 2004 |
| Manaus | Connected Home | February 2004 |
| Melbourne | Entertainment Services | December 2005 |
| Piaseczno | Entertainment Services | December 2004 |
| Rugby | Entertainment Services | November 2004 |
| Sydney | Entertainment Services | December 2005 |

## Product Design and Life Cycle Assessment

GRI [G4-EN7] [G4-EN27]
[G4-DMA Products and services]

As a leading supplier of Set-Top Box (STBs) and Home Gateways, Technicolor has acquired experience and decided to incorporate Ecodesign principles and methodology into its main new products families. Rigorous product environmental performance analysis is used to measure the impact of innovations and to target key areas of focus. Specific ecodesign studies have been completed on many aspects of core product design (*e.g.*, energy consumption, electronic cards and components, casing and cable materials, accessories, etc.) as well as on related elements including packaging and transportation. To support eco-design, Technicolor uses the most recent version of a Life-Cycle Analysis Tool (EIME V5) to measure the environmental impacts of a product over its entire life (*i.e.*, from cradle to grave).

## Key Product Environmental and Safety Requirements Compliance

GRI [G4-EN7] [G4-EN27] [G4-PR1] [G4-PR3]
[G4-DMA Products and services]
[G4-DMA Compliance] [G4-DMA Public policy]
[G4-DMA Customer health and safety]
[G4-DMA Product and service labeling]

Technicolor operates in a worldwide market and thus has to deal with a wide variety of national and regional initiatives governing the environmental performance and risk management associated with its products.

In particular, energy consumption, which is the main significant environmental impact for our products remains a key priority across the industry and regions.

In Europe, therefore, Technicolor continues to support voluntary EU industry initiatives such as the Industry VA for Complex set top boxes, the Code of Conduct (CoC) for Digital TV and the CoC for Broadband equipment.

Technicolor has actively contributed to new or revision of eco-design regulation by providing inputs to the EU commission, *via* its membership of the Digital Europe organization of leading Digital Technology European companies. The scope of Technicolor contributions and monitoring are extended beyond energy efficiency such as Reusability/Recyclability/Recoverability (RRR), and planned obsolescence. In 2014 and 2015, Technicolor has provided key contributions to the EU eco-design work plan 2015-2017, the revision of 278/2009 on External Power Supply, the revision of 1275/2008 and 801/2013 regulation on standby and network standby, the CoC for Broadband Equipment version 6 (CoC BBV6), and to *VIA* for STB Version 4 (*VIA* V4), which are all impacting significantly the design, development, and cost of Technicolor GW and STB.

In the Americas, in Australia, in Asia, in Africa, and in the same manner, Technicolor monitors and follows environmental regulations and standards. In the United States for example, Technicolor follows the Department of Energy proposed amendment on external power suppliers and rulemaking initiatives on efficiency standards for Set-Top Box and Network Equipment, including planned obsolescence. For a number of years, most of Connected Home STB models marketed in U.S. met the Energy-Star STB energy efficiency levels. In Australia, Technicolor is an Associate Member of the Subscription Television Industry Voluntary Code for improving the energy efficiency of conditional access Set-Top Box.

Compliance methods and actions are in place with regard to the RoHS, and WEEE European directives, and the REACH (Registration, Evaluation, Authorization and Restriction of Chemicals) European regulation, or similar legislation in regions other than EU Member States, dealing with the Restriction on the use of Hazardous Substances within products and systems, and preparing for better end-of-life handling of Electrical and Electronic Equipment Waste.

Regarding consumer product health and safety, the Group ensures that all products sold comply with all consumer safety regulations applicable in each country where the product is marketed. Additionally, in some emerging markets where safety regulations may not yet be robust, the Group applies its knowledge of appropriate product safety regulations and ensures that emerging market products comply with a higher product safety standard.

## Audits and Internal Governance

EH&S audits and inspections are a key part of Technicolor's continued efforts to improve EH&S management and performance, and to prevent incidents from occurring. A comprehensive corporate audit program was implemented in 1996. The aim of the audit program is to review the Group's industrial locations' compliance with Corporate EH&S Policies and Guidelines and specific applicable EH&S laws and regulations. The audit program has also been demonstrated to be a valuable tool for increasing EH&S awareness, identifying best practice opportunities, communicating successful initiatives between plants, creating opportunities for different approaches to problem solving, and introducing EH&S personnel to other aspects of the Group's multi-faceted business.

The audits include physical inspections of the location, review of documents and records, and examination of activities within the EH&S scope. The use of Technicolor specific audit protocols helps ensure and maintain consistency in approach while also bringing renewed focus to key corporate requirements. In addition, the protocols allow for, and require, the inclusion of location-specific regulatory and business requirements. Issues and recommendations identified during the audit process are reviewed and discussed with members of the location's management.

In 2017, four locations were audited as part of Technicolor's objective of auditing each industrial location at least every three years. As a result of these audits potential improvement items were identified and evaluated, and more importantly, appropriate associated action plans developed.

## Acquisitions and Closures

Technicolor has established a process for reviewing locations prior to acquisition and upon closure to identify and understand the likelihood and extent of potential environmental contamination associated with the locations' activities. This process not only helps limit financial liability, but also to understand the type and level of support required to ensure that the Group's corporate policies and guidelines are effectively implemented. Once acquired, locations are expected to comply with Technicolor's EH&S policies and guidelines, which include, as an example, the development of chemical and waste management practices to minimize the potential for uncontrolled releases to air, water and land.

## Environmental Investments, Remediation, and Pollution Prevention

GRI [G4-EN24] [G4-EN29] [G4-EN31] [G4-EN34] [G4-DMA Environmental grievance mechanisms]

In total, approximately €1.55 million was spent on environmental remediation projects in 2017.

A certain number of Technicolor's current and previously-owned manufacturing sites have an extended history of industrial use. Soil and groundwater contamination, which occurred at some sites, may occur or be discovered at other sites in the future. Industrial emissions at sites that Technicolor has built or acquired expose the Group to remediation costs. The Group has identified certain sites at which chemical contamination has required or will require remedial measures.

- Soil and groundwater contamination was detected at a former production facility in Taoyuan, Taiwan that was acquired from GE in 1987. In 1992, the facility was sold to a local developer. Soil remediation was completed in 1998. In 2002, the Taoyuan County Environmental Protection Bureau ("EPB") ordered remediation of the groundwater underneath the former facility. The groundwater remediation process is underway. EPB and TCETVT continue to negotiate over the scope of that work. Technicolor has reached an agreement with General Electric with respect to allocation of the responsibility related to the soil and groundwater remediation (for further information, please refer to note 11.2 of Technicolor's consolidated financial statements for 2017, included in this report).
- During site closure at an Indiana (USA) CRT factory, soil contamination was discovered while de-commissioning storage pits and liners. Site assessment work was begun in 2005 and Technicolor entered into a Voluntary Remediation Agreement with the appropriate environmental agency in 2006. Initial soil clean-up actions took place in 2006 and groundwater assessment was completed during 2009. The remediation work plan for this site has been approved and is now primarily related to monitoring.
- As a result of a minor groundwater contamination discovered at a former Technicolor site in North Carolina (USA), an exhaustive environmental site assessment and corrective action plan was completed in 2005. The corrective action plan was approved by the appropriate environmental agency in September 2006, and remediation activities at the site were completed in 2007. Monitoring of the declining groundwater contamination is on-going.

- During site demolition at a closed London film lab with a prior history of contaminated groundwater, soil contamination was discovered while removing below grade structures and piping. All contaminated soil was excavated and disposed of properly. After demolition was completed, a site wide groundwater assessment was made, and a remediation strategy prepared. The remediation strategy was approved by the governing environmental and health agencies at end of 2009, and sub-surface remedial chemical treatment was completed during 2010. Post-remediation groundwater monitoring indicated a likely source point remaining within on-site soils, and this hot-spot was excavated and disposed during 2014. Localized chemical treatment was re-applied to the base of the excavation prior to backfill. During 2017 a remediation completion report was written and no further actions at this site are planned.
- During site redevelopment at a closed Hollywood film lab with a prior history of contaminated groundwater, soils underneath the buildings were assessed and contaminated soils removed where possible and disposed of properly. Additionally, installations of sub-surface soil vapor extraction systems and passive soil-vapor barriers were completed prior to replacement of the concrete flooring. These works were reviewed and approved by the governing agency prior to implementation and construction activities were completed during 2013. Soil vapor extraction processes and site groundwater monitoring continued during 2017.

The Group believes that the amounts reserved and the contractual guarantees provided by its contracts for the acquisition of certain production assets will enable it to reasonably cover its safety, health and environmental obligations. However, potential problems cannot be predicted with certainty and it cannot be assumed that these reserve amounts will be sufficient. In addition, future developments such as changes in governments or in safety, health and environmental laws or the discovery of new risks could result in increased costs and liabilities that could have a material effect on the Group's financial condition or results of operations. Based on current information and the provisions established for the uncertainties described above, the Group does not believe it is exposed to any material adverse effects on its business, financial condition or results of operations arising from its environmental, health and safety obligations and related risks.

In addition, Technicolor has initiated a number of environmental projects at various locations to ensure that they are in compliance with applicable laws and regulations and Technicolor standards, or to reduce or prevent unwanted emissions, for which approximately €49 thousand was invested. Potential pollution not directly related to chemicals or waste, such as noise pollution or noise restrictions, are assessed at the site level and mitigating measures are taken where appropriate.

## 5.2.3 OPERATIONAL DATA AND RESULTS

GRI **[G4-15] [G4-EC2] [G4-EN1] [G4-EN3] [G4-EN4] [G4-EN5] [G4-EN8] [G4-EN10] [G4-EN15] [G4-EN16] [G4-EN17] [G4-EN22] [G4-EN23] [G4-EN30] [G4-DMA Materials] [G4-DMA Energy] [G4-DMA Water] [G4-DMA Emissions] [G4-DMA Effluents and waste] [G4-DMA Transport]**

### Goals and Performance 2015-2018

Technicolor established the following EH&S goals and objectives for the Group, to be met by its worldwide industrial operations by the end of 2018:

- 5% annual reduction of injury rate;
- 20% minimum proportion of electricity coming from renewable sources;
- 75% minimum waste recycling rate;
- reporting to satisfy GRI (Global Reporting Initiative) G4 Guidelines.

### Reporting Perimeter

This report contains data from 50 operating locations, of which 13 are industrial. Prior year data are reported for the same locations when available, although some newly acquired sites may not have data values for years prior to acquisition. Given the diversity of the Group's operations, the environmental aspects and potential impacts vary by location, thus not every location is required to report on each of the established metrics.

The Corporate EH&S Organization has identified key information that is tracked and reported on either a monthly, quarterly, or annual basis. This information includes utility consumption, waste generation, recycling and disposal, air emissions, main raw materials used, and water effluent from industrial locations.

Technicolor is firmly committed to continually assessing the impacts of its facilities and products. Technicolor's goal is to continually evaluate information needs and collection processes to ensure that it remains consistent, with a focus on present activities and issues as well as anticipated future requirements.

## Environment

The year 2017 continued a shift in the environmental profile of the Group in alignment with the increasing emphasis on business to business partnerships with Media & Entertainment professionals.

What follows are results of key environmental metrics that were tracked in 2017. Prior year results are reported for sites within the reporting perimeter of the year reported, thus sites divested may continue to be reported in prior years and sites acquired are not reported in prior year's results.

## Energy

In 2017 worldwide energy use was approximately 1,452 tera joules, a decrease of about 11% compared with 2016. Of the total energy consumed, 90.5% was in the form of electricity (of which 16.8% was from renewable sources), 8.5% was in the form of fossil fuels, and 1.0% was in the form of purchased steam or chilled water. When compared to total revenue, average energy intensity was 0.333 TJ/M€ across the business in 2017.

**Energy consumption** *(terajoules or TJ/M€)*

| | Total | Electricity | Fuel sources | Total per revenue |
|---|---|---|---|---|
| 2015 | 1,124[1] | 975 | 145 | 0.326 |
| 2016 | 1,633[1] | 1,446 | 183 | 0.334 |
| 2017 | 1,452[2] | 1,314 | 124 | 0.333 |

*(1) Total energy includes about 4 TJ steam purchase.*
*(2) Total energy includes about 14 TJ steam or chilled water purchase.*

**2017 energy consumption** *(terajoules or %)*

| | Total Energy | % Total Group | Electricity | % Total Segment | Fuels | % Total Segment |
|---|---|---|---|---|---|---|
| Connected Home | 78.4[1] | 5.4% | 66.9 | 85.3% | 1.8 | 2.3% |
| Entertainment Services | 1,352.8 | 93.2% | 1,231.0 | 91.0% | 121.7 | 9.0% |
| Corporate & Other | 20.6[2] | 1.4% | 16.0 | 77.7% | 0.3 | 1.5% |

*(1) Total energy includes about 10 TJ chilled water purchase.*
*(2) Total energy includes about 4 TJ steam purchase.*

## *Water*

In 2017, water consumption at the Technicolor reporting locations decreased by about 5.8% *versus* 2016 to 668 thousand cubic meters. When compared to revenues, average water consumption rate was 153 $m^3$/M€ across the business in 2017.

Where raw water is developed on-site from local wells, all consumption and pre-treatment is in accordance with granted permissions and approved processes. All water consumption, other than that related to building and facilities, is linked to DVD replication or Set-Top Box manufacturing. Locations experiencing periodic water shortages, such as DVD replication in Australia, invest in rainwater harvesting, while other manufacturing locations in Brazil, Mexico, and Poland may invest in process water recycling so that overall source consumption is reduced. Including laboratory operations in Rennes, France, total rainwater harvested and consumed during 2017 was about 20,800 $m^3$.

**Water consumption** *(thousand cubic meters or m3/M€)*

| | Total Consumption | Total per Revenue |
|---|---|---|
| 2015 | 455 | 132 |
| 2016 | 709 | 144 |
| 2017 | 668 | 153 |

**2017 water consumption** *(thousand cubic meters)*

| | Total Consumption | % Total |
|---|---|---|
| Connected Home | 58.7 | 8.8% |
| Entertainment Services | 599.5 | 89.7% |
| Corporate & Other | 10.2 | 1.5% |

## *Process Waste Water*

Within Technicolor's facilities, 6 sites utilize water within their manufacturing processes. In order to assess the potential environmental impact of the discharge of this treated water, the Group referenced both the European Community (EC) and U.S. Environmental Protection Agency (EPA) criteria for "priority pollutants." Based upon these lists, and information provided by Technicolor's sites regarding the parameters that require monitoring and reporting, 13 pollutants were identified on either the EC or EPA list.

For 2017, the amount of treated water discharged was 70,790 cubic meters, and the total estimated amount of discharged priority pollutants was 80 kilograms.

**Discharged priority pollutants** *(kilograms or g/M€)*

| | Total Discharged | Total per Revenue |
|---|---|---|
| 2015 | 46 | 12.6 |
| 2016 | 126 | 25.8 |
| 2017 | 80 | 18.8 |

In addition, due to effluent characteristics, 3 sites are required to monitor biological oxygen demand (BOD) or chemical oxygen demand (COD), in 2017 an estimated total of 1,702 and 704 kilograms were discharged within process effluent respectively

All above quantities of discharged pollutants are fully compliant with authorized limits. Summary weights of pollutants are calculated using volume-averaged, full year, average concentrations, based on periodic laboratory sampling. Periodic effluent sampling is performed in accordance with local regulatory requirements, and in general pollutants are not monitored continuously.

## *Raw Material Usage*

The Group sources all raw materials externally. These are always industrially processed raw materials. The main raw materials consumed by the Group's businesses in 2017 were:

**Raw materials (metric tons)**

| | |
|---|---|
| Polycarbonate molding plastic | 23,084 |
| Cardboard and paper packaging | 12,291 |
| Wood packaging | 8,043 |
| Plastic packaging | 1,296 |
| DVD bonding resin | 1,269 |

## Waste

Technicolor has a long-standing commitment to the principles of sound and environmentally responsible management of waste. Establishing the hierarchy of internal re-use, recycling and reclaiming followed by treatment and then landfill as the last option, Technicolor has developed and implemented programs to reduce waste generation, decrease the amount of hazardous waste, decrease waste sent to landfill, and increase recycling.

Hazardous waste is defined at each site using guidance from local governing agencies, but in general it means waste chemicals, fuels, oils, solvents, batteries, fluorescent light bulbs, or other items that may have been in contact with the hazardous material, for example, cleaning materials or empty containers. All these hazardous wastes are handled, stored, and disposed in compliance with local regulation and Group Policy.

Total waste generated was 37,773 tons (about 3.5% of total waste was generated by non-industrial sites), a decrease of 2,569 metric tons, or 6.4% compared to 2016. The recycling rate was 74.5% decreasing slightly compared to 2016, mainly due to improved reporting from non-industrial sites for all wastes. When compared to total revenue, the average waste generation rate across the business was 8.66 M-Ton/m€ in 2017.

**Waste** *(metric tons or m-ton/m€)/*

| | Total Waste Generated | % Treated Hazardous | % Recycled | Total per Revenue |
|---|---|---|---|---|
| 2015 | 28,525 | 2.9% | 77.2% | 8.27 |
| 2016 | 40,342 | 1.97% | 77.9% | 8.25 |
| 2017 | 37,773 | 2.0% | 74.5% | 8.66 |

**2017 waste generation** *(metric tons or %)*

| | Total Waste Generated | % Total | % Treated Hazardous | % Recycled |
|---|---|---|---|---|
| Connected Home | 488.4 | 1.3% | 10.9% | 64.7% |
| Entertainment Services | 37,203.5 | 98.5% | 1.9% | 74.7% |
| Corporate & Other | 81.0 | 0.2% | -% | 40.5% |

New questionnaires about waste were sent to non-industrial sites for the first time during 2013 in recognition of their increased significance in the Group EHS profile due to headcount and surface area. It helped these sites begin to focus on their waste streams, although work remains for 2018 to more completely measure and categorize this waste generation. For 2017, the overall reported waste was significant at about 3.5% of the Group total tonnage, with approximately 64 tons of hazardous waste from non-industrial locations (batteries, mercury-containing bulbs, e-waste). Some sites are already well into reducing the amount of office paper used through a groupwide paperless initiative. New for 2016 was the first recognition of organic composting as part of recycled waste, with about 14 tons reported during 2017.

## Air Emission

Upon evaluation of its operations, Technicolor determined the most significant but limited air emission contaminant resulting from the Group's operations (Scope 1) to be carbon dioxide associated with on-site combustion of fuels for heating, back-up power generation, or fire-suppression equipment.

In 2017, a total of 7,087 metric tons of $CO_2$ were emitted from combustion sources within Technicolor's industrial plants and larger non-industrial locations. This figure was calculated using the 1996 Intergovernmental Panel on Climate Change (IPCC) Emission factors.

**Air emission** *(metric tons)*

| Scope 1 emissions | $CO_2$ |
|---|---|
| 2015 | 8,160 |
| 2016 | 10,557 |
| 2017 | 7,087 |

Indirect emissions from consumption of electricity (Scope 2) were 199,036 metric tons $CO_2$ and were estimated using guidance and tools from the GHG Protocol (World Resources Institute (2014) GHG Protocol tool version 4.5 for stationary combustion).

| Scope 2 emissions | $CO_2$ |
|---|---|
| 2015 | 140,515 |
| 2016 | 218,386 |
| 2017 | 199,036 |

Beyond scope 1 and scope 2 greenhouse gas emissions, the most significant contributions to scope 3 greenhouse gas emissions are shown below, in decreasing significance. Where quantitative estimates are shown, the values are approximate due to assumptions required and potential absence of exact knowledge for specific type of transportation equipment and fuel. Necessary assumptions are based on industry standards or surveys for collective vehicle performance or consumer behavior:

- electricity consumption during the use of Connected Home devices (Set-Top Boxes and gateways) in their targeted markets during their estimated product lifetime of 7 years. The total impact of all Connected Home devices produced during 2017 is estimated to be an equivalent 2.1 million tons of $CO_2$ during each full year of product operation. The assumed product operation that may be controlled in part by the network operator and the consumer, includes active hours during use, standby hours when not actively in use, and switched-off hours, aligned primarily with the customer habits for using their television at home. For any individual piece of equipment, the true equivalent emission will depend on the country and region of operation as emission factors vary significantly depending on electricity generation methods and sources in each country;
- raw materials, manufacturing, distribution, and dismantling (cradle-to-cradle) of Connected Home devices (Set-Top Boxes and gateways). The estimated impact of all outbound traffic controlled by Technicolor during 2017 for Connected Home devices was 12,049 tons $CO_2$;
- raw materials and distribution of DVD and Blu-ray™ discs. The estimated impact of all outbound traffic controlled by Technicolor during 2017 for DVD products was 41,314 tons $CO_2$;
- employee commuting;
- business travel.

## *Climate Change*

In 2017, Technicolor participated for the tenth consecutive year in the Carbon Disclosure Project, targeting collaboration between large international firms and investors related to global warming. Technicolor's answer is available on the CDP's website: http://www.cdproject.net.

Climate change is integrated into Technicolor's business strategy along two primary axes: development of eco-friendly products and services and infrastructure improvements to reduce emissions or to maintain performance when faced with climate impacts. The development strategy has Technicolor joining or leading various industry groups, regulatory committees, or trade collaborations as a way to find or to create improvements and manage them in to the product or service offerings. The infrastructure strategy is to seek out improved efficiencies in Technology or human process/behavior.

Examples are upgrades of existing lighting installations, building management systems, Research & Innovation programs linked to integration of smartgrid software in Set-Top Box, energy efficiency improvements from eco-design of products or packaging, anticipation on upcoming legislation, increase use of energy from renewable resources.

Locally other initiatives exist such as a "green car" policy for leased vehicles or a $CO_2$ emissions compensation program implemented at the Set-Top Box manufacturing facility in Manaus, Brazil.

Finally, Technicolor is preparing its facilities to mitigate the material effects of climate change (principally severe weather episodes such as heavy rainfalls and flooding or draughts or storms) by putting in place the needed prevention programs and adapting emergency action and contingency plans where needed.

### *Biodiversity*

All 50 locations confirm annually whether or not they operate in an area that provides an environmentally sensitive habitat to one or more species of plant or animal. During 2017, no sites reported any impact on sensitive habitats.

### *Noise*

Potential pollution not directly related to chemicals or waste, such as noise pollution or noise restrictions, are assessed at the site level and mitigating measures are taken where appropriate. For many locations, any requirements for periodic noise measurement at property boundaries are sufficient to prove compliance. However, any stakeholder or neighboring community concerns will receive additional attention and generally result in operational or technical solutions such as limited delivery hours, improved smoothness of on-site roadways to avoid noise from bouncing trucks, re-design of rotating fans to reduce blade tip speed, additional noise-reduction devices on reciprocating equipment, or limited hours of operation for other specialized equipment.

### *Land Use*

Technicolor does not use, alter, mine, quarry, or process soil or minerals as part of its activities. Leased or owned property is used solely as real estate on which the Group locates its facilities (manufacturing and production sites, offices and warehouses).

### *Actions taken to reduce food waste*

This subject is non-material in view of our activities.

## 5.2.4 DATA COLLECTION METHOD AND RATIONALE [G4-6]

GRI

This report contains data from 50 locations. Given the diversity of the Group's operations, environmental impacts vary by location, thus not every location is required to report on each of the established metrics.

The Corporate EH&S Organization has identified key information that is tracked and reported. This information includes utility consumption, waste generation, recycling and disposal, air emissions and water effluent from the identified locations. To ensure the timely and consistent reporting of information from Technicolor's worldwide locations, the Group has developed its own electronic reporting system. This system serves as a vital tool for identifying and acting upon trends at the reporting site, business unit, regional and global levels. The reporting locations provide required data through the electronic system on a monthly and annual basis, depending upon the information provided. Data is organized and consolidated globally and is communicated to the Vice-President, Corporate EH&S and others as appropriate.

The collection period runs from January 1, 2017 to December 31, 2017.

**Data Verification:** Data reporting requirements, and data collection and consolidation systems are developed by the Corporate EH&S organization communicated to individual locations. Each location is responsible for developing internal systems for the collection of required data and reporting that data to the Corporate EH&S group. Corporate EH&S reviews the submitted data for accuracy and works directly with the locations to clarify and when necessary, resolve inconsistencies. In addition, the location's data are reviewed during scheduled Corporate EH&S audits.

**Scope of Data Collection:** the following sites provided data for this report:

| | | | 2015 | | 2016 | | 2017 | |
|---|---|---|---|---|---|---|---|---|
| **Site** | **Segment (ref 2017)** | **Location** | **Industrial Profile** | **Non-Industrial Profile** | **Industrial Profile** | **Non-Industrial Profile** | **Industrial Profile** | **Non-Industrial Profile** |
| Avon | Entertainment Services | France | | X | | X | | X |
| Bangalore | Entertainment Services | India | | X | | X | | X |
| Beijing | Connected Home | China | | X | | X | | X |
| Boulogne | Entertainment Services | France | | X | | X | | X |
| Brampton[1] | Entertainment Services | Canada | X | | X | | | |
| Burbank | Entertainment Services | California, USA | | X | | X | | X |
| Camarillo | Entertainment Services | California, USA | X | | X | | | X |
| Chennai | Connected Home | India | | | | X | | X |
| Chicago The Mill | Entertainment Services | Illinois, USA | | | | X | | X |
| Culver City M-GO[1] | Corporate & Other | California, USA | | X | | | | |
| Culver City MPC | Entertainment Services | California, USA | | | | X | | X |
| Edegem | Connected Home | Belgium | | X | | X | | X |
| Guadalajara | Entertainment Services | Mexico | X | | X | | X | |
| Guadalajara FSSC | Corporate & Other | Mexico | | | | | | X |
| Hannover[1] | Corporate & Other | Germany | | X | | | | |
| Hollywood | Entertainment Services | California, USA | | X | | X | | X |
| Huntsville | Entertainment Services | Alabama, USA | | | X | | X | |
| Indianapolis | Connected Home | Indiana, USA | | X | | X | | X |
| Issy | Corporate & Other | France | | X | | X | | X |
| LaVergne | Entertainment Services | Tennessee, USA | | | X | | X | |
| Lawrenceville | Connected Home | Georgia, USA | | | | X | | X |
| Livonia[1] | Entertainment Services | Michigan, USA | X | | X | | | |
| London MPC | Entertainment Services | UK. | | X | | X | | X |
| London Post | Entertainment Services | UK. | | X | | X | | X |
| London The Mill | Entertainment Services | UK. | | | | X | | X |
| Los Altos | Corporate & Other | California, USA | | X | | X | | X |
| Los Angeles The Mill | Entertainment Services | California, USA | | | | X | | X |
| Manaus | Connected Home | Brazil | X | | X | | X | |
| Melbourne | Entertainment Services | Australia | X | | X | | X | |
| Memphis | Entertainment Services | Tennessee, USA | X | | X | | X | |
| Mexicali | Entertainment Services | Mexico | X | | X | | X | |
| Montreal Mikros Image | Entertainment Services | Canada | | | | X | | X |
| Montreal MPC | Entertainment Services | Canada | | X | | X | | X |
| Montreal Post[2] | Entertainment Services | Canada | X | | | X | | X |
| Mumbai | Entertainment Services | India | | | | X | | X |
| New York MPC | Entertainment Services | New York, USA | | X | | X | | X |
| New York Mr. X[1] | Entertainment Services | New York, USA | | X | | X | | |
| New York The Mill | Entertainment Services | New York, USA | | | | X | | X |
| Olyphant | Entertainment Services | Pennsylvania, USA | | | X | | X | |
| Ontario California[3] | Corporate & Other | California, USA | X | | | X | | X |
| Paramount | Entertainment Services | California, USA | | X | | X | | X |
| Paris Mikros Image | Entertainment Services | France | | | | X | | X |
| Piaseczno | Entertainment Services | Poland | X | | X | | X | |
| Pinewood[1] | Entertainment Services | UK. | X | | | | | |

| | | | 2015 | | 2016 | | 2017 | |
|---|---|---|---|---|---|---|---|---|
| **Site** | **Segment (ref 2017)** | **Location** | **Industrial Profile** | **Non-Industrial Profile** | **Industrial Profile** | **Non-Industrial Profile** | **Industrial Profile** | **Non-Industrial Profile** |
| Princeton | Corporate & Other | New Jersey, USA | | X | | X | | X |
| Rennes Cesson | Connected Home | France | X | | | X | | X |
| Rugby | Entertainment Services | UK. | X | | X | | X | |
| Santa Monica MPC[1] | Entertainment Services | California, USA | | X | | | | |
| Shanghai[4] | Connected Home | China | | | | X | | X |
| Sydney | Entertainment Services | Australia | X | | X | | X | |
| Toronto DVD Services | Entertainment Services | Canada | | | X | | X | |
| Toronto Mr. X | Entertainment Services | Canada | | X | | X | | X |
| Toronto Post | Entertainment Services | Canada | | X | | X | | X |
| Tultitlan | Entertainment Services | Mexico | X | | X | | X | |
| Vancouver MPC | Entertainment Services | Canada | | X | | X | | X |
| Vancouver Post | Entertainment Services | Canada | | X | | X | | X |
| Warsaw | Corporate & Other | Poland | | X | | X | | X |

*All Sites report information about work injury and illness, water, and power.*
*Industrial profiles also report extensive waste data monthly, and wastewater/effluent and raw materials annually.*
*Non-Industrial profiles also report summary waste data annually.*

*(1) These sites have been moved or closed or sold.*
*(2) The prior Montreal location stopped Photochemical film operations during 2012 and was refurbished for digital production operations for 2013 and beyond.*
*(3) The prior Ontario location stopped Industrial during 2014 and remaining non-industrial operations moved to a different facility beginning 2015 and was closed mid-year 2017.*
*(4) Shanghai operations were merged into Beijing operations mid-year 2017.*

# 5.3 STAKEHOLDER RELATIONS AND LOCAL IMPACTS OF THE COMPANY'S ACTIVITIES

GRI **[G4-16] [G4-24] [G4-25] [G4-26] [G4-27] [G4-37] [G4-EC6] [G4-EC7] [G4-SO2] [G4-DMA Indirect economic impacts] [G4-DMA Training and education] [G4-DMA Local communities] [G4-DMA Anti-corruption] [G4-DMA Public policy] [G4-DMA Product and service labeling]**

Technicolor's main activities are in the field of Research, Entertainment Services and Connected Home devices. They require creative talents for innovation of technologies and services and for development of products. This leads Technicolor to maintain relationships with a variety of key stakeholder groups to ensure growth and sustainability of its businesses, primarily:

- employees;
- clients and Customers;
- investors and shareholders;
- educational Institutions and Research Bodies;
- standard Setting or Standard Developing Organizations;
- communities;
- suppliers and Subcontractors;
- public Authorities.

Within these general categories, specific stakeholders are identified as engagement opportunities based on their nearness to or connection with critical aspects of Technicolor (people, products, services, or property). Dialog may take place in a variety of ways, such as face-to-face meetings, memberships, surveys, contracts, or public event/forum/webinar/panel, as detailed in the below descriptive examples.

In the field of research, emphasis is put on cooperation with educational institutions, public research bodies and other companies to keep the Technology pace. During 2017, 7 cooperative programs involving academics were running, with European as well as overseas educational institutions and public research bodies. In addition, Technicolor contributes actively to several Technology clusters, including at the governance level, where R&D activities are located. Technicolor has established longstanding relationships with neighboring educational institutions in close proximity to Technicolor research locations such as Stanford University and Berkeley University (California) and Inria (France) with cooperations managed on an ad hoc basis.

Standardization bodies are key for the implementation of patents in the frame of our Licensing activity. Technicolor contributes to 43 standardization bodies or standard setting organizations or industry alliances around the world and is part of the governance for some of them, as shown in the following table about aspects of Technicolor's significant participation with stakeholders.

Customer satisfaction is monitored and managed through regular face-to-face structured meetings with individual customers and executive review of any customer complaints for all activities. In addition, Connected Home also drives customer satisfaction surveys for its activities as they involve a large number of customers. Findings of these surveys and meetings are used to correct processes and improve relationships and quality of products and services.

Retaining our talents is important. Employee satisfaction surveys are conducted on selected sites, typically where retention rate may be an issue. A worldwide employee engagement survey has been conducted for VFX film employees and another one for employees in Brazil. In addition one site employee satisfaction surveys has been performed in Mexico.

Technicolor maintains close relations with local communities in order to limit the impacts of the Company's activities on the local environment (*e.g.* noise pollution, light pollution, air pollution and road traffic). The Group strives to take the necessary steps in these contexts in order to achieve a satisfactory outcome for all concerned.

Technicolor strives to hire locally most of its employees. Technicolor's locations are usually in very large cities and surrounding metropolitan areas and, as a result, Technicolor holds a minority employer position in most employment areas where it is located and has limited direct local economic influence, except for research and development impact as detailed above.

Due to the continuous changes in the Digital Cinema domain, Technicolor divested from several domains. When sale of the impacted activities to an external party was not achievable, the Group committed significant resources and support, according to its existing policies, in order to mitigate the impact for the concerned stakeholders.

We maintain strong relationships with our shareholders and investment community. Technicolor participated to 381 events (roadshows, conference calls and conferences), met 526 institutions (institutional investors) and had 59 contacts with analysts during the course of the year. Overall Technicolor handled 601 meetings or calls with investors and analysts over the course of the year.

Technicolor focuses its involvement in community initiatives on digital artist education. In addition to its support to the Training Academies (see section 5.5), the Group support other educational initiatives to give opportunities to young talent to access to studios and to develop their skills: training students in schools, Master classes, Educator's week, consulting of curriculum design, online test for potential trainees, supporting third party digital artists schools. The Group supports also the India Foundation for the Arts to help advanced projects of cinematographers with two projects currently under progress. It does also partner in India with the Attakkalari Foundation to co-create a conference on 'Poetics of Technology in Performance. In partnership with Oxfam India, Technicolor support schools' engagement initiatives about recycling and painting activities.

It also continues to support activities in various environments relating to the world of film: launching festivals for new talent, supporting charities, and developing new experimental technologies or supporting joint initiatives with students to foster product and service innovation.

**Aspects of Technicolor's Significant Participation with Stakeholders**

| Stakeholder group | Type |
|---|---|
| *Advanced Television Systems Committee* | Standards Development |
| *Blu-ray Disc Association* | Standards Development |
| *Cap Digital (FR)* | Research Cluster |
| *Networked and Electronic Media Initiative – European Technology Platform* | Research |
| *Digital Video Broadcasting group* | Standards Development |
| *High Definition Forum (FR)* | Standards Development |
| *High Definition Multimedia Interface Forum* | Standards Development |
| *Moving Pictures Expert group* | Standards Setting |
| *Society of Motion Picture & Television Engineers* | Standards Development |
| *Consumer Technology Association* | Standards development |
| *Images & Reseaux (FR)* | Research Cluster |
| *ETSI* | Standards Setting |
| *UHD Alliance* | Standards Setting |
| *Virtual Reality Industry Forum* | Standards development |
| *Ultra HD Forum* | Standards development |

Technicolor continues to develop trusted relations with public authorities where it operates in order to secure a favorable business, social and technological environment. Such relations are managed either directly or indirectly through industry associations, and follow strictly our business ethics rules, especially competition and anti-bribery rules as well as transparency through the national registration processes of declaration of interest.

# 5.4 SUPPLIER AND SUB-CONTRACTOR RELATIONS

GRI [G4-12] [G4-15] [G4-21] [G4-27] [G4-EN33] [G4-LA15] [G4-HR1] [G4-HR2] [G4-HR4] [G4-HR5] [G4-HR6] [G4-HR11] [G4-SO10] [G4-DMA Procurement practices] [G4-DMA Supplier environmental assessment] [G4-DMA Employment] [G4-DMA Supplier assessment for labor practices] [G4-DMA Investment] [G4-DMA Non-discrimination] [G4-DMA Child labor] [G4-DMA Forced and compulsory labor] [G4-DMA Supplier human rights assessment] [G4-DMA Supplier assessment for impacts on society]

Through meetings, contracts, and other methods of formal communication, the Group shares its expectations that suppliers and their subcontractors provide safe and healthy working conditions for their employees, abide by Human Rights laws and standards, and strives for continual improvement in their environmental management systems, processes and products.

Technicolor requires its suppliers and sub-contractors to actively support its EH&S Principles. Suppliers are required to comply with the legal requirements and standards of their service or industry as applicable under the national law of the countries in which they operate. Technicolor suppliers and sub-contractors also ensure the compliance of their components and products with specific legal requirements applicable in the countries where their products are being sold.

Beyond raw material and component purchasing, the main areas where Technicolor subcontracts production and services are the manufacturing of set-top-boxes and gateways (91.5%), and part of the logistics of the DVD Services in Europe (33%) (see section 7.8). In addition, to manage seasonal peak workloads within DVD Services, Technicolor uses contracted labor services to provide additional workforce on packaging and distribution sites in America, where site headcount may double during the peak season.

To ensure effective supplier and subcontractor assessments, Technicolor has defined and implemented the Supplier Ethics program with a specific audit scope and focus for suppliers categorized as "high risk," defined as suppliers in countries with a relatively high potential for adverse Human Rights Issues. This key supplier audit tool, which includes a review of EH&S systems and performance, has been developed and implemented since 2003, with 22 audits performed in 2017. The primary sub-contracting scope within the Group is within the Connected Home business, where sub-contracting represents the majority of units sold, and thus almost all audits originating as part of the Supplier Ethics program are targeting suppliers and sub-contractors for the Connected Home business as sub-contracting is very low profile in Entertainment Services and Technology. Conversely, the year-end seasonal labor peaks are strongly represented in Entertainment Services and the Group ensures that all temporary workers receive all required EHS training, information, and equipment for their responsibilities, no matter how limited the duration of employment, the same as any other worker within the Group.

During 2016, Technicolor completed the implementation of the Code of Conduct for the Electronics Industry Citizenship Coalition under its Applicant Member status and has reached the status of Member. During 2017 the Electronics Industry Citizenship Coalition was renamed and is now known as the Responsible Business Alliance. Technicolor remains a member-comply in good standing.

Technicolor monitors key performance indicators according to SA8000 criteria for key active electronics manufacturing service partners to ensure they comply with Corporate Social Responsibility regulations and practices. Technicolor Sourcing gives preference to suppliers who have achieved ISO 9001 certification and who are certified to meet such EH&S standards such as ISO 14001 and OHSAS 18001. The Technicolor Supplier Ethics program:

- ensures that Technicolor suppliers respect our policies and program requirements;
- promotes economic and social welfare through the improvement of living standards and support for non-discriminatory employment practices. Technicolor actively seeks suppliers with similar interests and ethics commitments.

Suppliers are expected to adhere to these basic principles:

- tolerate no discrimination and encourage diversity,
- promote best working conditions,

- use no child or forced labor,
- protect peoples' health, safety and the environment,
- support employee development,
- respect fair market competition,
- strive to be a good corporate citizen,
- respect consumer and personal privacy,
- avoid potential conflicts of interests.

To ensure that suppliers respect established principles, Technicolor sourcing management:

- defines a list of high risk commodities and countries;
- determines when ethics audits, always performed by Technicolor-selected auditors, are required;
- requires all suppliers must sign the General Rules of Conduct Compliance Certificate;
- periodically reviews all suppliers according to the Technicolor Suppliers Ethics Handbook/Checklist procedure.

Through these audits and other methods, Technicolor shares its expectations that suppliers and their subcontractors provide safe and healthy working conditions for their employees, abide by human rights laws and standards, and strive for continual improvement in their environmental management systems, processes and products. During the audit process, instances of child labor are classified as "critical," resulting in an immediate stoppage of business. Audits revealing employee discrimination, forced labor, safety violations, permanent disabilities or fatal injuries are classified as "major," and require immediate corrective action.

Mindful of regulations banning or restricting certain chemical substances, Technicolor implemented a process for obtaining and tracking information about its suppliers. This system allows for the identification and estimation of relevant chemical substances in Technicolor's products and ensures that banned substances are not included.

# 5.5 EDUCATIONAL INITIATIVES

GRI [G4-27] [G4-EC8] [G4-DMA Indirect economic impacts] [G4-DMA Training and education] [G4-DMA Local communities]

MPC Academy is a global initiative of the Group to help bring new talent into the Visual Effects business. It is an in-house finishing school. We hire candidates with some education in a specialty within our field, and train them up to the level where they are ready to work on feature film Visual Effects.

Growth in the Montreal, Vancouver, and Bangalore studios comes with a large demand for talent. The educational institutions in these areas do not graduate talent with the necessary skill sets in the quantity demanded by the industry. In response, MPC decided to be proactive and started this initiative to develop our own talent. We created in-house training space with industry standard equipment in Montreal, Vancouver and Bangalore. We offer paid employment where individuals will spend from 6-12 weeks in full time training. Those who graduate transition into their department where they work on feature films.

Our first Academy run in our Canadian studios was in the autumn of 2014 and in our Indian studio, mid 2015. The departments we have trained for are compositing, lighting, FX, Digital Matte Painting (DMP), Animation, roto prep, Assets, Software and match-move. Since this project began, MPC has trained over 1,000 artists and developers globally. The project has been a success and continues to be a central part of our talent strategy especially as we explore new territories. It represents an excellent opportunity for young people in the communities in which we operate to break into the film Visual Effects business. It is challenging to get a chance to work in Visual Effects and the MPC Academy opens the door and provides this opportunity. It is an investment not only in our own future talent, but in the communities where we operate. Access is not limited to the national citizens, but open to talent around the world, wherever they come from. We have welcomed Academy students from Mexico, Brazil, Thailand, Columbia, Indonesia, China, Japan, Korea, together with India, North American and Europe. Hundreds of young people who may not have otherwise have been given a chance have been provided an opportunity to join our creative community. They have the support of a full-time trainer in the department they are preparing for, and they are given detailed feedback along the way so they understand what they need to do to succeed.

A big proportion of those hired into the Academy have graduated and continued on to employment within MPC, with many having have received subsequent contracts from MPC and others have gone on to work for our competitors; we see that as a validation of the success of the Academy. As Visual Effects is a show based cyclical business, artists tend to be contract based and move between a variety of companies on different projects. We believe that since we took a risk and invested on emergent talent and created an excellent experience for their entry to the business, that they are likely to return to MPC because of the loyalty inspired. Overall, this program allows us to contribute to local economies and employment, and can help grow a larger available talent pool for the industry cluster.

We aim to source a significant proportion of our future junior talent in compositing, lighting, FX and DMP, Assets, Animation and Roto Prep from Academy graduates. Our heads of department have expressed satisfaction with their performance and we have many cases of Academy graduates performing well above expectations.

We see this as a partnership between the Group and local education establishments make the countries we work in attractive to creative talent. To this end further steps are being taken to better prepare students while they are still in school. We are formulating a robust University/School engagement strategy to work with the local colleges and universities to build an affiliation basis and offer our help to better prepare their students to work in Visual Effects. Subsequent events have been held in Montreal and Vancouver such as "Educator week", consulting in Curriculum design, Master classes.

MPC Academy represents both a central strategic talent initiative and a way for the Group to give back to the community. It helps bring social and economic benefits to the cities we work in as every Academy student will need to live, travel, eat and play in their communities. As these communities become recognized as great places for creative talent it will attract new work and companies as well as stimulate other spin-off businesses. It is a great example of a win-win situation where doing the right thing is also good business.

# 5.6 REPORT BY ONE OF THE STATUTORY AUDITORS, APPOINTED AS INDEPENDENT THIRD-PARTY, ON THE CONSOLIDATED HUMAN RESOURCES, ENVIRONMENTAL AND SOCIAL INFORMATION INCLUDED IN THE MANAGEMENT REPORT

GRI [G4-33]

*This is a free English translation of the Statutory Auditors' report issued in French and is provided solely for the convenience of English-speakinghreaders. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.*

## For the year ended December 31, 2017

To the Shareholders,

In our capacity as Statutory Auditors of Technicolor SA, (the "Company"), appointed as independent third party and certified by COFRAC under number(s) 3-1048[(1)], we hereby report to you on the [when applicable consolidated] Human Resources, environmental and social information for the year ended December 31, 2017 included in the management report (hereinafter named "CSR Information"), pursuant to article L. 225-102-1 of the French Commercial Code (*Code de commerce*).

## COMPANY'S RESPONSIBILITY

The Board of Directors is responsible for preparing a Company's management report including the CSR Information required by article R. 225-105-1 of the French Commercial Code in accordance with the reporting protocols used by the Company (hereinafter the "Guidelines"), summarised in the management report and available on request from the Company's head office.

## INDEPENDENCE AND QUALITY CONTROL

Our independence is defined by regulatory texts, the French Code of Ethics (*Code de déontologie*) of our profession and the requirements of article L. 822-11 of the French Commercial Code. In addition, we have implemented a system of quality control including documented policies and procedures regarding compliance with the ethical requirements, French professional standards and applicable legal and regulatory requirements.

## STATUTORY AUDITOR(S)'S RESPONSIBILITY

On the basis of our work, our responsibility is to:

- attest that the required CSR Information is included in the management report or, in the event of non-disclosure of a part or all of the CSR Information, that an explanation is provided in accordance with the third paragraph of article R. 225-105 of the French Commercial Code (Attestation regarding the completeness of CSR Information);
- express a limited assurance conclusion that the CSR Information taken as a whole is, in all material respects, fairly presented in accordance with the Guidelines (Conclusion on the fairness of CSR Information).

It is not our responsibility to provide any conclusion on the compliance with other applicable legal expectations, in particular those concerning article L. 225-102-4 of the French Code of commerce (duty of care) or the French law 2016-1691 (fight against corruption).

*(1) Whose scope is available at www.cofrac.fr*

Our work involved six persons and was conducted between November 2017 and February 2018 during a four week period. We were assisted in our work by our sustainability experts.

We performed our work in accordance with the order dated May 13, 2013 defining the conditions under which the independent third party performs its engagement and the professional guidance issued by the French Institute of Statutory Auditors (*Compagnie nationale des commissaires aux comptes*) relating to this engagement and with ISAE 3000[2] concerning our conclusion on the fairness of CSR Information.

## 1. ATTESTATION REGARDING THE COMPLETENESS OF CSR INFORMATION

### *Nature and scope of our work*

On the basis of interviews with the individuals in charge of the relevant departments, we obtained an understanding of the Company's sustainability strategy regarding Human Resources and environmental impacts of its activities and its social commitments and, where applicable, any actions or programmes arising from them.

We compared the CSR Information presented in the management report with the list provided in article R. 225-105-1 of the French Commercial Code.

For any consolidated information that is not disclosed, we verified that explanations were provided in accordance with article R. 225-105, paragraph 3 of the French Commercial Code.

We verified that the CSR Information covers the scope of consolidation, *i.e.*, the Company, its subsidiaries as defined by article L. 233-1 and the controlled entities as defined by article L. 233-3 of the French Commercial Code within the limitations set out in the methodological note, presented in the Chapter titled "5. Corporate Social Responsibility" section of the management report.

### *Conclusion*

Based on the work performed and given the limitations mentioned above, we attest that the required CSR Information has been disclosed in the management report.

## 2. CONCLUSION ON THE FAIRNESS OF CSR INFORMATION

### *Nature and scope of our work*

We conducted five interviews with the persons responsible for preparing the CSR Information in the departments in charge of collecting the information and, where appropriate, responsible for internal control and risk management procedures, in order to:

- assess the suitability of the Guidelines in terms of their relevance, completeness, reliability, neutrality and understandability, and taking into account industry best practices where appropriate;
- verify the implementation of data-collection, compilation, processing and control process to reach completeness and consistency of the CSR Information and obtain an understanding of the internal control and risk management procedures used to prepare the CSR Information.

We determined the nature and scope of our tests and procedures based on the nature and importance of the CSR Information with respect to the characteristics of the Company, the Human Resources and environmental challenges of its activities, its sustainability strategy and industry best practices.

Regarding the CSR Information that we considered to be the most important[3]:

- at parent entity level, we referred to documentary sources and conducted interviews to corroborate the qualitative information (organisation, policies, actions), performed analytical procedures on the quantitative information and verified, using sampling techniques, the calculations

(2) *ISAE 3000 – Assurance engagements other than audits or reviews of historical financial information.*

(3) *Social indicators: total workforce at the end of the year; split by gender; hirings and terminations; number of seasonal interim workers; number of fixed-term contracts and "intermittents"; number of hours person of training; average rate of employee absenteeism; Work Related Incident Rates for 200,000 hours worked; severity rate.*
*Environmental indicators: total waste generated; process waste water; water consumption; energy consumption.*
*Qualitative information: working-time management and absenteeism; Health & Safety management; programs, systems and activities; environmental investments, remediation and pollution prevention; supplier and sub-contractor relations; stakeholder relations and local impacts of the Company's activities.*

and the consolidation of the data. We also verified that the information was consistent and in agreement with the other information in the management report;

- at the level of a representative sample of entities/divisions/sites selected by us[4] on the basis of their activity, their contribution to the consolidated indicators, their location and a risk analysis, we conducted interviews to verify that procedures are properly applied, and we performed tests of details, using sampling techniques, in order to verify the calculations and reconcile the data with the supporting documents. The selected sample represents on average 21.6% of headcount and between 26.9% and 54.8% of quantitative environmental data disclosed.

For the remaining consolidated CSR Information, we assessed its consistency based on our understanding of the Company.

We also assessed the relevance of explanations provided for any information that was not disclosed, either in whole or in part.

We believe that the sampling methods and sample sizes we have used, based on our professional judgement, are sufficient to provide a basis for our limited assurance conclusion; a higher level of assurance would have required us to carry out more extensive procedures. Due to the use of sampling techniques and other limitations inherent to information and internal control systems, the risk of not detecting a material misstatement in the CSR Information cannot be totally eliminated.

## *Conclusion*

Based on the work performed, no material misstatement has come to our attention that causes us to believe that the CSR Information, taken as a whole, is not presented fairly in accordance with the Guidelines.

Neuilly-sur-Seine, March 16, 2018

One of the Statutory Auditors

Deloitte & Associés

Ariane Bucaille
Partner

*(4) Bangalore (India – HR & H&S indicators), Guadalajara (Mexico – EHS indicators), Piaseczno (Poland – HR & EHS indicators), Memphis (USA – solid waste generated).*

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# 6.1 TECHNICOLOR 2017 CONSOLIDATED FINANCIAL STATEMENTS

GRI [G4-EC1]

## 6.1.1 CONSOLIDATED STATEMENT OF OPERATIONS

| | | December 31 | |
|---|---|---|---|
| *(in million euros)* | Note | 2017 | 2016* |
| **CONTINUING OPERATIONS** | | | |
| Revenues | | 4,231 | 4,628 |
| Cost of sales | | (3,651) | (3,935) |
| **Gross Margin** | | **580** | **693** |
| Selling and administrative expenses | *(3.3)* | (355) | (384) |
| Research and development expenses | *(3.3)* | (172) | (177) |
| Restructuring costs | *(10.1)* | (43) | (44) |
| Net impairment gains (losses) on non-current operating assets | *(4.4)* | (9) | (13) |
| Other income (expense) | *(3.3)* | (11) | 1 |
| **Earning before Interest & Tax from continuing operations** | | **(10)** | **76** |
| Interest income | | 3 | 4 |
| Interest expense | | (46) | (85) |
| Other financial income (expense) | | (54) | (73) |
| **Net financial income (expense)** | ***(8.4)*** | **(97)** | **(154)** |
| Share of gain (loss) from associates | | - | 2 |
| Income tax | *(6)* | (112) | (30) |
| **Profit (loss) from continuing operations** | | **(219)** | **(106)** |
| **DISCONTINUING OPERATIONS** | | | |
| **Net profit (loss) from discontinuing operations** | ***(12)*** | **46** | **80** |
| **NET INCOME (LOSS)** | | **(173)** | **(26)** |
| *Attributable to:* | | | |
| ■ Equity holders of the parent | | (172) | (26) |
| ■ Non-controlling interest | | (1) | - |

* *2016 amounts are re-presented to reflect the impacts of Discontinued Operations (see Note 12)*

The accompanying notes on pages 183 to 251 are an integral part of these consolidated financial statements.

| | | December 31 | |
|---|---|---|---|
| *(in euro, except number of shares)* | | **2017** | **2016*** |
| **Earnings per share** | | | |
| Weighted average number of shares outstanding (basic net of treasury shares held) | *(7.3)* | 412,716,772 | 411,932,346 |
| **Earnings (losses) per share from continuing operations** | | | |
| ■ basic | | (0.53) | (0.26) |
| ■ diluted | | (0.53) | (0.26) |
| **Earnings (losses) per share from discontinuing operations** | | | |
| ■ basic | | 0.11 | 0.20 |
| ■ diluted | | 0.11 | 0.20 |
| **Total earnings (losses) per share** | | | |
| ■ basic | | (0.42) | (0.06) |
| ■ diluted | | (0.42) | (0.06) |

* *2016 amounts are re-presented to reflect the impacts of Discontinued Operations (see note 12)*

## 6.1.2 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | | December 31 | |
|---|---|---|---|
| *(in million euros)* | **Note** | **2017** | **2016** |
| **Net income (loss) for the year** | | **(173)** | **(26)** |
| **Items that will not be reclassified to profit or loss** | | | |
| Remeasurement of the defined benefit obligations | *(9.2)* | (3) | (43) |
| **Items that may be reclassified subsequently to profit or loss** | | | |
| Fair value gains / (losses), gross of tax on available-for-sale financial assets: | | | |
| ■ reclassification adjustments to income on disposal of available-for-sale financial assets | | 1 | - |
| Fair values gains / (losses), gross of tax on cash flow hedges: | | | |
| ■ reclassification adjustments when the hedged forecast transactions affect profit or loss | *(8.5)* | (5) | 4 |
| Currency translation adjustments: | | | |
| ■ currency translation adjustments of the year | | (156) | 54 |
| ■ reclassification adjustments on disposal or liquidation of a foreign operation | | - | - |
| **Total other comprehensive income** [1] | | **(163)** | **15** |
| **TOTAL COMPREHENSIVE INCOME FOR THE YEAR** | | **(336)** | **(11)** |
| *Attributable to:* | | | |
| ■ Equity holders of the parent | | (335) | (11) |
| ■ Non-controlling interest | | (1) | - |

(1) *No significant tax effect due to the overall tax loss position of the Group.*

The accompanying notes on pages 183 to 251 are an integral part of these consolidated financial statements.

## 6.1.3 CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| *(in million euros)* | Note | December 31, 2017 | December 31, 2016 |
|---|---|---|---|
| ASSETS | | | |
| Goodwill | *(4.1)* | 942 | 1,019 |
| Intangible assets | *(4.2)* | 625 | 771 |
| Property, plant & equipment | *(4.3)* | 243 | 286 |
| Other operating non-current assets | *(5.1)* | 38 | 56 |
| **Total operating non-current assets** | | **1,848** | **2,132** |
| Investments and available-for-sale financial assets | *(8.1)* | 17 | 19 |
| Other non-current financial assets | *(8.1)* | 19 | 39 |
| **Total financial non-current assets** | | **36** | **58** |
| Investments in associates and joint-ventures | *(2.4)* | 2 | 3 |
| Deferred tax assets | *(6.2)* | 275 | 423 |
| **TOTAL NON-CURRENT ASSETS** | | **2,161** | **2,616** |
| Inventories | *(5.1)* | 238 | 234 |
| Trade accounts and notes receivable | *(5.1)* | 684 | 806 |
| Other operating current assets | *(5.1)* | 256 | 284 |
| **Total operating current assets** | | **1,178** | **1,324** |
| Income tax receivable | | 37 | 53 |
| Other financial current assets | *(8.1)* | 10 | 17 |
| Cash and cash equivalents | *(8.1)* | 319 | 371 |
| Assets classified as held for sale | *(12)* | 7 | - |
| **TOTAL CURRENT ASSETS** | | **1,551** | **1,765** |
| **TOTAL ASSETS** | | **3,712** | **4,381** |

The accompanying notes on pages 183 to 251 are an integral part of these consolidated financial statements.

| *(in million euros)* | Note | December 31, 2017 | December 31, 2016 |
|---|---|---|---|
| **EQUITY & LIABILITIES** | | | |
| Common stock (414,461,178 shares at December 31, 2017 with nominal value of 1 euro per share) | *(7.1)* | 414 | 413 |
| Treasury shares | *(7.2)* | (158) | (157) |
| Subordinated Perpetual Notes | | 500 | 500 |
| Additional paid-in capital & reserves | | (38) | 174 |
| Cumulative translation adjustment | | (385) | (229) |
| **Shareholders' equity attributable to owners of the parent** | | **333** | **701** |
| Non-controlling interest | | 3 | 3 |
| **TOTAL EQUITY** | | **336** | **704** |
| Retirement benefits obligations | *(9.2)* | 355 | 376 |
| Provisions | *(10.1)* | 23 | 35 |
| Other operating non-current liabilities | *(5.1)* | 59 | 153 |
| **Total operating non-current liabilities** | | **437** | **564** |
| Borrowings | *(8.3)* | 1,077 | 998 |
| Deferred tax liabilities | *(6.2)* | 193 | 217 |
| **TOTAL NON-CURRENT LIABILITIES** | | **1,707** | **1,779** |
| Retirement benefits obligations | *(9.2)* | 27 | 28 |
| Provisions | *(10.1)* | 110 | 133 |
| Trade accounts and notes payable | | 947 | 992 |
| Accrued employee expenses | | 129 | 152 |
| Other current operating liabilities | *(5.1)* | 334 | 504 |
| **Total operating current liabilities** | | **1,547** | **1,809** |
| Borrowings | *(8.3)* | 20 | 52 |
| Income tax payable | | 33 | 35 |
| Other current financial liabilities | *(8.1)* | 1 | 2 |
| Liabilities classified as held for sale | *(12)* | 68 | - |
| **TOTAL CURRENT LIABILITIES** | | **1,669** | **1,898** |
| **TOTAL LIABILITIES** | | **3,376** | **3,677** |
| **TOTAL EQUITY & LIABILITIES** | | **3,712** | **4,381** |

The accompanying notes on pages 183 to 251 are an integral part of these consolidated financial statements.

## 6.1.4 CONSOLIDATED STATEMENT OF CASH FLOWS

| (in million euros) | Note | December 31 2017 | 2016* |
|---|---|---|---|
| **Net income (loss)** | | **(173)** | **(26)** |
| **Income (loss) from discontinuing activities** | | **46** | **80** |
| **Profit (loss) from continuing activities** | | **(219)** | **(106)** |
| *Summary adjustments to reconcile profit from continuing activities to cash generated from continuing operations* | | | |
| Depreciation and amortization | | 240 | 223 |
| Impairment of assets | | 9 | 14 |
| Net changes in provisions | | (37) | (25) |
| Gain (loss) on asset disposals | | (1) | (18) |
| Interest (income) and expense | *(8.4)* | 43 | 81 |
| Other non-cash items (including tax) | | 155 | 91 |
| Changes in working capital and other assets and liabilities | | 72 | 56 |
| **Cash generated from continuing activities** | | **262** | **316** |
| Interest paid | | (46) | (74) |
| Interest received | | 2 | 3 |
| Income tax paid | | (9) | (5) |
| **NET OPERATING CASH GENERATED FROM CONTINUING ACTIVITIES (I)** | | **209** | **240** |
| Acquisition of subsidiaries, associates and investments, net of cash acquired | *(11.1)* | (25) | (21) |
| Proceeds from sale of investments, net of cash | *(11.1)* | 11 | 52 |
| Purchases of property, plant and equipment (PPE) | | (52) | (68) |
| Proceeds from sale of PPE and intangible assets | | 1 | 1 |
| Purchases of intangible assets including capitalization of development costs | | (95) | (85) |
| Cash collateral and security deposits granted to third parties | | (1) | (4) |
| Cash collateral and security deposits reimbursed by third parties | | 9 | 8 |
| Loans (granted to) / reimbursed by third parties | | 1 | - |
| **NET INVESTING CASH USED IN CONTINUING ACTIVITIES (II)** | | **(151)** | **(117)** |
| Increase of Capital | *(11.2)* | 1 | 15 |
| Proceeds from borrowings | *(11.2)* | 646 | 450 |
| Repayments of borrowings | *(11.2)* | (612) | (775) |
| Fees paid linked to the debt | *(11.2)* | (7) | (10) |
| Dividends and distributions paid to Group's shareholders | | (25) | (25) |
| Other | | (31) | 14 |
| **NET FINANCING CASH USED IN CONTINUING ACTIVITIES (III)** | | **(28)** | **(331)** |
| **NET CASH FROM DISCONTINUED ACTIVITIES (IV)** | *(12.2)* | **(43)** | **168** |
| **CASH AND CASH EQUIVALENTS AT THE BEGINING OF THE YEAR** | | **371** | **385** |
| **Net decrease in cash and cash equivalents (I+II+III+IV)** | | **(13)** | **(40)** |
| Exchange gains / (losses) on cash and cash equivalents | | (39) | 26 |
| **Cash and cash equivalents at the end of the year** | | **319** | **371** |

* *2016 amounts are re-presented to reflect the impacts of Discontinued Operations (see note 12)*

The accompanying notes on pages 183 to 251 are an integral part of these consolidated financial statements.

## 6.1.5 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| *(in million euros)* | Share Capital | Treasury shares | Additional paid-in capital | Perpetual Notes | Other reserves | Retained earnings | Cumulative translation | Equity attributable to equity holders of the group | Non-controlling interest | Total equity |
|---|---|---|---|---|---|---|---|---|---|---|
| **Balance as of December 31, 2015** | **411** | **(155)** | **1,233** | **500** | **(25)** | **(948)** | **(283)** | **733** | **4** | **737** |
| Net income (loss) | - | - | - | - | - | (26) | - | (26) | - | (26) |
| Other comprehensive income | - | - | - | - | (39) | - | 54 | 15 | - | 15 |
| **Total comprehensive income for the period** | **-** | **-** | **-** | **-** | **(39)** | **(26)** | **54** | **(11)** | **-** | **(11)** |
| Capital increases | 2 | - | 4 | - | - | - | - | 6 | - | 6 |
| Change in Non-controlling interests | - | - | - | - | - | - | - | - | (1) | (1) |
| Variation of treasury shares | - | (2) | - | - | - | - | - | (2) | - | (2) |
| Dividend paid | - | - | (25) | - | - | - | - | (25) | - | (25) |
| Shared-based payment to employees[1] | - | - | - | - | 8 | - | - | 8 | - | 8 |
| Tax impact on equity[2] | - | - | - | - | - | (8) | - | (8) | - | (8) |
| **Balance as of December 31, 2016** | **413** | **(157)** | **1,212** | **500** | **(56)** | **(982)** | **(229)** | **701** | **3** | **704** |
| Net income (loss) | - | - | - | - | - | (172) | - | (172) | (1) | (173) |
| Other comprehensive income | - | - | - | - | (7) | - | (156) | (163) | - | (163) |
| **Total comprehensive income for the period** | **-** | **-** | **-** | **-** | **(7)** | **(172)** | **(156)** | **(335)** | **(1)** | **(336)** |
| Capital increases | 1 | - | (1) | - | - | - | - | - | - | - |
| Change in Non-controlling interests | - | - | - | - | - | - | - | - | 1 | 1 |
| Variation of treasury shares | - | (1) | - | - | - | - | - | (1) | - | (1) |
| Dividend paid | - | - | - | - | (25) | - | - | (25) | - | (25) |
| Shared-based payment to employees[1] | - | - | - | - | 10 | - | - | 10 | - | 10 |
| Tax impact on equity[2] | - | - | - | - | - | (17) | - | (17) | - | (17) |
| **BALANCE AS OF DECEMBER 31, 2017** | **414** | **(158)** | **1,211** | **500** | **(78)** | **(1,171)** | **(385)** | **333** | **3** | **336** |

*(1) Fair value of Share Based Compensation plans.*
*(2) Depreciation of French deferred tax assets allocated to equity.*

The accompanying notes on pages 183 to 251 are an integral part of these consolidated financial statements.

# 6.2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

GRI [G4-DMA Economic performance]


| | | |
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# NOTE 1. GENERAL INFORMATION

Technicolor is a leader in Media & Entertainment Services, developing and monetizing next-generation video and audio technologies. Please refer to note 3.1 for details on group's operating segments.

In these consolidated financial statements, the terms "Technicolor group", "the group" and "Technicolor" mean Technicolor SA together with its consolidated subsidiaries. Technicolor SA or the "Company" refers to the Technicolor group parent company.

## 1.1. Main events of the year

GRI [G4-13] [G4-23]

### *Refinancing of Technicolor Debt*

On March 30, 2017, Technicolor repaid the remaining Old Term Loan Debt issued by Tech Finance in 2013, 2014 and 2015 with a maturity in 2020 and issued new Term Loan Debt for U.S.$300 million at LIBOR +2.75% and €275 million at EURIBOR +3.00% with LIBOR and EURIBOR subject to a 0% floor. This Term Loan Debt was issued by Technicolor SA with a maturity in 2023 and is not subject to financial covenants.

### *Acquisition of the Connected Devices business of LG Electronics*

On May 17, 2017, in the Connected Home segment, Technicolor acquired the LG Electronics Set-Top Box business for €12 million. The acquisition price is subject to a maximum earn-out of €26 million over the next 3 years subject to the performance of the business that was estimated at €9 million. The goodwill amounted to €13 million.

### *Patent Licensing business*

On December 18, 2017, Technicolor announced being in negotiations for the divestiture of its patent Licensing business. This transaction is in line with Technicolor's objective to simplify the Group's structure and allocate its capital and resources to its operating business.

Subsequent to the announcement, and according to IFRS 5 – Non-current assets held for sale and Discontinued operations:

- patent Licensing Division has been presented as Discontinued Operations (see note 12);
- assets and liabilities, which are part of the transaction, have been classified as assets and liabilities held for sale in the Technicolor's Consolidated Statement of Financial Position.

## 1.2. Accounting policies

GRI [G4-22]

### *1.2.1. Basis for preparation*

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") effective as of December 31, 2017 and adopted by the European Union as of February 21, 2018.

The standards approved by the European Union are available on the following web site:
http://ec.europa.eu/internal_market/accounting/ias/index_en.htm.

Technicolor financial statements are presented in euro and has been rounded to the nearest million.

The consolidated financial statements were approved by the Board of Directors of Technicolor SA on February 21, 2018. According to French law, the consolidated financial statements will be considered as definitive when approved by the Company's shareholders at the Ordinary shareholders' meeting, which should take place in April 2018.

The accounting policies applied by the Group are consistent with those followed last year except for standards, amendments and interpretations which have been applied for the first time in 2017 (see note 1.2.2.2).

## 1.2.2. IFRS transition & new standards

### 1.2.2.1. Main accounting options selected for the transition to IFRS in 2004

IFRS 1, First-time Adoption of IFRS, sets out the rules to be followed by first-time adopters of IFRS when preparing their first IFRS consolidated financial statements. At the transition date, for the preparation of the opening IFRS balance sheet, the Group has opted to apply the following main options and exemptions provided by IFRS 1:

#### *Business combinations*

In accordance with IFRS 3, the Group has opted not to restate past business combinations that occurred before January 1, 2004.

#### *Cumulative translation differences*

The Group elected to recognize cumulative translation differences of the foreign subsidiaries into opening retained earnings as of January 1, 2004, after having accounted for the IFRS adjustments in the opening shareholders' equity. All cumulative translation differences for all foreign operations have therefore been deemed to be zero at the IFRS transition date. The gain or loss on a subsequent disposal of any foreign operation will exclude translation differences that arose before the IFRS transition date but will include later translation differences.

### 1.2.2.2. New standards, amendments and interpretations

■ *Main standards, amendments and interpretations effective and applied as of January 1, 2017*

| New standard and interpretation | Main provisions |
|---|---|
| Amendments to IAS 7 – Statement of cash flows | These amendments are part of the IASB's Disclosures Initiative and help users of financial statements better understand changes in an entity's debt arising from financing activities, including both changes arising from cash flows and non-cash changes. |
| Amendments to IAS 12 – Income taxes | These amendments provide clarification on the deferred tax accounting for debt instruments measured at fair value. There was no significant impact identified. |

■ *Main standards, amendments and interpretations that are not yet effective and have not been early adopted by Technicolor*

| New standard and interpretation | Effective Date | Main provisions |
|---|---|---|
| Amendments to IFRS 2 – Share-based payment | Annual periods beginning on or after January 1, 2018 | These amendments clarify the classification and measurement of share-based payment transactions and in particular:<br>■ the accounting for cash-settled share-based payment transactions that include a performance condition;<br>■ the classification of share-based payment transactions with net settlement features;<br>■ the accounting for modifications of share-based payment transactions from cash-settled to equity-settled.<br>These amendments are not adopted by the European Union yet. |
| Improvements to IFRSs 2014-2016 | | These amendments are part of the annual improvement program of the IASB, but they are not adopted by the European Union yet. |
| IFRS 15 – Revenue from contracts with customers | | IFRS 15 specifies how and when revenue should be recognized. The standard provides a single five-step model to be applied to all contracts with customers. The IASB issued in April 2016 some clarifications on the way those principles should be applied.<br>The new standard will not impact the Group. The Group's conclusion is described in more details hereafter this table.<br>The Group will apply the cumulative effect method at the transition date without restatement of comparative period amounts as permitted by IFRS 15. |
| IFRS 9 - Financial Instruments | | IFRS 9 issued on 24 July 2014 will replace IAS 39 - Financial Instruments: Recognition and Measurement. The Standard includes requirements for recognition and measurement, classification, impairment, derecognition and general hedge accounting. The Standard introduces guidance on applying the business model assessment and the contractual cash flow characteristics assessment.<br>The impact of the new standard is not significant and described in more details hereafter this table.<br>The Group will not restate comparative periods but will present the cumulative effect as an adjustment to the opening balance of other comprehensive income or retained earnings on January 1, 2018, depending on the nature of the adjustment. |
| IFRS 16 - Leases | Annual periods beginning on or after January 1, 2019 | IFRS 16 specifies how to measure, present and disclose leases. The standard provides a single lease accounting model, requiring the lessee to recognize assets and liabilities for all leases unless the term lease is 12 months or less or the underlying asset has low value. Lessors continue to classify leases as operating or finance leases, applying substantially a comparable methodology from its predecessor, IAS 17.<br>At this stage, the Group has identified all leases concerned and collected the necessary data and judgment on renewal probability. The Group is currently assessing the impact, but the expectation is that the main impact relates to Technicolor's real estate operating leases. By the end of June 2018, the Group will be able to decide the most appropriate transition method. |
| Amendments to IFRS 9 – Prepayment Features with Negative Compensation | | These amendments clarify the classification of particular prepayable financial assets and the accounting for financial liabilities following a modification, but they are not adopted by the European Union yet. |
| Amendments to IAS 28 – Long-term Interests in Associates and Joint Ventures | | These amendments have been added to clarify that an entity applies IFRS 9 to long-term interest in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied. They are not adopted by the European Union yet. |
| Improvements to IFRSs 2015-2017 | | These amendments are related to IFRS 3 – Business Combinations and IFRS 11 – Joint Arrangements, IAS 12 – Income Taxes and IAS 23 – Borrowing Costs but they are not adopted by the European Union yet. |

IFRS 15 – REVENUE FROM CONTRACTS WITH CUSTOMERS

The Group has analyzed the impact of the adoption of IFRS 15 on its two continuing businesses and on its discontinued patent Licensing business and concluded that the new standard will not affect its recognition of revenue policy for Connected Home, Production Services and Licensing businesses.

CONNECTED HOME SEGMENT

Connected Home segment offers a complete portfolio of Broadband and Video Customer Premise Equipment ("CPE") and develops software solutions. The contracts signed have no multiple performance obligations and there is no variable consideration over time. Software inside modems or digital set top boxes are specific to each customer and are not marketed separately. Accordingly, no impact was identified.

ENTERTAINMENT SERVICES SEGMENT

Our Production Services Division provides a full set of award-wining services around Visual Effects ("VFX"), Animation and Games activities, as well as digital video and sound Postproduction Services. The services are generally rendered over a short period except for VFX services where services may be provided over a longer period. Because our contracts stipulate that we have a right to payment for performance completed to date in case of a termination by the customer, and because milestones are not used for measuring the progress, no impact was identified.

Our DVD Services Division provides turnkey integrated supply-chain solutions including mastering, replication, packaging, direct-to-retail distribution through two separate contracts (a replication contract and a distribution contract). In case of variable price over the contract term, the revenue is already adjusted to anticipate the probable discount. Accordingly, we do not expect any impact from the new standard.

LICENSING BUSINESSES (INCLUDING PATENT LICENSING AS DISCONTINUED OPERATIONS)

Revenue is generated by the sale of licenses.The new guidance will not have any impact. Licenses to use portions of the Company's Intellectual Property portfolio are considered one performance obligation because of the high-tech characteristic of the portfolios for which new developments are necessary for licensee to get the most up-dated high-tech product all along the Licensing period.

The Group will continue to separate paid-up license agreements into two categories: (i) agreements that provide access rights over the term of the license to future technologies that are highly interdependent or highly interrelated to the technologies provided at the inception of the agreement and (ii) agreements that do not provide for rights to such future technologies (right of use). Paid-up amounts related to the first category will continue to be recognized as revenue over the term of the related license agreement based on expected volumes or, in absence of reliable information, on a straight-line basis. For the second category of contract, revenue will continue to be recognized in the month the license agreement is signed.

In case of paid-up license amounts received for past periods (waiver for past infringement of the licensee), such amount is recognized up-front.

For per-unit license agreements the Group will continue to accrue the related revenue based on estimates of licensees' underlying sales adjusted in the following *quarter* to true-up revenue to the actual amounts reported by the licensees.

IFRS 9 – FINANCIAL INSTRUMENTS

The Group has identified the following impacts, that are not significant, based on its business models for holding financial assets:

- investments in venture funds that are classified as non-current financial assets available-for-sale under IAS 39 will be classified at fair value through profit or loss with value changes in "Other Financial Items" of our Statement of Operations. Upon initial application of the new standard, the accumulated net positive fair value changes of €1 million, formerly recognized in other comprehensive income will be presented as an adjustment to opening balance of retained earnings;
- some loans or assimilated, that were recorded at amortized cost under IAS 39, will be classified at fair value through profit or loss with value changes presented in "Other Financial Items." Upon initial application, the fair value changes will be presented as an adjustment to opening balance of retained earnings.

The Group did not identify significant impacts in the assessment of the new impairment and hedge accounting models provided by IFRS 9.

### 1.2.3. *Basis of measurement & estimates*

The financial information has been prepared using the historical cost convention with some exceptions regarding various assets and liabilities, for which specific provisions recommended by the IFRS have been applied.

- non-financial assets are initially recognized at acquisition costs or manufacturing costs including any costs directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the manner intended by the Group's management. Long-term assets are subsequently measured using the cost model, cost less accumulated depreciation and impairment losses.
- financial assets & liabilities are initially recognized at fair value or at amortized cost (see note 8.1).

The preparation of consolidated financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenses during the reporting period of the consolidated financial statements. These assumptions and estimates inherently contain some degree of uncertainty.

Management bases its estimates on historical experience and various other assumptions that are believed to be reasonable and relevant. Actual results may differ from these estimates, while different assumptions or conditions may yield different results.

Management regularly reviews its valuations and estimates based on its past experience and various other factors considered reasonable and relevant for the determination of the fair estimates of the assets and liabilities' carrying value and of the revenues and expenses.

Technicolor's management believes the following to be the critical accounting policies and related judgments and estimates used in the preparation of its consolidated financial statements:

- impairment of goodwill and intangible assets with indefinite useful lives (see notes 4.1 & 4.4);
- determination of expected useful lives of tangible and intangible assets (see notes 4.2 & 4.3);
- deferred tax assets recognition (see note 6.2);
- assessment of actuarial assumptions used to determine provisions for employee post-employment benefits (see note 9.2);
- measurement of provisions and contingencies (see note 10);
- determination of royalties payables (see note 5.1.4).

## 1.2.4. Translation

### Translation of foreign subsidiaries

For the financial statements of all the Group's entities for which the functional currency is different from that of the Group, the following methods are applied:

- the assets and liabilities are translated into euro at the rate effective at the end of the period;
- the revenues and costs are translated into euro at the average exchange rate of the period.

The translation adjustments arising are directly recorded in Other Comprehensive Income.

### Translation of foreign currency transactions

Transactions in foreign currency are translated at the exchange rate effective at the trade date. Monetary assets and liabilities in foreign currency are translated at the rate of exchange prevailing at the consolidated statement of financial position date. The differences arising on the translation of foreign currency operations are recorded in the consolidated statement of operations as a foreign exchange gain and loss.

The non-monetary assets and liabilities are translated at the historical rate of exchange effective at the trade date.

The main exchange rates used for translation (one unit of euro converted to each foreign currency) are summarized in the following table:

| | Closing rate | | Average rate | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| U.S. Dollar (US$) | 1.1956 | 1.0526 | 1.1358 | 1.1029 |
| Pound sterling (GBP) | 0.8878 | 0.8575 | 0.8749 | 0.8223 |
| Canadian Dollar (CAD) | 1.5014 | 1.4189 | 1.4701 | 1.4586 |

The average rate is determined by taking the average of the month-end closing rates for the year, unless such method results in a material distortion.

# NOTE 2. SCOPE OF CONSOLIDATION

## 2.1. Scope and consolidation method

GRI [G4-17]

### *Subsidiaries*

*All the entities that are controlled by the Group (including special purpose entities) i.e. in which the Group has the power to govern the financial and operating policies in order to obtain benefits from the activities, are subsidiaries of the Group and are consolidated. Control is presumed to exist when the Group directly or indirectly owns more than half of the voting rights of an entity (the voting rights taken into account are the actual and potential voting rights which are immediately exercisable or convertible) and when no other shareholder holds a significant right allowing veto or the blocking of ordinary financial and operating decisions made by the Group. Consolidation is also applied to special purpose entities that met the criteria of IFRS 10, whatever their legal forms are, even where the Group holds no shares in their capital.*

### *Associates*

*An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policies decisions of the investee without having either control or joint control over those policies. Investments in associates are accounted for under the equity method in accordance with IFRS 11. The goodwill arising on these entities is included in the carrying value of the investment.*

### *Joint ventures*

*A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control. Investments in joint ventures are consolidated under the equity method in accordance with IFRS 11 since January 1st, 2012.*

For the years ended December 31, 2017 and 2016, Technicolor's consolidated financial statements include the accounts of all investments in subsidiaries, jointly controlled entities and associates. Their location is summarized below and main entities are listed in note 14.

| Number of companies as of December 31, 2017 | FRANCE | EUROPE (exc. France) | U.S. | OTHER | TOTAL |
|---|---|---|---|---|---|
| Parent company and consolidated subsidiaries | 17 | 41 | 23 | 32 | 113 |
| Companies accounted for under the equity method | 1 | - | 1 | 3 | 5 |
| TOTAL | 18 | 41 | 24 | 35 | 118 |
| **Number of companies as of December 31, 2016** | **FRANCE** | **EUROPE (exc. France)** | **U.S.** | **OTHER** | **TOTAL** |
| Parent company and consolidated subsidiaries | 21 | 42 | 23 | 35 | 121 |
| Companies accounted for under the equity method | 1 | - | 1 | 4 | 6 |
| TOTAL | 22 | 42 | 24 | 39 | 127 |

In accordance with IFRS 12, significant judgment in determining control on entities even though Technicolor does not hold voting rights is disclosed below.

Since June 2013, Tech Finance was fully consolidated as its only relevant activity was to lend the funds got from third parties to Technicolor. Following the repayment of the Old Term Loan Debt issued by Tech Finance in 2013, 2014 and 2015, Tech Finance was liquidated in December 2017.

## 2.2. Change in the scope of consolidation of 2017

GRI [G4-13] [GA-20]-[G4-23]

### *LG Set-Top Box Business*

On May 17, 2017, Technicolor acquired from LG Electronics its Set-Top Box business through an Asset Purchase Agreement. This acquisition is included into the Connected Home segment.

The purchase price allocation is as follows:

The purchase price consisted of :

- an upfront payment of U.S.$15.5 million (€14 million at May 17, 2017 exchange rate);
- a price adjustment for U.S.$2.5 million (€2 million at May 17, 2017 exchange rate) to be refunded by LG Electronics in January 2018;
- a maximum earn-out of €26 million over the next 3 years subject to the performance of the business. As of December 31, 2017, the earn-out was estimated to U.S.$10 million (€9 million at May 17, 2017 exchange rate)

A purchase price allocation has been performed to identify tangible and intangible assets and liabilities. As a result, a customer relationship for €2 million with a useful life of 5 years was identified.

Final goodwill of €13 million is primarily related to synergies that Technicolor anticipates following the integration of this business into the Connected Home segment.

| *(€ in million converted at May 17, 2017 exchange rate)* | **Fair Value** |
|---|---|
| **Net asset acquired** | |
| Property, plant and equipment | 1 |
| Intangible assets | 2 |
| Working Capital and other assets and liabilities | 5 |
| TOTAL NET ASSET ACQUIRED | 8 |
| | |
| Purchase price paid (before price adjustment) | 14 |
| Price adjustment | (2) |
| Earn-out payments' estimates | 9 |
| TOTAL PURCHASE CONSIDERATION | 21 |
| GOODWILL | 13 |

No other significant acquisition occurred in 2017.

## 2.3. Change in the scope of consolidation of 2016

GRI [G4-13] [GA-20] [G4-23]

### *Exercise of the put granted to the non-controlling interest of Ouido Productions*

On January 21, 2015, Technicolor acquired 51% of Ouido Productions, a Paris-based Animation Company through a capital increase of Ouido Productions for €1 million.

According to the shareholder's agreement, Technicolor purchased the remaining 49% stake as of January 21, 2016 (one year after initial acquisition date) for €1 million with a maximum earn-out of €7 million to be paid until 2021 depending on the performance of the Company in issuing new animated series. The probable earn-out was estimated at €4 million after discount as of December 31, 2015 and reduced to €2 million for the final purchase price allocation due to delays identified on production projects.

A debt of €5 million was already recognized for 2015 closing in relation with the put granted to non-controlling interest and the probable earn-out of €4 million estimated for 2015 closing which was considered the best estimates of the Management. The preliminary goodwill recognized accordingly as of December 31, 2015 for €7 million was reduced to €5 million for the final purchase price allocation. Similarly, the debt was reduced by €2 million.

On January 22, 2016, Ouido Productions was renamed Technicolor Animation Productions.

### *Disposal of Media-Navi*

On January 29, 2016, Technicolor sold its M-Go activity to Fandango Media LLC, a subsidiary of Comcast Corporation, for a purchase price of $12 million (€11 million) after working capital adjustment.

## 2.4. Investments in associates & joint-ventures

The Group has investments accounted for using the equity method (see main entities in note 114).

Details of investments in associates and joint ventures are summarized below:

| | Group's share of associates' & joint-ventures net assets | | Profit (loss) from associates and joint-ventures | |
|---|---|---|---|---|
| *(in million euros)* | 2017 | 2016 | 2017 | 2016 |
| Investment in associates | 2 | 2 | - | 2 |
| Investment in joint ventures | - | 1 | - | (1) |
| TOTAL | 2 | 3 | - | 1 |

All investments are private companies; therefore, no quoted market prices are available for its shares. Neither associate nor joint venture is individually material to the Group.

The consolidated financial statements include transactions made by the Group with associates and joint-ventures. These transactions are performed in normal market conditions.

In 2017, and 2016, there is no significant transactions with the Group associates and joint-ventures.

# NOTE 3. INFORMATION ON OPERATIONS

## 3.1. Information by business segments

GRI [G4-20]

Technicolor has two continuing businesses and reportable operating segments under IFRS 8: Entertainment Services and Connected Home.

Our Patent Licensing Division, which was formerly included in the operating segment Technology, is presented as Discontinued Operations. As a result, our Trademark Licensing and Research & Innovation activities have been transferred to the segment "Corporate & Other."

The Group's Executive Committee makes its operating decisions and assesses performances based on two types of activities. All remaining activities, including unallocated corporate functions, are Grouped in a segment "Corporate & Other."

Prior period has been represented for comparability purposes according to this new organization and reporting structure.

### *Entertainment Services*

The Entertainment Services segment is organized in two divisions:

- the Production Services Division provides a full set of award-winning Visual Effects ("VFX"), Animation, digital video and sound Postproduction services;
- the DVD Services Division replicates, packages and distributes video, game and music CD, DVD and Blu-ray™ discs.

The Entertainment Services segment supports content creators from creation to postproduction (Production Services), while offering global distribution solutions through its replication and distribution services for CD, DVD and Blu-ray™ discs (DVD Services). .

Entertainment Services segment generates its revenue from the sale of goods and services.

### *Connected Home*

Connected Home segment offers a complete portfolio of Broadband and Video Customer Premise Equipment ("CPE") to Pay-TV operators and Network Service Providers ("NSPs"), including broadband modems and gateways, digital set top boxes, and Internet of Things ("IoT") connected devices.

Connected Home segment generates its revenue from the sale of goods and services.

### *Corporate & Other*

This segment includes:

- unallocated Corporate functions, which comprise the operation and management of the group's Head Office, together with various group functions centrally performed, such as Sourcing, Human Resources, IT, Finance, Marketing and Communication, Corporate Legal Operations and Real Estate Management, and that cannot be strictly assigned to a particular business within the two operating segments;
- post-disposal service operations and commitments related to former consumer electronics operations, mainly pension and legal costs;
- Research & Innovation (R&I), which aims at fostering organic growth in close collaboration with the businesses by innovating in next generation video technologies and experiences;
- trademark Licensing business, which monetizes valuable brands such RCA© and Thomson© which were operated by the Group when it was a leading stakeholder in the Consumer Electronics business;

| (in million euros) | Entertainment Services | Connected Home | Corporate & Other* (2) | Adj | TOTAL |
|---|---|---|---|---|---|
| | | Year ended December 31, 2017 | | | |
| **STATEMENT OF OPERATIONS ITEMS** | | | | | |
| Revenues | 1,790 | 2,419 | 22 | - | 4,231 |
| Intersegment sales | 2 | - | 1 | (3) | - |
| **Earning before Interest & Tax (EBIT) from continuing operations** | **53** | **29** | **(92)** | **-** | **(10)** |
| *Of which:* | | | | | |
| Net impairment losses on non-current operating assets | (1) | (8) | - | - | (9) |
| Restructuring costs | (14) | (22) | (7) | - | (43) |
| Other income (expenses) | (8) | (2) | (1) | - | (11) |
| Depreciation & amortization | (149) | (86) | (5) | - | (240) |
| Other non-cash items(1) | (5) | 10 | (3) | - | 2 |
| **Adjusted EBITDA** | **230** | **137** | **(76)** | **-** | **291** |
| **STATEMENTS OF FINANCIAL POSITION ITEMS** | | | | | |
| Segment assets | 1,493 | 1,376 | 157 | - | 3,026 |
| Unallocated assets | | | | | 686 |
| **TOTAL CONSOLIDATED ASSETS** | | | | | **3,712** |
| Segment liabilities | 527 | 1,057 | 403 | - | 1,987 |
| Unallocated liabilities | | | | | 1,389 |
| **TOTAL CONSOLIDATED LIABILITIES** | | | | | **3,376** |
| **OTHER INFORMATION** | | | | | |
| Net capital expenditures | (69) | (74) | (3) | - | (146) |
| Capital employed | 557 | 25 | 88 | - | 670 |

* *Formerly Other.*

(1) *Mainly variation of provisions for risks, litigations and warranties.*

(2) *Following the presentation of the Patent Licensing business as Discontinued Operations, "Trademark Licensing" and "Research & Innovation", formerly reported as part of the Technology segment, have been included in the Corporate & Other segment.*

| (in million euros) | Entertainment Services | Connected Home | Corporate & Other* [2] | Adj | TOTAL |
|---|---|---|---|---|---|
| | Year ended December 31, 2016 [3] | | | | |
| **STATEMENT OF OPERATIONS ITEMS** | | | | | |
| Revenues | 1,966 | 2,637 | 25 | - | 4,628 |
| Intersegment sales | 3 | - | 1 | (4) | - |
| **Earning before interest & tax (EBIT) from continuing operations** | **76** | **113** | **(113)** | **-** | **76** |
| *Of which:* | | | | | |
| Net impairment losses on non-current operating assets | (3) | (10) | - | - | (13) |
| Restructuring costs | (17) | (11) | (16) | - | (44) |
| Other income (expenses) | 8 | (14) | 7 | - | 1 |
| Depreciation & amortization | (147) | (73) | (4) | - | (224) |
| Other non-cash items[1] | (3) | 3 | (3) | - | (3) |
| **Adjusted EBITDA** | **238** | **218** | **(97)** | **-** | **359** |
| **STATEMENTS OF FINANCIAL POSITION ITEMS** | | | | | |
| Segment assets | 1,755 | 1,522 | 178 | - | 3,455 |
| Unallocated assets | | | | | 926 |
| **TOTAL CONSOLIDATED ASSETS** | | | | | **4,381** |
| Segment liabilities | 639 | 1,081 | 661 | - | 2,381 |
| Unallocated liabilities | | | | | 1,296 |
| **TOTAL CONSOLIDATED LIABILITIES** | | | | | **3,677** |
| **OTHER INFORMATION** | | | | | |
| Net capital expenditures | (74) | (75) | (3) | - | (152) |
| Capital employed | 693 | 141 | (119) | - | 715 |

* *Formerly Other.*
(1) *Mainly variation of provisions for risks, litigations and warranties.*
(2) *Following the presentation of the Patent Licensing business as Discontinued Operations, "Trademark Licensing" and "Research & Innovation", formerly reported as part of the Technology segment, have been included in the Corporate & Other segment.*
(3) *2016 amounts are re-presented to reflect the impacts of Discontinued Operations (see note 12).*

The following comments are applicable to the two tables above:

- the caption "Adjusted EBITDA" corresponds to the profit (loss) from continuing operations before tax and net financial income (expense), net of other income (expense), depreciation and amortization (including impact of provision for risks, litigation and warranties);
- the captions "Total segment assets" and "Total segment liabilities" include all operating assets and liabilities used by a segment;
- the caption "Unallocated assets" includes mainly financial assets, deferred and income tax assets, cash and cash equivalents and assets classified as held for sale;
- the caption "Unallocated liabilities" includes mainly the financial debt, deferred and income tax liabilities and liabilities classified as held for sale;
- the caption "Net capital expenditures" includes cash used related to tangible and intangible capital expenditures, net of cash received from tangible and intangible asset disposals;
- the caption "Capital employed" is defined as being the aggregate of both net tangible and intangible assets (excluding goodwill), operating working capital and other current assets and liabilities (except for provisions including those related to employee benefits, income tax, payables on acquisition of companies and payables to suppliers of PPE and intangible assets).

## 3.2. Revenue & geographical information

GRI [G4-9] [G4-20]

*Revenue is measured at the fair value of the amount received or to be received, after deduction of any trade discounts or volume rebates allowed by the Group, including customer contract advances amortization.*

*When the impact of deferred payment is significant, the fair value of the revenue is determined by discounting all future payments.*

### Sales of goods

*Related revenue is recognized when the entity has transferred to the buyer the significant risks and rewards of ownership of the goods, which generally occurs at the time of shipment.*

### Services agreements

*The Group signs contracts which award to the Group a customer's business within a particular territory over the specified contract period (generally over 1 to 5 years). The contracts contain provisions that establish pricing terms for services and volumes to be provided and other terms and conditions. Revenue is recognized when the entity has transferred to the customer the major risk and rewards of ownership, which generally occurs, depending on contract terms, upon duplication or delivery.*

### Royalties

*Patent Licensing agreements generally state that a specified royalty amount is earned at the time of shipment of each product to a third-party by a licensee. The gross royalty amount is determined on a quarterly basis and in accordance with the license agreement.*

| *(in million euros)* | France | UK.. | Rest of Europe | U.S. | Rest of Americas | Asia-Pacific | Total |
|---|---|---|---|---|---|---|---|
| **Revenues** | | | | | | | |
| 2017 | 740 | 199 | 221 | 2,318 | 541 | 212 | 4,231 |
| 2016* | 877 | 215 | 279 | 2,497 | 569 | 191 | 4,628 |
| **Segment assets** | | | | | | | |
| 2017 | 601 | 214 | 88 | 1,683 | 300 | 140 | 3,026 |
| 2016 | 652 | 240 | 104 | 1,990 | 338 | 131 | 3,455 |

* *2016 amounts are re-presented to reflect the impacts of Discontinued Operations (see note 12).*

Revenues are classified according to the location of the entity that invoices the customer.

### Information on main clients

As of December 31, 2017, two external customers represent each more than 10% of the Group's consolidated revenues (respectively €634 million and €540 million).

As of December 31, 2016, two external customers represent each more than 10% of the Group's consolidated revenues (respectively €580 million and €451 million).

## 3.3. Operating income & charges

GRI [G4-EC4]

### 3.3.1. Research & development expenses

| (in million euros) | 2017 | 2016* |
|---|---|---|
| Research and development expenses, gross | (186) | (204) |
| Capitalized development projects | 48 | 49 |
| Amortization of capitalized development projects | (46) | (36) |
| Subsidies [1] | 12 | 14 |
| **RESEARCH AND DEVELOPMENT EXPENSES, NET** | **(172)** | **(177)** |

(1) *Include mainly research tax credit granted by the French State.*

### 3.3.2. Selling & administrative expenses and other operation income (expenses)

| (in million euros) | 2017 | 2016* |
|---|---|---|
| Selling and marketing expenses | (145) | (162) |
| General and administrative expenses | (210) | (222) |
| **SELLING AND ADMINISTRATIVE EXPENSES** | **(355)** | **(384)** |
| **OTHER INCOME (EXPENSE)** | **(11)** | **1** |

* *2016 amounts are re-presented to reflect the impacts of Discontinued Operations (see note 12)*

# NOTE 4. GOODWILL, INTANGIBLE & TANGIBLE ASSETS

## 4.1. Goodwill

*Business combinations are accounted for using the acquisition method at the acquisition date, which is the date on which control is transferred to the Group.*

*The Group measures goodwill at the acquisition date as:*

- *the fair value of the consideration transferred; plus*
- *the recognized amount of any previously owned non-controlling interests in the acquiree; plus*
- *If the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree; less*
- *the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed.*

*Under option, for each business combination, any non-controlling interest in the acquiree is measured either at fair value (thus increasing the goodwill) or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Once control is achieved, further acquisition of non-controlling interest or disposal of equity interest without losing control are accounted as equity transaction.*

*Goodwill is recognized in the currency of the acquired subsidiary/associate and measured at cost less accumulated impairment losses and translated into euros at the rate effective at the end of the period. Goodwill is not amortized but is tested annually for impairment.*

*Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination, are expensed as incurred.*

*Any contingent consideration payable is measured at fair value at the acquisition date. Subsequent changes in the fair value of the contingent consideration are recognized in profit or loss, except if contingent consideration is classified in equity.*

The following table provides the allocation of the significant amounts of goodwill to each Goodwill Reporting Unit (GRU) based on the organization effective as of December 31, 2017 (refer to note 4.4 for detail on impairment tests).

| | | Entertainment Services | | |
|---|---|---|---|---|
| *(€ in million)* | Connected Home | Production Services | DVD Services | Total |
| **At December 31, 2015** | **429** | **204** | **370** | **1,003** |
| Exchange difference | 13 | (9) | 9 | 13 |
| Additions | - | 3 | - | 3 |
| Disposals | - | - | - | - |
| Impairment loss | - | - | - | - |
| Other | - | - | - | - |
| **At December 31, 2016** | **442** | **198** | **379** | **1,019** |
| Exchange difference | (33) | (15) | (42) | (90) |
| Additions [1] | 13 | - | - | 13 |
| Disposals | - | - | - | - |
| Impairment loss | - | - | - | - |
| Other | - | - | - | - |
| **AT DECEMBER 31, 2017** | **422** | **183** | **337** | **942** |

*(1) Mainly linked to Purchase price allocation of LG set-up box business acquisition (refer to note 2.2).*

## 4.2. Intangible assets

*Intangible assets consist mainly of trademarks, rights for use of patents, capitalized development projects and acquired customer relationships.*

*Intangibles acquired through a business combination are recognized at fair value at the transaction date. For material amounts, Technicolor relies on independent appraisals to determine the fair value of intangible assets. Separately acquired intangible assets are recorded at purchase cost and internally generated intangibles are recognized at production cost.*

*Purchase cost comprises acquisition price plus all associated costs related to the acquisition and set-up. All other costs, including those related to the development of internally generated intangible assets such as brands, customer files, etc., are recognized as expenses of the period when they are incurred.*

*Intangible assets considered to have a finite useful life are amortized over their estimated useful lives and their value written down in the case of any impairment loss. Depending on the nature and the use of the intangible assets, the amortization of these assets is included either in "Cost of sales", "Selling and administrative expenses", "Other income (expense)" or "Research and development expenses".*

*Intangible assets with indefinite useful lives are not amortized but are attached to GRU and tested for impairment annually (see note 4.4).*

### *ACCOUNTING ESTIMATES AND JUDGMENTS*

*Regarding intangible assets with finite useful lives, significant estimates and assumptions are required to determine (i) the expected useful life of these assets for purpose of their depreciation and (ii) whether there is an impairment of their value requiring a write-down of their carrying amount. Estimates that are used to determine their expected useful lives are defined in the Group's accounting policy manual and consistently applied throughout the Group.*

*Regarding intangible assets with indefinite useful lives, significant estimates and assumptions are required to determine the recoverable amount of such assets. (See section 4.4. for detail on the accounting policy related to impairment review on such assets).*

| *(in million euros)* | Trademarks | Patents & Customer Relationships | Other intangibles | Total Intangible Assets |
|---|---|---|---|---|
| **At December 31, 2015, Net** | **270** | **418** | **115** | **803** |
| *Cost* | *375* | *979* | *321* | *1,675* |
| *Accumulated depreciation* | *(105)* | *(561)* | *(206)* | *(872)* |
| Exchange differences | 5 | 2 | 4 | 11 |
| Additions | - | 3 | 86 | 89 |
| Disposals | - | (1) | - | (1) |
| Depreciation charge | - | (68) | (53) | (121) |
| Impairment loss (see note 4.4) | - | (1) | (9) | (10) |
| Other | - | - | - | - |
| **At December 31, 2016, Net** | **275** | **353** | **143** | **771** |
| *Cost* | *282* | *989* | *342* | *1,613* |
| *Accumulated depreciation* | *(7)* | *(636)* | *(199)* | *(842)* |
| Exchange differences | (27) | (30) | (10) | (67) |
| Acquisitions of businesses | - | 2 | 1 | 3 |
| Additions | - | - | 75 | 75 |
| Disposals | - | - | - | - |
| Depreciation charge | - | (58) | (79) | (137) |
| Impairment loss (see note 4.4) | - | (6) | (7) | (13) |
| Other [1] | - | (7) | - | (7) |
| **AT DECEMBER 31, 2017, NET** | **248** | **254** | **123** | **625** |
| *Cost* | *255* | *642* | *389* | *1,286* |
| *Accumulated depreciation* | *(7)* | *(388)* | *(266)* | *(661)* |

*(1) Includes patents transferred to assets held for sale.*

## 4.2.1. Trademarks

*Trademarks are considered as having an indefinite useful life and are not amortized, but are tested for impairment annually, on a stand-alone basis. The main reasons retained by the Group to consider a trademark as having an indefinite useful life were mainly its positioning in its market expressed in terms of volume of activity, international presence and notoriety, and its expected long-term profitability.*

As of December 31, 2017, trademarks total €248 million and consist mainly of Technicolor® trademark for €189 million, RCA® trademark for €29 million and The Mill® tradename for €21 million.

The fair market value of Technicolor Trademark is based on a methodology developed in 2014 by Sorgem, a company specialized in valuation of trademarks. Such methodology defines for each business, through a matrix of key success factors of the business and intangible assets used, the contribution of the trademark to the discounted cash flow using an excess profit method.

Except if a trigger event is changing the business environment, the matrix of contribution as defined by Sorgem in 2014 is considered permanent and only the discounted cash flows are updated internally each year to check if the fair value of the Technicolor trademark is above its net book value.

A decrease of earnings before interest and tax of each business by 1 point would not lead to an impairment of the Technicolor trademark.

The recoverable value of RCA® trademark is estimated using the discounted cash flows method based on Budget and cash flow projections on a 5-year period with no long-term growth and a post-tax discount rate of 8%. No reasonably expected change in assumptions would result in any impairment.

Other trademarks include:

- THOMSON® in the Corporate & Other; and
- MPC®, Mr. X®, and Mikros Image® in the Production Services.

## 4.2.2. Patents, Customer relationships & other intangible assets

### PATENTS

*Patents are amortized on a straight-line basis over the expected period of use.*

### CUSTOMER RELATIONSHIPS

*Customer relationships that are acquired through business combinations are amortized over the expected useful life of such relationships, which range from 8 to 20 years, taking into account probable renewals of long-term customer contracts that last generally from 1 to 5 years. The initial valuation methodology is generally the excess profit method using the attributable discounted future cash flows expected to be generated. They are tested for impairment only if management identifies triggering events that may result in a loss of value of such assets.*

### OTHER INTANGIBLES

*Other intangibles comprise mainly capitalized development projects, acquired or internally developed software and acquired technologies.*

*Research expenditures are expensed as incurred. Development costs are expensed as incurred, unless the project to which they relate meets the IAS 38 capitalization criteria. Recognized development projects correspond to projects whose objectives are to develop new processes or to improve significantly existing processes, considered as technically viable and expected to provide future economic benefits for the Group. Development projects are recorded at cost less accumulated depreciation and impairment losses, if any. The costs of the internally generated development projects include direct labor costs (including pension costs and medical retiree benefits), costs of materials, service fees necessary for the development projects and reduced of tax credits if any. They are amortized over a period ranging from one to five years starting from the beginning of the commercial production of the projects, based on units sold or based on units produced or using the straight-line method.*

## 4.3. Property, plant & equipment

*All Property, Plant and Equipment (PPE) are recognized at cost less any depreciation and impairment losses. They are essentially amortized using the straight-line method over the useful life of the asset which ranges from 20 to 40 years for buildings and from 1 to 12 years for materials and machinery. Each material component of a composite asset with different useful lives or different patterns of depreciation is accounted for separately for the purpose of depreciation and for accounting of subsequent expenditure.*

### *LEASES*

*Leases which transfer substantially all risks and rewards incidental to the ownership of the leased asset are classified as finance leases. This transfer is based on different indicators analyzed such as*

- the transfer of ownership at the end of the lease,
- the existence of a bargain price option in the agreement,
- the fact that the lease term is for the major part of the economic life of the asset, or
- the present value of minimum lease payments amounts to substantially all of the fair value of the leased asset.

*The assets held under finance leases are capitalized at the lower of the present value of future minimum payments and the fair value of the leased assets and the corresponding financial liability is accounted for by the Group. They are amortized using the straight-line method over the shorter of the estimated useful life of the asset and the duration of the lease. The costs related to the assets acquired through these contracts are included within the amortization allowances in the statement of operations.*

*Leases which are not classified as finance leases are operating leases. The payments related to these contracts are recorded as expenses on a straight-line basis over the lease term.*

*The aggregate benefits of lease incentives received from the lessor are recognized as a reduction of rental expense over the lease term, on a straight-line basis.*

### *ACCOUNTING ESTIMATES AND JUDGMENTS*

*Significant estimates and assumptions are required to determine (i) the expected useful lives of these assets for purposes of their depreciation and (ii) whether there is an impairment of their value requiring a write-down of their carrying amount. Estimates that are used to determine their expected useful lives are defined in the Group's accounting policy manual and consistently applied throughout the Group.*

| *(in million euros)* | Land | Buildings | Machinery & Equipment | Other Tangible Assets[1] | Total |
|---|---|---|---|---|---|
| **At December 31, 2015, Net** | **3** | **24** | **172** | **105** | **304** |
| *Cost* | *3* | *57* | *1,183* | *354* | *1,597* |
| *Accumulated depreciation* | - | *(33)* | *(1,011)* | *(249)* | *(1,293)* |
| Exchange differences | - | 1 | 4 | 3 | 8 |
| Additions | - | - | 4 | 71 | 75 |
| Disposals of businesses[2] | - | - | - | (1) | (1) |
| Depreciation charge | - | (3) | (65) | (30) | (98) |
| Impairment loss | - | - | (1) | (1) | (2) |
| Other[4] | - | - | 25 | (25) | - |
| **At December 31, 2016, Net** | **3** | **22** | **139** | **122** | **286** |
| *Cost* | *3* | *61* | *1,243* | *388* | *1,695* |
| *Accumulated depreciation* | - | *(39)* | *(1,104)* | *(266)* | *(1,409)* |
| Exchange differences | - | (1) | (12) | (11) | (24) |
| Additions | - | 5 | 9 | 71 | 85 |
| Acquisition of subsidiaries[3] | - | - | 1 | - | 1 |
| Disposals | - | - | (1) | (4) | (5) |
| Depreciation charge | - | (5) | (58) | (33) | (96) |
| Impairment loss | - | - | - | (1) | (1) |
| Other[4] | - | - | 22 | (25) | (3) |
| **AT DECEMBER 31, 2017, NET** | **3** | **21** | **100** | **119** | **243** |
| *Cost* | *3* | *63* | *1,132* | *372* | *1,570* |
| *Accumulated depreciation* | - | *(42)* | *(1,032)* | *(253)* | *(1,327)* |

*(1) Includes assets in progress.*
*(2) In 2016, mainly related to the disposal of M-GO activity.*
*(3) In 2017, related to the acquisition of LG Set-Top Box business.*
*(4) Corresponds mainly to the transfer of tangible assets in progress to Machinery and Equipment.*

## 4.4. Impairment on non-current operating assets

*Goodwill, intangible assets having an indefinite useful life and development projects not yet available for use are tested annually for impairment during the last quarter of the year and updated at the end of December and whenever circumstances indicate that they might be impaired.*

*For impairment testing, assets are Grouped together into the smallest Group of assets that generate cash outflows that are largely independent of the cash flows of other assets or CGU. Goodwill arising from a business combination is allocated to CGUs or Group of CGUs (Goodwill reporting units - GRUs) that are expected to benefit from the synergies. The Group identified 3 GRUs:*

- *the Entertainment Services segment includes 2 GRUs: DVD Services and Production Services;*
- *the Connected Home segment is considered as a single GRU.*

*PPE and intangible assets having a definite useful life are tested for impairment at the consolidated statement of financial position date only if events or circumstances indicate that they might be impaired. The main evidence indicating that an asset may be impaired includes the existence of significant changes in the operational environment of the assets, a significant decline in the expected economic performance of the assets, or a significant decline in the revenues or margin versus prior year and budget or in the market share of the Group.*

*The impairment test consists of comparing the carrying amount of the asset with its recoverable amount. The recoverable amount of the asset is the higher of its fair value (less costs to sell) and its value in use.*

*The fair value (less costs to sell) corresponds to the amount that could be obtained from the sale of the asset (or the CGU/GRU), in an arm's-length transaction between knowledgeable and willing parties, less the costs of disposal. It can be determined using an observable market price for the asset (or the CGU/GRU) or using discounted cash flow projections, that include estimated future cash inflows or outflows expected to arise from future restructuring or from improving or enhancing the asset's performance but exclude any synergies with other CGU/GRU of the Group.*

*Value in use is the present value of the future cash flow expected to be derived from an asset or CGU/GRU.*

*For determining the recoverable value, the Group uses estimates of future pre-tax discounted cash flows generated by the asset including a terminal value when appropriate. These flows are consistent with the most recent budgets approved by the Board of Directors of the Group. Estimated cash flows are discounted using pre-tax long-term market rates, reflecting the time value of money and the specific risks of the assets.*

*An impairment loss corresponds to the difference between the carrying amount of the asset (or Group of assets) and its recoverable amount and is recognized in "Net impairment losses on non-current operating assets" for continuing operations unless the impairment is part of restructuring plans, or related to discontinued operations in which case it is recognized in "Restructuring expenses". In accordance with IAS 36, impairment of goodwill cannot be reversed.*

### *ACCOUNTING ESTIMATES AND JUDGMENTS*

*The Group reviews annually goodwill and other indefinite-lived intangible assets for impairment in accordance with the accounting policy.*

*Technicolor's management believes its policies related to such annual impairment testing are critical accounting policies the recoverable involving critical accounting estimates because determining amount of GRU requires (i) determining the appropriate discount rate to be used to discount future expected cash flows of the cash-generating unit and (ii) estimating the value of the operating cash flows including their terminal value, the growth rate of the revenues generated by the assets tested for impairment, the operating margin rates of underlying assets for related future periods and the royalty rates for trademarks.*

*In addition to the annual review for impairment, Technicolor evaluates at each reporting date certain indicators that would result, if applicable, in the calculation of an additional impairment test in accordance with the accounting policy.*

*Management believes the updated assumptions used concerning sales growth, terminal values and royalty rates are reasonable and in line with updated market data available for each GRU.*

| *(in million euros)* | Connected Home | Entertainment Services | Discontinued operations | TOTAL |
|---|---|---|---|---|
| **2017** | | | | |
| Impairment loss on goodwill | - | - | - | - |
| Impairment losses on intangible assets | (7) | (1) | (5) | (13) |
| Impairment losses on tangible assets | (1) | - | - | (1) |
| **Impairment losses on non-current operating assets** | **(8)** | **(1)** | **(5)** | **(14)** |
| Impairment reversal on intangible assets | - | - | - | - |
| **NET IMPAIRMENT LOSSES ON NON-CURRENT OPERATING ASSETS** | **(8)** | **(1)** | **(5)** | **(14)** |
| **2016** | | | | |
| Impairment loss on goodwill | - | - | - | - |
| Impairment losses on intangible assets | (9) | (2) | - | (11) |
| Impairment losses on tangible assets | (1) | (1) | - | (2) |
| **Impairment losses on non-current operating assets** | **(10)** | **(3)** | **-** | **(13)** |
| Impairment reversal on intangible assets | - | - | - | - |
| **NET IMPAIRMENT LOSSES ON NON-CURRENT OPERATING ASSETS** | **(10)** | **(3)** | **-** | **(13)** |

As of December 31, 2017, the Group reviewed its triggering indicators and determined that some amortizable assets may have lost value. Consequently, it performed impairment tests for these assets or Group of assets which resulted in depreciation of mainly capitalized development costs within Connected Home segment.

The impairment tests performed in 2017 and 2016 on goodwill and intangibles assets with indefinite useful lives resulted in no impairment.

### 4.4.1. Main assumptions at December 31, 2017

In order to perform the annual impairment test, the Group used the following assumptions to determine the recoverable amount of the main goodwill reporting units:

| | Entertainment Services | | Connected Home |
|---|---|---|---|
| | DVD Services | Production Services | |
| Basis used to determine the recoverable amount | Fair Value | Value in use | Fair Value |
| Description of key assumptions | | Budget and Business Plans | |
| Period for projected future cash flows | * | 5 years | 5 years |
| Growth rate used to extrapolate cash flow projections beyond projection period: | | | |
| ■ As of December 31, 2017 | * | 2.0% | 2.0% |
| ■ As of December 31, 2016 | * | 2.0% | 0.5% |
| Post-tax discount rate applied[(1)]: | | | |
| ■ As of December 31, 2017 | 8.0% | 8.0% | 10.0% |
| ■ As of December 31, 2016 | 8.0% | 8.0% | 11.0% |

*(1) The corresponding pre-tax discount rates are within a range from 10.6% to 13%.*

** The main activities of the DVD Services Division have been considered to have a finite life, determined on the expected timing for the obsolescence of the underlying Technology of this activity. Accordingly, no terminal value has been applied for this activity.*

For the DVD Services GRU, in the absence of a binding sale agreement at closing date, of an active market and of comparable recent transactions, discounted cash flow projections have been used to estimate fair value less costs to sell. Technicolor management considers that fair value less costs to sell is the most appropriate method to estimate the value of its GRU as it takes into account the future restructuring measures the Group will need to make against a rapid technological environment change. Such restructuring actions would be considered by any market participant given the economic environment of the business.

The discounted cash flow of DVD Services is computed over a finite life of circa twenty years and accordingly the goodwill will be impaired over this period depending on the evolution of the fair value as determined through the discounted cash flow.

The Group didn't record any impairment charge on goodwill as of December 31, 2016 and 2017.

### 4.4.2. Sensitivity of recoverable amounts at December 31, 2017

For Production Services:

- an increase of 1 point in the post-tax discount rate assumption would decrease the enterprise value of €249 million without generating an impairment;
- a decrease of 1 point of the Adjusted EBITDA margin from 2018 would decrease the enterprise value of €126 million without generating an impairment.

For DVD Services:

- an increase of 0.5 point in the post-tax discount rate assumption would decrease the enterprise value by €18 million without generating an impairment;
- a decrease of 1 point of the Adjusted EBITDA from 2021 would decrease the enterprise value of €41 million without generating an impairment;
- a decrease of 5% in the Blu-ray™ volume from 2021 would decrease the enterprise value of €12 million without generating an impairment.

As the fair value is close to the book value as of December 31, 2017, an accelerated decrease in the DVD and Blu Ray™ markets volume as well as a deterioration of other key assumptions (selling prices, cost structure adaptation to market environment), would lead the recoverable value below the book value.

For Connected Home:

- an increase of 1 point in the post-tax discount rate assumption would decrease the enterprise value of €120 million without generating an impairment;
- a decrease of 1 point of the Adjusted EBITDA margin from 2018 would decrease the enterprise value by €211 million without generating an impairment;
- a decrease of 1 point of a sale growth assumption for 2021, 2022 and Terminal value would decrease the enterprise value by €108 million without generating an impairment.

## 4.5. Commitments related to assets operated under operating lease

| *(in million euros)* | Minimum future lease commitments | Future lease commitments received | Net value of future lease commitments |
|---|---|---|---|
| 2018 | 86 | 4 | 82 |
| 2019 | 58 | 1 | 57 |
| 2020 | 42 | - | 42 |
| 2021 | 27 | - | 27 |
| 2022 | 16 | - | 16 |
| After 5 years | 80 | - | 80 |
| **TOTAL[1]** | **309** | **5** | **304** |

(1) *Minimum operating lease payments shown are not discounted.*

The above table includes the leases accrued as restructuring reserve for less than €1 million for 2017 closing.

The main operating leases relate to the headquarters in France and in the U.S.:

- on April 22, 2008, Technicolor signed a commitment for an operating lease - its headquarters in France in Issy-les-Moulineaux near Paris for a duration of 9 years from November 2009;
- Technicolor USA, Inc.. sold its office building (administration and technical services buildings) in March 2000 and subsequently leased back from the purchaser until 2012 and renewed until 2017.
- on November 2016, Technicolor signed a commitment for a new operating lease until 2028 regarding the relocation of its headquarter in the center of Paris (Rue du Renard 75004) from August 2018.

The net operating lease expense in 2017 was €100 million (€104 million in rental expense reduced by €4 million in rental income).

# NOTE 5. OTHER OPERATING INFORMATION

## 5.1. Operating assets & liabilities

### 5.1.1. Non-current operating assets & liabilities

| (in million euros) | 2017 | 2016 |
|---|---|---|
| Customer contract advances and up-front prepaid discount | 10 | 24 |
| Other | 28 | 32 |
| **OTHER OPERATING NON-CURRENT ASSETS** | **38** | **56** |
| Payable on acquisitions of business & fixed assets | (32) | (50) |
| Deferred income | (2) | (65) |
| Other | (25) | (38) |
| **OTHER OPERATING NON-CURRENT LIABILITIES** | **(59)** | **(153)** |

As part of its normal course of business, Technicolor makes cash advances and up-front prepaid discount to its customers, principally within its Entertainment Services segment. These are generally in the framework of a long-term relationship or contract and can take different forms. Consideration is typically paid as an advance to the customers in return for the customer's various commitments over the life of the contracts. These contracts award to the Group a customer's business within a particular territory over the specified contract period (generally from 1 to 5 years). The contracts contain provisions that establish pricing terms for services and volumes to be provided and other terms and conditions.

Such advanced payments are classified under "Non-current assets", recorded as "Contracts advances and up-front prepaid discount" and are amortized as a reduction of "Revenues" on the basis of units of production or film processed.

### 5.1.2. Inventories

*Inventories are valued at acquisition or production cost. The production costs include the direct costs of raw materials, labor costs and a part of the overheads representative of the indirect production costs, and exclude general administrative costs. The cost of inventory sold is determined based on the weighted average method or the FIFO (first in – first out) method, depending on the nature of the inventory. When the net realizable value of inventories is lower than its carrying amount, the inventory is written down by the difference.*

| (in million euros) | 2017 | 2016 |
|---|---|---|
| Raw materials | 38 | 40 |
| Work in progress | 10 | 42 |
| Finished goods and purchased goods for resale | 214 | 179 |
| **Gross value** | **262** | **261** |
| Less: valuation allowance | (24) | (27) |
| **TOTAL INVENTORIES** | **238** | **234** |

## 5.1.3. Trade accounts receivables

*The trade receivables are part of the current financial assets. At the date of their initial recognition, they are measured at the fair value of the amount to be received. This generally represents their nominal value because the effect of discounting is generally immaterial between the recognition of the instrument and its realization.*

*The Group assesses at each balance sheet date whether there is any objective evidence that a trade receivable is impaired. If any such evidence exists, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows.*

| *(in million euros)* | 2017 | 2016 |
|---|---|---|
| Trade accounts and notes receivable | 708 | 826 |
| Less: valuation allowance | (24) | (20) |
| **TOTAL TRADE ACCOUNTS AND NOTES RECEIVABLE** | **684** | **806** |

Trade accounts receivable include €71 million and €79 million which are past due respectively as of December 31, 2017 and December 31, 2016 for which no valuation allowance was recorded as the amount is still considered recoverable.

The credit risk exposure on the Group's trade receivables corresponds to the net book value of these assets (€684 million as of December 31, 2017 compared to €806 million as of December 31, 2016).

## 5.1.4. Other current assets & liabilities

### ESTIMATION OF ACCRUED ROYALTY INCOME

*In the normal course of its business, the Group may use certain Technology protected by patents owned by third parties. In the majority of cases, the amount of royalties payable to these third parties for the use of this Technology will be defined in a formal Licensing contract. In some cases, and particularly in the early years of an emerging Technology when the ownership of Intellectual Property rights may not yet be ascertained, management's judgement is required to determine the probability of a third party asserting its rights and the likely cost of using the Technology when such assertion is probable. In making its evaluation, management considers past experience with comparable Technology and/or with the particular Technology owner. The royalties payable are presented within the captions "Other current liabilities" and "Other non-current liabilities" in the Group's balance sheet.*

### DERECOGNITION OF ASSETS

*A receivable is derecognized when it is sold without recourse and when it is evidenced that the Group has transferred substantially all the significant risks and rewards of ownership of the receivable and has no more continuing involvement in the transferred asset.*

| *(in million euros)* | 2017 | 2016 |
|---|---|---|
| Value added tax receivable | 33 | 26 |
| Research tax credit and subsidies | 18 | 24 |
| Prepaid expenses | 37 | 48 |
| Accrued royalty income | 23 | 18 |
| Other | 145 | 168 |
| **OTHER CURRENT OPERATIONAL ASSETS** | **256** | **284** |
| Taxes payable | (40) | (37) |
| Accrued royalties expense | (49) | (71) |
| Payables for fixed assets | (25) | (30) |
| Other | (220) | (366) |
| **OTHER CURRENT OPERATIONAL LIABILITIES** | **(334)** | **(504)** |

## 5.2. Related party transactions

*A party is related to the Group if:*

- *directly or indirectly the party (i) controls, is controlled by or is under common control with the Group, (ii) has an interest in the Group that gives it significant influence over the Group;*
- *the party is an associate or a joint venture in which the Group is a venture;*
- *the party or one of its Directors is a Member of the Board of Directors or of the Executive Committee of the Group or a close Member of the family of any individual referred to above.*

Related party transactions with associates & joint ventures are detailed in note 2.4.

Remuneration of key management is detailed in note 9.4.

Other related parties:

- ST Microelectronics is no longer a related party as Mr. Lombard left his position as Chairman of Technicolor SA since April 2017, he also left his position as member of Supervisory Board at ST Microelectronics since June 2017;
- In 2016, transactions with ST Microelectronics impact trade payables for €2 million and expenses for €1 million;
- NDS is a related party of Technicolor since Cisco Systems Inc.. (the parent company of NDS) holds 5.18% of the share capital of Technicolor. In 2017, transactions with NDS are not significant. In 2016, transactions with NDS impact expenses for €4 million and trade payables for €1 million.

There is no contractual obligation and other commitment with these related parties in 2017 and in 2016.

# NOTE 6. INCOME TAX

## 6.1. Income tax recognized in profit and loss

### *6.1.1. Income tax expense*

*Income tax expense comprises current and deferred tax. Deferred tax is recognized in profit or loss, except to the extent that it relates to items previously recognized outside profit or loss (either in OCI or directly in equity). Moreover, IAS 12 does not specify whether tax benefits arising from tax losses should be allocated to the source of the loss or the source of the realization of the benefit. the Group has accounted for any tax benefits arising from tax losses from discontinued activities in continuing operations since these tax losses will be used by future benefits from continuing operations.*

| *(in million euros)* | 2017 | 2016* |
|---|---|---|
| **Current income tax** | | |
| France | 3 | - |
| Foreign | (15) | (15) |
| **Total current income tax** | **(12)** | **(15)** |
| **Deferred income tax** | | |
| France | (113) | (59) |
| Foreign | 13 | 44 |
| **Total deferred income tax** | **(100)** | **(15)** |
| INCOME TAX ON CONTINUING OPERATIONS | (112) | (30) |

* *2016 amounts are re-presented to reflect the impacts of Discontinued Operations (see note 12)*

In 2017 and 2016, the current income tax charge was mainly attributable to current taxes due in France, India, Canada, UK, Australia and Poland.

In France, the current income tax reflects income taxes payable due to the limitation of the usage of tax losses carried forward, withholding taxes on income earned by our Licensing activities and the local tax "CVAE".

Please see section 6.2.1 for detail on the variation of deferred taxes.

### 6.1.2. Group tax proof

The following table shows reconciliation of the expected tax expense – using the French corporate tax rate of 39% – and the reported tax expense. Following the introduction in 2017 of an extraordinary contribution of 15% due by companies with revenues over €1 billion, the applicable French corporate tax rate of the Group is increased from 34% to 39%. The reconciling items are described below:

| *(in million euros)* | 2017 | 2016* |
|---|---|---|
| **Profit (loss) from continuing operations** | **(219)** | **(106)** |
| Income tax | (112) | (30) |
| Share of profit (loss) from associates | - | 2 |
| **Pre-tax accounting income on continuing operations** | **(107)** | **(30)** |
| | *39%* | *34%* |
| **Expected tax expense** | **42** | **28** |
| Effect of unused tax losses and tax offsets not recognized as deferred tax assets (1) | 86 | (61) |
| Effect of different tax rates applied (2) | 20 | 5 |
| Effect of change in applicable tax rate (2) | (270) | (1) |
| Effect of permanent differences | 10 | - |
| Withholding taxes not recovered | (1) | (1) |
| Other(3) | - | - |
| **Effective tax expense on continuing operations** | **(112)** | **(30)** |
| EFFECTIVE TAX RATE ON CONTINUING OPERATIONS | N/R(3) | N/R(3) |

* *2016 amounts are re-presented to reflect the impacts of Discontinued Operations (see note 12)*

(1) *In 2017, mainly due to:*
- *the depreciation of deferred tax assets in France for €113 million mainly due to change in the projections of our Licensing activities following the announcement of the disposal of Patent Licensing business;*
- *the reversal of the United States depreciation for €270 million as a result of the change in the tax rate from 35% to 21% following the recent enacted U.S. tax reform;*
- *the depreciation of losses carry forward generated in France.*

*In 2016, it was mainly related to the depreciation of deferred tax assets in France.*

(2) *In 2017, the amounts include mainly impact of the change in the U.S tax rate from 35% to 21%.*

(3) *Non-relevant.*

## 6.2. Tax position in the statement of financial position

*Deferred taxes result from:*

- *temporary differences arising from differences between the tax bases of assets and liabilities and their carrying amounts in the Group consolidated balance sheets; and*
- *the carry forward of unused tax losses and tax credits.*

*Deferred taxes for all temporary differences are calculated for each taxable entity (or group of entities) using the balance sheet liability method.*

*All deferred tax liabilities are recorded except:*

- *when the deferred tax liability results from the initial recognition of goodwill, or from the initial recognition of an asset or a liability in a transaction which is not a business combination and, at the trade date, affects neither the net income nor the taxable income or loss; and*
- *for taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the Group is able to control the timing of the reversal of the temporary differences and when it is probable that these temporary differences will not reverse in the foreseeable future.*

*Deferred tax assets are recorded:*

- *for all deductible temporary differences, to the extent that it is probable that future taxable income will be available against which these temporary differences can be utilized, except when the related deferred tax asset results from the initial recognition of an asset or a liability in a transaction which is not a business combination and, at the trade date, affects neither the net income nor the taxable income or loss; and*
- *for the carry forward of unused tax losses and unused tax credits, to the extent that it is probable that future taxable income will be available against which the unused tax losses and credits can be utilized.*

*The recoverable amount of the deferred tax assets is reviewed at each balance sheet date and adjusted to take into account the level of taxable profit available to allow the benefit of part or all of the deferred tax assets to be utilized.*

*Deferred tax assets and liabilities are valued using the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. Deferred taxes are classified as non-current assets and liabilities.*

### *ACCOUNTING ESTIMATES AND JUDGMENTS*

*Management judgment is required to determine the Group's deferred tax assets and liabilities. When a specific subsidiary has a history of recent losses, future positive taxable income is assumed improbable, unless the asset recognition can be supported for reasons such as*

- *the losses having resulted from exceptional circumstances which are not expected to re-occur in the near future, and/or*
- *the expectation of exceptional gains or*
- *future income to be derived from long-term contracts.*

*The Group considered tax-planning in assessing whether deferred tax assets should be recognized.*

## *6.2.1. Change in net deferred taxes*

| *(in million euros)* | Deferred tax assets | Deferred tax liabilities | Total, net deferred tax assets |
|---|---|---|---|
| **Year ended December 31, 2015** | **472** | **(247)** | **225** |
| Changes impacting continuing profit or loss | (46) | 31 | (15) |
| Other movement | (3) | (1) | (4) |
| **Year ended December 31, 2016** | **423** | **(217)** | **206** |
| Changes impacting continuing profit or loss | (108) | 8 | (100) |
| Other movement | (40) | 16 | (24) |
| **YEAR ENDED DECEMBER 31, 2017** | **275** | **(193)** | **82** |

As of December 31, 2017, the net deferred tax assets of €82 million relates mainly to the recognition of losses carry forward in France and in the United States. Net deferred tax assets amounted to €206 million as of December 31, 2016. This decrease was primarily due to change in the projections of our Licensing activities from a fourteen-year to a five-year tax planning in France as a result of the announcement in December 2017 of the disposal of our Patent Licensing business (see note 1.1 Main events of the year).

Net deferred tax assets in the United States amounted to €50 million as of December 31, 2017, comparable to 2016 despite the change in the tax rate from 35% to 21% following the recent enacted U.S. tax reform. Although the application of the U.S. tax reform may be subject to interpretation, the Group anticipates to be mainly affected by the BEAT (Base Erosion and anti-Abuse Tax) on intercompany payments but does not expect significant impacts on its profitability.

## 6.2.2. Source of deferred taxes

| *(in million euros)* | 2017 | 2016 |
|---|---|---|
| **Tax losses carried forward** | **1,348** | **1,578** |
| **Tax effect of temporary differences related to:** | | |
| Property, plant and equipment | 20 | 25 |
| Goodwill | 19 | 33 |
| Intangible assets | (108) | (185) |
| Investments and other non-current assets | (3) | (9) |
| Inventories | 10 | 10 |
| Receivables and other current assets | 15 | 3 |
| Borrowings | 121 | 200 |
| Retirement benefit obligations | 56 | 77 |
| Restructuring provisions | 2 | 6 |
| Other provisions | 21 | 31 |
| Other liabilities current and non-current | 44 | 78 |
| **Total deferred tax on temporary differences** | **197** | **269** |
| **Deferred tax assets / (liabilities) before netting** | **1,545** | **1,847** |
| Valuation allowances on deferred tax assets | (1,463) | (1,641) |
| **NET DEFERRED TAX ASSETS / (LIABILITIES)** | **82** | **206** |

Technicolor benefits from tax losses carried forward in countries where the Group still conduct business amount to €3,320 million. These losses expire mainly after 2022 (€3,180 million) and arise mainly from France (€1.7 billion) and United States (€1.4 billion).

# NOTE 7. EQUITY & EARNINGS PER SHARE

GRI [GA-13] [G4-EC1]

### *CLASSIFICATION AS DEBT OR EQUITY*

*Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.*

### *EQUITY INSTRUMENTS*

*An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its liabilities. Equity instruments issued by the Group are recorded for the proceeds received, net of direct issue costs.*

### *EQUITY TRANSACTION COSTS*

*Incremental and external costs directly attributable to the equity transactions are accounted for as a deduction from equity.*

## 7.1. Change in share capital

| *(In euros, except number of shares)* | Number of shares | Per value | Share capital in Euros |
|---|---|---|---|
| **Share Capital as of December 31, 2015** | **411,443,290** | **1** | **411,443,290** |
| Issuance of new shares for MIP* purpose | 1,802,677 | 1 | 1,802,677 |
| **Share Capital as of December 31, 2016** | **413,245,967** | **1** | **413,245,967** |
| Issuance of new shares for Free shares* purpose | 778,750 | 1 | 778,750 |
| Issuance of new shares for MIP* purpose | 436,461 | 1 | 436,461 |
| **Share Capital as of December 31, 2017** | **414,461,178** | **1** | **414,461,178** |

* *Plans described in note 9.3.*

In 2016, as part of the 2015 Management Incentive Plan (MIP 2015 & MIP 2016), some share subscription options were exercised and 1,802,677 new shares were issued at an average price of €3.36 euros for a total of €6,055,641, corresponding to an increase in the share capital of €1,802,677 and additional paid-in-capital of €4,252,964.

As of November 6, 2017, the share capital was increased by 778,750 new shares of €1 each in order to deliver the free shares vested under the Free Share Plan. The counterpart of the share capital increase was a corresponding decrease of the additional paid-in capital by €778,750 (see note 9.3).

In 2017, as part of the 2015 Management Incentive Plan (MIP 2015), some share subscription options were exercised and 436,461 new shares were issued at a price of €3.19 for a total of €1,392,311, corresponding to an increase in the share capital of €436,461 and additional paid-in-capital of €955,850.

As of December 31, 2017, and to the Company's knowledge, the following entities held more than 5% of the Company' share capital:

- OppenheimerFunds, Inc. held 48,679,165 shares which represent 11.75% of the share capital and 11.77% of the voting rights of the Company;
- the *Caisse des Dépôts et Consignations* held, jointly with Bpifrance Participations SA, 32,982,928 shares which represent 7.96% of the share capital and 7.98% of the voting rights of the Company;
- J O Hambro Capital Management held 25,047,689 shares which represent 6.04% of the share capital and 6.06% of the voting rights;
- DNCA Finance, SA and DNCA Finance Luxembourg held 21,489,718 shares which represent 5.18% of the share capital and 5.20% of the voting rights of the Company;
- Cisco Systems, Inc. held 21,418,140 shares which represent 5.17% of the share capital and 5.18% of the voting rights of the Company.

## 7.2. Other elements of equity

### 7.2.1. Treasury shares

*Treasury shares are recorded at purchase cost and deducted from shareholders' equity. The gain or loss on disposal or cancellation of these shares is recorded directly in equity.*

*Global amount of Treasury shares includes treasury shares purchased in the frame of the Share Management Agreement authorized by the Combined shareholder's meetings on May 23, 2013, May 22, 2014, April 9, 2015 April 29, 2016 and May 24, 2017.*

| | 2017 | 2016 |
|---|---|---|
| **Number of Treasury shares at opening** | **752,768** | **401,524** |
| Variation related to the Share Management Agreement | 225.283 | 351,494 |
| Other variations | - | (250) |
| **Number of Treasury shares at closing** | **978,051** | **752,768** |

Under the Share Management Agreement 3,006,648 shares were repurchased and 2,781,365 shares were sold for a net cash outflow of €849,744 in 2017. In 2016, the number of treasury shares was increased by 351,494, for a total net proceed of €2,013,935.

In 2016, other variations are related to the 250 free shares delivered as part of a Free Share Plan (see note 9.3).

### 7.2.2. Subordinated perpetual notes

On September 26, 2005, Technicolor issued deeply subordinated perpetual notes (TSS) in a nominal amount of €500 million. No derivative was identified because the provisions of the notes fall outside the scope of the definition of a derivative under IAS 39.

Because of their perpetual and subordinated nature and the optional nature of the coupon, the notes were recorded under IFRS in shareholder's equity for the net value received of €492 million (issue price less offering discount and fees).

Further to the restructuring of the Group's debt in 2010, the characteristics of the notes are now as follows:

- they are not repayable other than (i) at Technicolor's sole option in specific contractually defined events or (ii) in case of liquidation of the Company;
- they no longer bear interest, since an amount of €25 million was paid to TSS holders as final payment of all interest claims in 2010.

### 7.2.3. Dividends and distribution

The shareholders' meeting held on May 24, 2017 voted the payment of a dividend of €0.06 per share for the fiscal year 2016. The amount of €25 million was paid to shareholders on June 2017.

In 2016, for the fiscal year 2015, a €25 million dividend (€0.06 per share) was paid to shareholders.

### 7.2.4. Non-controlling interests

In 2017, there is no significant change in non-controlling interests.

In 2016, following the exercise of the put granted to the non-controlling interest of Technicolor Animation Productions (formerly Ouido Productions), non-controlling interests decreased from €4 million to €3 million.

## 7.3. Earnings (Loss) per share

*Basic earnings per share are calculated by dividing income (loss) attributable to ordinary equity holders of the parent entity by the weighted-average number of shares outstanding during the period, excluding treasury shares.*

*Diluted earnings per share is calculated by dividing income (loss) attributable to ordinary equity holders of the parent entity by the weighted-average number of shares outstanding during the period assuming that all potentially dilutive securities were exercised and that any proceeds from such exercises were used to acquire shares of the Company's stock at the average market price of the period or the period the securities were outstanding.*

*Potentially dilutive securities comprise:*

- *outstanding options, if dilutive;*
- *the securities to be issued under the Company's Management Incentive Plan, to the extent the average market price of the Company's stock exceeded the adjusted exercise prices of such instruments.*

Diluted earnings (loss) per share

| | 2017 | 2016* |
|---|---|---|
| **Net income** *(€ in million)* | **(173)** | **(26)** |
| Net (income) loss attributable to non-controlling interest | (1) | - |
| Net (gain) loss from discontinued operations | 46 | 80 |
| **Numerator:** | | |
| **Adjusted profit "group share" from continuing operations attributable to ordinary shareholders** | **(218)** | **(106)** |
| Basic weighted average number of outstanding shares ('000) | 412,717 | 411,932 |
| Dilutive impact of stock-option & Free Share Plans | 963 | 5,618 |
| **Denominator:** | | |
| **Weighted shares ('000)** | **413,680** | **417,550** |

* *2016 amounts are re-presented to reflect the impacts of Discontinued Operations (see note 12)*

Some of stock-options plans have no dilution impact due to stock price but could have a dilution impact in the future depending on the stock price evolution (see details of these plans in note 9.3).

# NOTE 8. FINANCIAL ASSETS, FINANCING & DERIVATIVE FINANCIAL INSTRUMENTS

## 8.1. Classification & measurement

### *FINANCIAL ASSETS*

*Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date. Except for financial assets at fair value through profit or loss, financial assets are recognized at fair value plus transaction costs at the date when the Group commits to purchase the asset. Loans and receivables are, subsequent to initial recognition, carried at amortized cost using the effective interest method.*

*The Group assesses at every reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A significant or prolonged decline (more than 9 months) in the fair value of the security below its cost is considered as an indicator that the securities are impaired.*

***Financial assets at fair value through profit or loss***

*This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorized as "held for trading" unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realized within 12 months after the consolidated statement of financial position date. Financial assets at fair value through profit or loss are initially recognized at fair value and transaction costs are expensed and subsequently carried at fair value. Gains or losses arising from changes in fair value, including interest and dividend income, are presented in the statement of operations within "Other financial income (expense)", in the period in which they arise.*

***Available-for-sale financial assets***

*Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date. Within the group, available-for-sale financial assets consist mainly of investments held in unlisted entities.*

*Available-for-sale financial assets are subsequently carried at fair value and changes in the fair value are recognized in Other Comprehensive Income. The foreign exchange differences on monetary securities denominated in a foreign currency are recognized in profit or loss. When securities are sold or impaired, the accumulated fair value adjustments recognized previously through Other Comprehensive Income are recycled through profit or loss in the line item "Other financial income (expense)" in the statement of operations. Impairment losses are not reversed through the statement of operations, except if the instruments are disposed of.*

*Dividends and interests calculated using the effective interest rate method are presented in the statement of operations within "Other financial income (expense)", in the period in which they arise.*

*Investments are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.*

***Other financial assets***

*Cash collateral and security deposits represent cash granted to third parties to secure credit facilities and other obligations of the Group. Some cash collaterals for U.S. entities are classified as current because of their short maturity but are renewed automatically for periods of 12 months.*

*Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less, i.e. investments that are readily convertible to a known amount of cash and subject to an insignificant risk of change in value. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.*

## *BORROWINGS*

*Borrowings are initially recognized at fair value. Borrowings are subsequently stated at amortized cost using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the statement of operations over the period of the borrowings using the effective interest rate method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.*

In accordance with IFRS 13 – Fair Value measurement, 3 levels of fair value measurement have been identified for financial assets & liabilities:

- level 1: quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date;
- level 2: internal models with observable parameters including the use of recent arm's length transactions (when available), reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs;
- level 3: internal models with non-observable parameters.

**Fair value measurement by accounting categories as of December 31, 2017**

| *(in million euros)* | December 31, 2017 | Amortized costs | Fair value through profit & loss | Fair value through equity | Derivative instruments (see note 8.5) | Fair Value measurement | December 31, 2016 |
|---|---|---|---|---|---|---|---|
| *Investments and available-for-sale assets* | *17* | *-* | *-* | *17* | *-* | *Level 2* | *19* |
| *Cash collateral & security deposits* | *15* | *-* | *15* | *-* | *-* | *Level 1* | *24* |
| *Loans & others* | *4* | *4* | *-* | *-* | *-* | *-* | *15* |
| **Other non-current financial assets** | **19** | **-** | **-** | **-** | **-** | **-** | **39** |
| **Total non-current financial assets** | **36** | **-** | **-** | **-** | **-** | **-** | **58** |
| *Cash collateral and security deposits* | *8* | *-* | *8* | *-* | *-* | *Level 1* | *10* |
| *Other financial current assets* | *2* | *2* | *-* | *-* | *-* | *-* | *4* |
| *Derivative financial instruments* | *-* | *-* | *-* | *-* | *-* | *Level 2* | *3* |
| **Other financial current assets** | **10** | **-** | **-** | **-** | **-** | **-** | **17** |
| *Cash* | *274* | *-* | *274* | *-* | *-* | *Level 1* | *229* |
| *Cash equivalents* | *45* | *-* | *45* | *-* | *-* | *Level 1* | *142* |
| **Cash and cash equivalents** | **319** | **-** | **-** | **-** | **-** | **-** | **371** |
| **Total current financial assets** | **329** | **-** | **-** | **-** | **-** | **-** | **388** |
| Borrowings[1] | (1,097) | (1,097) | - | - | - | - | (1,050) |
| Other current financial liabilities | (1) | - | - | - | (1) | Level 2 | (2) |
| **Total financial liabilities** | **(1,098)** | **-** | **-** | **-** | **-** | **-** | **(1,052)** |

*(1) Borrowings are recognized at amortized costs. The fair value of the Group debt is €1,108 million as of December 31, 2017 (€1,081 million as of December 31, 2016). This fair value is based on quoted prices in active markets for term loan debts (Level 1).*

Some cash collaterals for U.S. entities are classified as current because of their short maturity but are renewed automatically for periods of 12 months.

Trade payables and receivables are financial assets and liabilities according to IAS 32/39 and recognized at amortized costs.

## 8.2. Management of financial risks

GRI [G4-2]

### 8.2.1. *Risk management objectives and policies*

Technicolor faces a wide variety of financial risks including market risk (due to fluctuations in exchange rates and interest rates), liquidity risk and credit risk.

Technicolor's financial risks are managed centrally by the Group Treasury Department in France and its regional Treasury Department in Ontario (California – U.S.).

Management of financial risks by the Group treasury is done in accordance with group policies and procedures. All financial market risks are monitored continually and reported regularly to the Chief Financial Officer, the Investment Committee and the Audit Committee *via* various reports showing the Company's exposures to these risks with details of the transactions undertaken to reduce them. For each type of transaction, specific limits and authorizations are approved by the Investment Committee and controlled by the Group Internal Control Department.

To reduce interest rate and currency exchange rate risk, the Group enters into hedging transactions using derivative instruments. However, Technicolor's policy is not to use derivatives for any purpose other than for hedging its commercial and financial exposures.

Credit risk on trade receivables is managed by each segment based on policies that take into account the credit quality and history of customers. The Group may decide to insure or factor without recourse trade receivables in order to manage underlying credit risk.

The group's derivative and cash transaction counterparties are limited to highly rated financial institutions. Moreover, the group has policies limiting the maximum amount of exposure to any single counterparty.

### 8.2.2. *Market risk management*

#### 8.2.2.1. Foreign exchange risk

TRANSLATION RISK

The Group's consolidated financial statements are presented in euro. Thus, assets, liabilities, revenues and expenses denominated in currencies other than euro must be translated into euro at the applicable exchange rate to be included in the consolidated financial statements. Increases and decreases in the value of the euro can have an impact on the value in euro of the Group's non-euro assets, liabilities, revenues and expenses, even if the value of these items has not changed in their original currency.

The Group's policy is not to hedge translation risk.

Translation risk is measured by consolidating the Group's exposures and by doing sensitivity analyses on the main exposures.

The main translation exposure of the Group is to the U.S. dollar due to the strong presence of the Group in the United States. In 2017, exchange rate fluctuations of all currencies had a negative impact of €83 million on revenue and no impact on profit/(loss) from continuing operations before tax and net finance costs. The translation impact on revenues was mainly due to the U.S. dollar (average rate versus the euro dropped 2.9% in 2017 versus 2016).

The Group estimates that its sensitivity to translation risk has not significantly changed since the end of 2017.

TRANSACTION RISK

Foreign currency transaction risk occurs when purchases and sales are made by group entities in currencies other than their functional currencies.

The Group's main transaction risk is its U.S. dollar exposure versus euro. After offsetting the U.S. dollar revenues of its European activities with the U.S. dollar costs related to purchases of finished goods and components by its European affiliates, the net U.S. dollar exposure versus euros for continuing operations was net costs of U.S. $116 million in 2017 (net revenue of U.S. $63 million in 2016). The change in 2017 versus 2016 is due to the significant drop in Licensing revenues in U.S. dollars in 2017.

In order to reduce the currency exposure on commercial transactions, the Group's subsidiaries seek to denominate their costs either in the same currencies as their sales or in specific cases in currencies that they believe are not likely to increase in value compared with the currencies in which sales are made.

Subsidiaries regularly report to the Group Treasury Department their projected foreign currency needs and receipts which then reduces the overall exposure by netting purchases and sales in each currency on a global basis. Exposures that remain after this process are generally hedged with banks using foreign currency forward contracts. These hedges are recorded as cash flow hedges under IFRS, as described further in note 8.5 "Derivative Financial Instruments" to these consolidated financial statements.

For products with a short business cycle, the Group's policy is to hedge on a short-term basis up to six months. For products and services which are sold on a longer-term basis, including those of the Licensing and Production Services Division as well as certain exposures in the Connected Home segment, hedges may be put in place for periods greater than six months.

Transaction risk on commercial exposures is measured by consolidating the Group's exposures and doing sensitivity analyses on the main exposures.

RISK ON INVESTMENTS IN FOREIGN SUBSIDIARIES

The Group's general policy is to examine and hedge on a case by case basis the currency risk on its investments in foreign subsidiaries. The variations in the euro value of investments in foreign subsidiaries are booked under "Cumulative translation adjustment" in the Group's consolidated statement of financial position. At December 31, 2017, no hedges of this type were outstanding.

CURRENCY SWAPS

In order to match the currencies that Technicolor's Group Treasury Department borrows with the currencies that it lends, Technicolor may enter into currency swaps primarily (i) to convert euro borrowings into U.S. dollars and British pounds which are lent to the Group's U.S. and U.K subsidiaries respectively and (ii) to convert U.S. dollars borrowed externally or from the Group's U.S. subsidiaries into euros. The forward points on these currency swaps which are accounted for as interest, resulted in income of 2 million euro in 2017 and were a charge of 1 million euro in 2016.

SENSITIVITY ANALYSIS

The Group's main exposure is the fluctuation of the U.S. dollar against the euro.

The Group believes a 10% fluctuation in the U.S. dollar versus the euro is reasonably possible in a given year and thus the tables below show the impact of a 10% increase in the U.S. dollar versus the euro on the Group's Profit from continuing operations before tax and net finance costs and on the currency translation adjustment component of equity. A 10% decrease in the U.S. dollar versus the euro would have a symmetrical impact in the opposite amount. These calculations assume no hedging is in place.

| **2017** *(in million euros)* | **Transaction** | **Translation** | **Total** |
|---|---|---|---|
| Profit from continuing operations before tax and net finance costs[1] | (12) | 0 | (12) |
| Equity Impact (cumulative translation adjustment)[2] | - | - | 108 |

| **2016** *(in million euros)* | **Transaction** | **Translation** | **Total** |
|---|---|---|---|
| Profit from continuing operations before tax and net finance costs[1] | 6 | (5) | 0 |
| Equity Impact (cumulative translation adjustment)[2] | - | - | 107 |

*(1) Profit impact:*
- *transaction impact calculated before hedging by applying a 10% increase in the U.S. dollar/euro exchange rate to the net U.S. dollar exposure (sales minus purchases) of affiliates which have the euro as functional currency.*
- *translation impact calculated before hedging by applying a 10% increase in the U.S. dollar/euro exchange rate to the profits of the affiliates with the U.S. dollar as functional currency.*

*(2) Equity impact: calculated by applying a 10% increase in the U.S. dollar/euro exchange rate to the unhedged net investments in foreign subsidiaries that are denominated in U.S. dollar.*

### 8.2.2.2. Interest rate risk

Technicolor is mainly exposed to interest rate risk on its deposits and indebtedness.

The Group's policy is for all subsidiaries to borrow from, and invest excess cash with, the Group Treasury Department, which in turn satisfies the net cash needs by borrowing from external sources. Subsidiaries that are unable to enter into transactions with Group treasury because of local laws or regulations borrow from or invest directly with local banks in accordance with the policies and rules established by the Treasury Department.

Interest rate risk is measured by consolidating the Group's deposit and debt positions and performing sensitivity analysis. The vast majority of the Group's non-current debt is currently at floating interest rate.

Sensitivity of the Group's interest charges to interest rate movements is shown hereafter.

INTEREST RATE OPERATIONS

No interest rate hedging operations are outstanding at December 31, 2017.

EFFECTIVE INTEREST RATES

The average effective interest rates on the Group's consolidated debt are as follows:

| | 2017 | 2016 |
|---|---|---|
| Average interest rate on borrowings | 3.84% | 6.31% |
| Average interest rate after currency swaps | 3.64% | 6.41% |

The average effective interest rate in 2017 on the Group's consolidated deposits was 1.41% (1.30% in 2016). These deposits generally have a maturity of less than 1 month.

SENSITIVITY TO INTEREST RATE MOVEMENTS

Interest rate movements impact the price of fixed rate financial assets and liabilities held at fair value and the interest income and expense of variable rate financial assets and liabilities. The Group has no significant fixed rate financial assets and liabilities held at fair value.

The average percentage of the Group's debt in 2017 and 2016 at floating rates is shown below. The Group considers all debt with interest rates fixed for remaining periods of less than one year to be at floating rate. A threshold of one year is pertinent as it represents the limit between current and non-current debt.

| *(in million euros)* | 2017 | 2016 |
|---|---|---|
| Average debt | 1,143 | 1,209 |
| Percentage at floating rate* | 91% | 99% |

* *At December 31, 2016 includes €576 million of floating rate debt for which the reference rate has a 1% floor*

The Group's average deposits in 2017 amounted to €254 million, 100% at floating rate.

The Group's debt primarily consists of its Term Loan Debt in U.S. dollars and in euros the interest rates on which are based on LIBOR with a floor of 0%, EURIBOR with a floor of 0% and €90 million is at a fixed rate of 2.542%.

The Group's deposits are primarily in U.S. dollars and in euros. The Group believes a 1% fluctuation in interest rates is reasonably possible in a given year and the tables below show the maximum annual impact of such a movement.

**Maximum impact over one year on the net exposure as of December 31, 2017 of a variation versus current rates***

| *(in million euros)* | Impact on cash net interest | Impact on equity before taxes |
|---|---|---|
| Impact of interest rate variation of +1% | (9) | (9) |
| Impact of interest rate variation of -1% | 1 | 1 |

* *At December 31, 2017, 3 month EURIBOR and 3 month LIBOR were (0.38471)% and 1.69465% respectively.*

**Maximum impact over one year on the net exposure as of December 31, 2016 of a variation versus current rates***

| *(in million euros)* | Impact on cash net interest | Impact on equity before taxes |
|---|---|---|
| Impact of interest rate variation of +1% | (4) | (4) |
| Impact of interest rate variation of -1% | (1) | (1) |

* *At December 31, 2016, 3 months EURIBOR and 3 months LIBOR were (0.319)% and 0.998% respectively.*

## *8.2.3. Liquidity risk and management of financing and of capital structure*

Liquidity risk is the risk of being unable to raise funds in the financial markets necessary to meet upcoming obligations. In order to reduce this risk, the Group pursues policies with the objectives of having continued uninterrupted access to the financial markets at reasonable conditions. These policies are developed based on regular reviews and analysis of its capital structure, including the relative proportion of debt and equity in the context of market conditions and the Group's financial projections. Among other things these reviews take into account the Group's debt maturity schedule, covenants, projected cash flows and financing needs. To implement these policies, the Group uses various long-term and committed financings which may include equity (see note 7.1), debt (see note 8.3), subordinated debt (see note 7.2.2) and committed credit lines.

The tables below show the future contractual cash flow obligations due on the Group's debt. The interest rate flows due on floating rate instruments are calculated based on the rates in effect at December 31, 2017 and December 31, 2016, respectively.

| | At December 31, 2017 | | | | | | |
|---|---|---|---|---|---|---|---|
| *(in millions euros)* | 2018 | 2019 | 2020 | 2021 | 2022 | There after | Total |
| Floating rate Term Loan Debt – principal | 2 | 3 | 2 | 2 | 3 | 962 | 974 |
| Fixed rate Term Loan Debt - principal | - | - | - | - | - | 90 | 90 |
| Term Loan Debt – accrued interest | 4 | - | - | - | - | - | 4 |
| Other debt – principal and accrued interest | 14 | 14 | 5 | - | 2 | - | 35 |
| **TOTAL DEBT PRINCIPAL PAYMENTS** | **20** | **17** | **7** | **2** | **5** | **1,052** | **1,103** |
| **IFRS Adjustment** | | | | | | | **(6)** |
| **Debt in IFRS** | | | | | | | **1,097** |
| Floating rate Term Loan Debt – interest | 35 | 35 | 35 | 35 | 35 | 35 | 210 |
| Fixed rate Term Loan Debt - interest | 2 | 2 | 2 | 2 | 2 | 2 | 12 |
| Other debt - interest | 1 | 1 | - | - | - | - | 2 |
| **TOTAL INTEREST PAYMENTS** | **38** | **38** | **37** | **37** | **37** | **37** | **224** |

| | At December 31, 2016 | | | | | | |
|---|---|---|---|---|---|---|---|
| *(in million euros)* | 2017 | 2018 | 2019 | 2020 | 2021 | There after | Total |
| Floating rate Term Loan Debt – principal | 33 | 33 | 33 | 507 | - | 450 | 1,056 |
| Floating rate Term Loan Debt – accrued interest | 5 | - | - | - | - | - | 5 |
| Other debt – principal and accrued interest | 14 | 5 | 1 | - | - | 2 | 22 |
| TOTAL DEBT PRINCIPAL PAYMENTS | 52 | 38 | 34 | 507 | - | 452 | 1,083 |
| **IFRS Adjustment** | | | | | | | **(33)** |
| **Debt in IFRS** | | | | | | | **1,050** |
| Floating rate Term Loan Debt – interest | 46 | 44 | 43 | 34 | 16 | 32 | 215 |
| TOTAL INTEREST PAYMENTS | 46 | 44 | 43 | 34 | 16 | 32 | 215 |

The contractual cash flow obligations of the Group due to its current debt are considered to be equal to the amounts shown in the consolidated statement of financial position.

### Credit Lines

The Group has a receivable backed committed credit facility in an amount of $125 million (€105 million at the December 31, 2017 exchange rate) which matures in 2021, a €250 million revolving credit facility maturing in 2021 (the "RCF") and a €35 million bilateral credit facility maturing in 2019. None of these facilities was drawn at December 31, 2017. The availability of the receivables backed credit line varies depending on the amount of receivables.

| *(in million euros)* | 2017 | 2016 |
|---|---|---|
| Undrawn, committed lines expiring in more than one year | 390 | 369 |

## *8.2.4. Credit and counterparty risk management*

Credit risk arises from the possibility that counterparties may not be able to perform their financial obligations to Technicolor.

Credit risk on trade receivable is managed by each operational division based on policies that take into account the credit quality and history of customers. From time to time, the Group may decide to insure or factor without recourse trade receivables in order to manage underlying credit risk. The credit risk exposure on the Group's trade receivables corresponds to the net book value of these assets.

The maximum credit risk exposure on the group's cash and cash equivalents was €319 million at December 31, 2017. The Group minimizes this risk by limiting the deposits made with any single bank and by making deposits primarily with banks that have strong credit ratings or occasionally by investing in diversified, highly liquid money market funds. As of December 31, 2017, 90% of the group cash deposits are made with banks that have a counterparty rating of, at least A-1 according to Standard & Poor's (90% as of December 31, 2016).

The financial instruments used by the Group to manage its interest rate and currency exposure are all undertaken with counterparts having an investment grade rating. Credit risk on such transactions is minimized by the foreign exchange policy of trading short-term operations. The marked-to-market carrying values are therefore a good proxy of the maximum credit risk. Most of the foreign exchange operations are dealt with financial counterparties that have a credit rating of A-1.

## 8.3. Borrowings

The Group's debt consists primarily of Term Loan Debt in U.S. dollars and in euros, issued by Technicolor SA in December 2016 and March 2017 and maturing in 2023 and a loan from the European Investment Bank ("EIB") issued by Technicolor SA in January 2017.

The proceeds from the term loans issued in March 2017 in the amounts of €275 million and $300 million were used to fully prepay the remaining Old Term Loan Debt issued by Tech Finance & Co. S.C.A in 2013, 2014 and 2015 and maturing in 2020.

### *8.3.1. Analysis by nature*

| *(in million euros)* | 2017 | 2016 |
|---|---|---|
| Debt due to financial institutions | 1,058 | 1,022 |
| Bank overdrafts | - | - |
| Other financial debt | 35 | 22 |
| Accrued interest | 4 | 6 |
| **DEBT UNDER IFRS** | **1,097** | **1,050** |
| *Total non-current* | *1,077* | *998* |
| *Total current* | *20* | *52* |

### *8.3.2. Summary of debt*

Details of the Group's debt as of December 31, 2017 are given in the table below:

| *(in million currency)* | Currency | Nominal Amount | IFRS Amount (see note 8.3.3.4) | Type of rate | Nominal rate | Effective rate [1] | Repayment Type | Final maturity |
|---|---|---|---|---|---|---|---|---|
| Term Loan Debt | USD | 249 | 248 | Floating[2] | 4.23% | 4.35% | Amortizing | December 2023 |
| Term Loan Debt | EUR | 275 | 273 | Floating[3] | 3.00% | 3.11% | Bullet | December 2023 |
| Term Loan Debt | EUR | 450 | 447 | Floating[4] | 3.50% | 3.63% | Bullet | December 2023 |
| EIB Loan | EUR | 90 | 90 | Fixed rate | 2.54% | 2.54% | Bullet | January 2023 |
| **Total** | **EUR** | **1,064** | **1,058** | **-** | **3.46%** | **3.57%** | **-** | **-** |
| **Other Debt[5]** | **EUR** | **39** | **39** | **-** | **3.25%** | **3.25%** | **-** | **-** |
| **TOTAL** | **EUR** | **1,103** | **1,097** | | **3.45%** | **3.56%** | | |

*(1) Rates as of December 31, 2017.-*
*(2) 3 month LIBOR with a floor of 0% +275bp.*
*(3) 3 month EURIBOR with a floor of 0% +300bp.*
*(4) 3 month EURIBOR with a floor of 0% +350bp.*
*(5) Of which €4 million is accrued interest.*

## 8.3.3. *Main features of the Group's borrowings*

### 8.3.3.1. Analysis by maturity

The table below gives the contractual maturity schedule of the Group's debt.

| *(in million euros)* | 2017 | 2016 |
|---|---|---|
| Less than 1 month | 5 | 22 |
| Between 1 and 6 months | 13 | 13 |
| Between 6 months and less than 1 year | 2 | 17 |
| **Total current debt less than 1 year** | **20** | **52** |
| Between 1 and 2 years | 17 | 38 |
| Between 2 and 3 years | 7 | 34 |
| Between 3 and 4 years | 2 | 507 |
| Between 4 and 5 years | 5 | - |
| Over 5 years | 1,052 | 452 |
| **Total non-current debt** | **1,083** | **1,031** |
| **Total nominal debt** | **1,103** | **1,083** |
| **IFRS Adjustment (see note 8.3.3.4)** | **(6)** | **(33)** |
| **DEBT UNDER IFRS** | **1,097** | **1,050** |

### 8.3.3.2. Interest rate characteristics

At December 31, 2017 90% of the Group's debt was at floating rate.

### 8.3.3.3. Analysis of borrowings by currency

| *(in million euros)* | 2017 | 2016 |
|---|---|---|
| Euro | 816 | 756 |
| U.S. Dollar | 271 | 292 |
| Other currencies | 10 | 2 |
| **DEBT UNDER IFRS** | **1,097** | **1,050** |

### 8.3.3.4. IFRS analysis of the Term Loan Debt carrying amount

**Carrying amount of the Term Loan Debt**

The IFRS value of the Term Loan Debt is the nominal amount of the Term Loan Debt reduced by transaction costs as adjusted by the effective interest rate (EIR) method as well as any adjustments due to debt prepayments. The evolution of the IFRS discount in 2017, that is, the difference between the nominal and IFRS amount of the Term Loan Debt, is as follows:

| *(in million euros)* | - |
|---|---|
| **IFRS discount of the Term Loan Debt as of December 31, 2016** | **(33)** |
| Impact of 2017 prepayments of the Old Term Loan Debt | 27 |
| Transaction costs related to the new Term Loan Debt issuance in 2017 | (4) |
| 2017 EIR effect and variation due to exchange rates | 4 |
| **IFRS DISCOUNT OF THE TERM LOAN DEBT AS OF DECEMBER 31, 2017** | **(6)** |

This IFRS discount of €6 million will be charged to interest over the remaining life of the Term Loan Debt using the effective interest rate method. The current weighted average effective interest rate of the Term Loan Debt is 3.67%.

### 8.3.3.5. Financial covenants and other limitations

In respect of the:

- term Loan Debt Agreement entered into in December 2016 as amended in March 2017;
- the RCF entered into in December 2016; and
- the EIB Loan signed in December 2016 and drawn in January 2017.

together the "Debt instruments", the Group is required to meet financial covenants and is subject to several limitations described below.

SECURITY PACKAGE

Technicolor granted security interests to secure the Debt Instruments with the pledge of the shares of the main subsidiaries of Technicolor SA and of certain intra-group loans and material cash pooling bank accounts.

EARLY REPAYMENT AND MANDATORY PREPAYMENTS

In case of default or change of control of Technicolor, creditors will have the ability to immediately demand payment of all or a portion of the outstanding amounts.

The events of default apply in whole or in part to Technicolor SA. The events of defaults include among other things and subject to certain exceptions, thresholds and grace periods:

- failure by Technicolor SA to meet the payment dates of the Debt Instruments or of any other financial indebtedness or to comply with material obligations related to the Debt Instruments;
- any auditor's report qualification made to the Technicolor SA's ability to continue as a going concern or the accuracy of the information given.

Under the mandatory prepayment terms of the Debt Instruments, the Group is required to apply funds towards the repayment of outstanding amounts of the loans under the Debt Instruments in certain circumstances, including the following:

- asset disposals: the net proceeds in respect of any disposal of any of its assets to an unaffiliated third party will be applied, subject to a minimum threshold, to repay the outstanding amounts of the term loans unless the proceeds are reinvested in assets useful for its business within 365 days;
- excess cash flow: a percentage of the Company's excess cash flow will be applied to prepay the term loans. The applicable percentage depends on the leverage ratio of the Group, and ranges from 25% to 50%. The percentage steps down to 0% if certain levels of leverage ratio are reached. Excess cash flow is defined for purposes of the term loans prepayments, as the aggregate of net cash from operating and investing activities, subject to certain adjustments and minus the total funding costs, which comprise all voluntary or mandatory prepayments of the term loans during the year;
- other: net proceeds in respect of payments related to a casualty event (giving rise to insurance reimbursements or condemnation awards) shall be applied to the repayment of the debt under the Debt Instruments, subject to certain minimum thresholds and with certain carve-outs.

Technicolor can also, at its election, prepay all or part of its outstanding Term Loan Debt without penalty, and the EIB Loan.

COVENANTS

The EIB Loan contains a single affirmative financial covenant which requires that the total gross debt be no more than 4.00 times Adjusted EBITDA on a trailing twelve-month basis ("Leverage covenant") on June 30 and December 31 of each financial year.

The RCF contains the same financial covenant but this covenant is only applicable if there is an outstanding drawing of more than 40% of the RCF amount on June 30 or December 31 of each financial year.

The $125 million credit line agreement signed with Wells Fargo in November 2017 contains the same financial covenant but this covenant is only applicable if outstanding availability under the line is less than $20 million on June 30 or December 31 of each financial year.

The €35 million credit line agreement signed with Crédit Agricole d'Ile de France in July 2017 contains the same financial covenant but this covenant is only tested on December 31 of each financial year.

The Term Loan Debt does not contain a financial affirmative covenant.

The total gross debt and Adjusted EBITDA are calculated on the basis of the entire group perimeter. Therefore, the variance of €80 million between the Adjusted EBITDA determined in respect of the leverage covenant definition and the Adjusted EBITDA is equal to the Adjusted EBITDA in the discontinued activities.

Likewise, the variance of €2 million between the gross debt determined in respect of the leverage covenant definition and the gross debt from continuing operations is equal to the debt in the discontinued activities. See note 12 for more information about the discontinued operations.

Leverage covenant

Total gross debt of the Group at December 31, 2017 must be no more than 4.00 times the Adjusted EBITDA of the Group for the twelve months ending December 31, 2017.

- Gross Debt €1,099 million
- Covenant Adjusted EBITDA* €371 million
- Gross Debt/Covenant Adjusted EBITDA Ratio 2.96

* Adjusted EBITDA in respect of the leverage covenant definition

Since 2.96 is less than the maximum allowed level of 4.00, the Group meets this financial covenant.

OTHER RESTRICTIONS

In addition to certain information provision covenants, the agreements governing the Debt Instruments include certain negative covenants that restrict the ability of Technicolor SA to undertake various actions regarding indebtedness, investments and material changes in the general nature of the business. These restrictions are subject in each case to certain exceptions and limitations.

In particular, the Group is subject to restrictions on its ability to, among other things and subject to certain exceptions:

- make restricted payments, if certain ratios are not met, in excess of certain cumulative amounts, including payment of dividends, distributions, share purchases or redemptions, investments other than permitted investments, repayment of subordinated debt;
- incur additional financial debt in excess of certain cumulative amounts and if certain ratios are not met and with certain carve outs; and
- make certain investments in joint ventures not controlled by the Group and in which the Group has no veto right on material decisions, except to the extent the Group's consolidated leverage ratio is under a threshold which decreases over time and subject to a certain cumulative amount and with certain carve-outs.

## 8.4. Net Financial income (expense)

| *(in million euros)* | 2017 | 2016 |
|---|---|---|
| Interest income | 3 | 4 |
| Interest expense | (46) | (85) |
| **Net interest expense[1]** | **(43)** | **(81)** |
| Net interest expense on defined benefit liability (note 9.2.2.1) | (7) | (8) |
| Foreign exchange gain/(loss) | (6) | (15) |
| Other[2] | (41) | (50) |
| **Other financial income (expense)** | **(54)** | **(73)** |
| **NET FINANCIAL INCOME (EXPENSE)** | **(97)** | **(154)** |

*(1) In 2017, interest expense includes €2 million (€16 million in 2016) due to the difference between the effective interest rate and the nominal rate of the debt.*
*(2) In 2017, it includes the partial reversal of the IFRS adjustment of €(27) million triggered by the Old Term Loan Debt prepayment (see note 8.3.3.4).*

## 8.5. Derivative financial instruments

*The Group may use derivatives as hedging instruments for hedges of foreign currency risks, changes in interest rates and equity market risks. These instruments may include agreements for interest rate and currency swaps, options and forward contracts. If hedge accounting criteria are met, they are accounted for in accordance with hedge accounting.*

*Derivative instruments may be designated as hedging instruments in one of three types of hedging relationships:*

- *fair value hedge, corresponding to a hedge of the exposure to the change in fair value of an asset or a liability;*
- *cash flow hedge, corresponding to a hedge of the exposure to the variability in cash flows from future assets or liabilities;*
- *net investment hedge in foreign operations, corresponding to a hedge of the amount of the Group's interest in the net assets of these operations.*

*Derivative instruments qualify for hedge accounting when at the inception of the hedge,*

- *there is a formal designation and documentation of the hedging relationship,*
- *the hedge is expected to be highly effective,*
- *its effectiveness can be reliably measured and it has been highly effective throughout the financial reporting periods for which the hedge was designated.*

*The effects of hedge accounting are as follows:*

- *for fair value hedges of existing assets and liabilities, the hedged portion of the asset or liability is recognized in the balance sheet at fair value. The gain or loss from remeasuring the hedged item at fair value is recognized in profit or loss and is offset by the effective portion of the loss or gain from remeasuring the hedging instrument at fair value;*
- *for cash flow hedges, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognized in other comprehensive income (OCI), because the change in the fair value of the hedged portion of the underlying item is not recognized in the balance sheet, and the ineffective portion of the gain or loss on the hedging instrument, if any, is recognized in profit or loss. Amounts recognized in OCI are subsequently recognized in profit or loss in the same period or periods during which the hedged transaction affects profit or loss. Such periods are generally less than 6 months except for the Licensing activity.*

*The termination of hedge accounting may occur if the underlying hedged item does not materialize or if there is a voluntary revocation of the hedging relationship at the termination or the arrival of maturity of the hedging instrument. The accounting consequences are then as follows:*

- *in case of cash flow hedges, the amounts recorded in other comprehensive income are taken to profit or loss in the case of the disappearance of the hedged item;*
- *in all cases, the result on the hedging instrument is taken into profit or loss when the hedging relationship is terminated;*

*subsequent changes in value of the hedging instrument, if it remains outstanding, are recognized in profit or loss;*

*derivatives not designated as hedging instruments are measured at fair value. Subsequent changes in fair value are recognized in profit or loss.*

As described in note 8.2.1, the Group uses derivatives to reduce market risk. Technicolor uses principally forward foreign currency operations to hedge foreign exchange risk.

The Group's financial derivatives are governed by standard ISDA (International Swaps and Derivatives Association, Inc..), Master Agreements or similar master agreements customary in the French market.

The Group executes operations on the over the counter derivatives markets on a short-term basis.

| | 2017 | | 2016 | |
|---|---|---|---|---|
| *(in million euros)* | Assets | Liabilities | Assets | Liabilities |
| Forward foreign exchange contracts - cash flow and fair value hedges | - | 1 | 3 | 1 |
| TOTAL | - | 1 | 3 | 1 |

## 8.5.1. Cash-flow hedges

Forward foreign currency operations hedging forecast exposures of commercial purchases and sales in foreign currencies are designated as cash flow hedges.

During 2017, of the result on hedging instruments recognized in OCI at December 31, 2016, a gain of €1.6 million was recognized in profit (loss) from continuing operations as the underlying hedged amounts were realized. At December 31, 2017, a loss of €4.7 million on hedging instruments was recognized in OCI.

In 2017 a total of €56 million in forecasted transactions for which hedge accounting had been applied did not occur and as a result the hedges were cancelled; the total foreign exchange gain/loss on the cancellation of the hedges was nil.

## 8.5.2. Fair value hedges

Forward foreign currency operations hedging accounts payable and accounts receivable in foreign currencies are designated as fair value hedges. At December 31, 2017, there was a loss of €13.6 million on the hedging instruments and a gain of €13.6 million on the hedged items.

## 8.5.3. Ineffectiveness recognized in profit and loss

The forward points on the foreign currency hedges described above are excluded from the hedging relationship and are recognized in profit and loss. In 2017, this impact was a gain of €2 million (nil in 2016) booked in "Other financial income (expense), net".

## 8.5.4. Commitments related to financial instruments

Commitments related to financial instruments held by the Group generate both future cash payments and receipts. These commitments are disclosed in the following table.

Forward exchange contracts, swaps and options for their related cash inflow and outflow amounts.

| *(in million euros)* | 2017 |
|---|---|
| Currency swaps | 514 |
| TOTAL COMMITMENTS GIVEN | 514 |
| Currency swaps | 514 |
| TOTAL COMMITMENTS RECEIVED | 514 |

# NOTE 9. EMPLOYEE BENEFIT

GRI [G4-EC1] [GA-EC3]-[G4-LA2]

## 9.1. Information on employees

The total headcount of the Group consolidated entities as of December 31, 2017 is 16,307 employees (17,017 as of December 31, 2016). Please refer to Chapter 5.1 of the Registration Document for more detail on employees of the Group.

The employee benefits expenses (including only employees in the consolidated entities) are detailed below:

| *(in million euros)* | 2017 | 2016 |
|---|---|---|
| Wages and salaries | 778 | 878 |
| Social security costs | 121 | 125 |
| Compensation expenses linked to share-base payments granted to Directors and employees (note 9.3.3) | 10 | 8 |
| Pension costs - defined benefit plans (note 9.2.2) | 9 | 9 |
| Termination benefits | 34 | 48 |
| **TOTAL EMPLOYEE BENEFITS EXPENSES (EXCLUDING DEFINED CONTRIBUTION PLANS)** | **952** | **1,068** |
| Pension costs - defined contribution plans | 21 | 21 |

The termination benefits are presented in restructuring expenses within continuing operations in the consolidated statement of operations.

## 9.2. Post-employment & long-term benefits

### *POST-EMPLOYMENT OBLIGATIONS*

*The Group operates various post-employment schemes for some employees. Contributions paid and related to defined contribution plans, i.e. pension plans under which the Group pays fixed contributions and has no legal or constructive obligation to pay further contributions (for example if the fund does not hold sufficient assets to pay to all employees the benefits related to employee service in the current and prior periods), are recorded as expenses when employees have rendered services entitling them to the contributions.*

*The other pension plans are analyzed as defined benefit plans (i.e. pension plans that define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation) and are recognized in the balance sheet based on an actuarial valuation of the defined benefit obligations being carried out at the end of each annual reporting period.*

*The method used for determining employee benefits obligations is based on the Projected Unit Credit Method. The present value of the Group benefit obligations is determined by attributing the benefits to employee services in accordance with the benefit formula of each plan. The provisions for these benefits are determined annually by independent qualified actuaries based on demographic and financial assumptions such as mortality, employee turnover, future salaries, benefit levels and discount rates.*

*Remeasurement, comprising actuarial gains and losses, the effect of changes in asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the statement of financial position with a charge or credit recognized in OCI. Remeasurement recognized in OCI is reflected immediately in retained earnings and will not be classified in profit or loss.*

*Defined benefit costs are classified as follows:*

- service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements) to be recognized in profit or loss;
- net interest expense or income, to be recognized as financial expense and financial income (note 8.4).

*Past service cost is recognized in profit or loss in the period of a plan amendment.*

*Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset.*

*The retirement benefit obligation recognized in the consolidated statement of financial position represents the actual deficit or surplus between the present value of the Group's defined benefit obligation and the fair value of plan asset. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plans.*

### *OTHER LONG-TERM BENEFITS*

*A liability for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognizes any related restructuring costs. The obligations related to other long-term benefits (for example jubilee award) are also based on actuarial valuations. Actuarial gains or losses are recognized in the consolidated statement of operations.*

*The liability related to other long-term benefits are not presented within the retirement benefit obligation but within the restructuring provision or other liabilities.*

### *ACCOUNTING ESTIMATES AND JUDGMENTS*

*The Group's determination of its pension and post-retirement benefits obligations, expenses and OCI impacts for defined benefit plans is dependent on the use of certain assumptions used by actuaries in calculating such amounts, among others, the discount rate and annual rate of increase in future compensation levels. Assumptions regarding pension and post-retirement benefits obligations are based on actual historical experience and external data.*

*The Group is exposed to actuarial risks such as interest rate risk, investment risk, longevity risk, salary increase risk and inflation risk. The Group's defined benefit obligation is discounted at a rate set by reference to market yields at the end of the reporting period on high quality corporate bonds. Capital markets experience fluctuations that cause downward or upward pressure on the quoted values and higher volatility. While Technicolor's management believes the assumptions used are appropriate, significant differences in actual experience or significant changes in the assumptions may materially affect the Group's pension and post-retirement benefits net obligations under such plans and related future expense.*

## *9.2.1. Summary of the provisions and plans description*

| | Pension plan benefits | | Medical Post-retirement benefits | | Total | |
|---|---|---|---|---|---|---|
| *(in million euros)* | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| **Opening provision** | **397** | **375** | **-** | **7** | **404** | **382** |
| Net periodic pension cost | 10 | 12 | - | - | 10 | 12 |
| Curtailment gain | (1) | (3) | - | - | (1) | (3) |
| Benefits paid and contributions | (27) | (28) | - | - | (27) | (28) |
| Change in perimeter | - | - | - | - | - | - |
| Actuarial (gains) losses recognized in OCI | 3 | 43 | - | - | 3 | 43 |
| Currency translation differences | (6) | (2) | (1) | - | (7) | (2) |
| **CLOSING PROVISION** | **376** | **397** | **6** | **7** | **382** | **404** |
| *Of which current* | *27* | *28* | *-* | *-* | *27* | *28* |
| *Of which non-current* | *349* | *369* | *6* | *7* | *355* | *376* |

### 9.2.1.1. Defined contribution plans

The pension costs of these plans correspond to the contributions paid by the Group to independently administered funds. These plans guarantee employee benefits that are directly related to contributions paid.

The total contributions paid by Technicolor amounted to €21 million in 2017 (same as 2016).

### 9.2.1.2. Defined benefit plans

These plans mainly cover pension benefits, retirement indemnities and medical post-retirement benefits.

#### Pension benefits and retirements indemnities

Pension plans maintained by the Group are mainly the following:

- **in Germany**, employees are covered by several vested unfunded defined benefit and defined contribution pension plans. These plans mainly provide employees with retirement annuities and disability benefits. Employees participate in plan based on final pay and services. The pension plans are no longer available to new entrants.

  The retirement age is between 60 and 63 years old;
- **in the United States**, the employees of Technicolor are covered by a defined benefit pension plan. Technicolor mainly operates two defined benefit pension plans: a cash balance pension plan that covers substantially all non-union employees, funded through a trust fund, and an additional pension plan for executive employees, closed to new participants. Benefits are equal to a percentage of the plan Member's earnings each year plus a guaranteed rate of return on earned benefits until retirement.

  A hard freeze occurred over 2009 on U.S. pension plans. The rights as of January 1, 2010 remain vested but no additional pay-based credits are added to the cash balance account under the plans. Interest credit, however, continue to be added to employees' account.

  The retirement age is 65 years old;
- **in the United Kingdom**, Technicolor mainly maintains a dedicated funded pension plan, which provides retirement annuity benefits. This plan is no longer available to new entrants.

  The retirement age is 65 years old;
- **in France**, the Group is legally required to pay lump sums to employees when they retire. The amounts paid are defined by the collective bargaining agreement in force and depend on years of service within the Group and employee's salary at retirement.

  The retirement age is 62 years old but the average retirement age observed is 64 years old;
- **in other countries,** Technicolor maintains non-funded pension plans in Mexico and in Japan. The benefits are mainly based on employee's pensionable salary and length of service.

#### Medical Post-retirement benefits

In the U.S. & in Canada, Technicolor provided to certain employees a post-retirement medical plan. The medical plan in the U.S. includes basic medical and dental benefits and has been closed to new entrants. The medical plan in Canada includes life insurance, health and dental care benefit coverage and was closed to new entrants.

In 2017, the geographical breakdown of such net obligations was as follows:

| *(in million euros)* | Germany | U.S. | UK. | France | Others | Total |
|---|---|---|---|---|---|---|
| Present value of defined benefit obligation | 282 | 121 | 134 | 20 | 22 | 579 |
| Fair value of plan assets | - | (83) | (102) | - | (12) | (197) |
| **RETIREMENT BENEFIT OBLIGATIONS** | **282** | **38** | **32** | **20** | **10** | **382** |
| Cash flows | (18) | (6) | (2) | (1) | - | (27) |
| Average duration (in years) | 12 | 9 | 19 | 12 | N/A | N/A |

In addition, the Group pays an average yearly funding contribution to the plan assets for around €8 million (see note 9.2.4).

#### 9.2.1.3. Multi-employer plan

Since August 2009, Technicolor participates in the Motion Picture Industry multi-employer defined benefit plan in the U.S. As the information about the dividing up of plan financial position and performance between each plan Member are not available, Technicolor accounts for this plan as a defined contribution plan.

The average expense incurred each year is around €1 million.

### 9.2.2. *Elements of the statement of operations and other comprehensive income*

#### 9.2.2.1. Statements of operations

| | Pension plan benefits | | Medical Post-retirement benefits | | Total | |
|---|---|---|---|---|---|---|
| *(in million euros)* | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Service cost: | | | | | | |
| ■ Current service cost | (3) | (3) | - | - | (3) | (3) |
| ■ Past service cost and gain from settlements | 1 | 3 | - | - | 1 | 3 |
| Financial interest expense, net: | | | | | | |
| ■ Interest cost on obligation | (12) | (15) | - | - | (12) | (15) |
| ■ Interest income on plan assets | 5 | 6 | - | - | 5 | 6 |
| COMPONENTS OF DEFINED BENEFIT COSTS RECOGNIZED IN PROFIT OR LOSS | (9) | (9) | - | - | (9) | (9) |

#### 9.2.2.2. Other comprehensive income

| | Pension plan benefits | | Medical Post-retirement benefits | | Total | |
|---|---|---|---|---|---|---|
| *(in million euros)* | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| OPENING | | | | | (189) | (146) |
| Actuarial gains/(losses) arisen on plan assets: | | | | | | |
| ■ due to the return on plan assets | 8 | 11 | - | - | 8 | 11 |
| Actuarial gains/(losses) arisen on benefit obligation: | | | | | | |
| ■ due to changes in demographic assumptions | - | 1 | - | - | - | 1 |
| ■ due to changes in financial assumptions[1] | (5) | (58) | - | - | (5) | (58) |
| ■ due to experience adjustments | (6) | 3 | - | - | (6) | 3 |
| COMPONENTS OF DEFINED BENEFIT COSTS RECOGNIZED IN OCI | (3) | (43) | - | - | (3) | (43) |
| CLOSING | | | | | (192) | (189) |

*(1) In 2017, the stability in discount rates (see note 9.2.5) led to no actuarial losses. In 2016 the decrease in discount rates led to actuarial losses amounting to €58 million.*

## 9.2.3. Analysis of the change in benefit obligation and in plan assets

| | Pension plan benefits | | Medical Post-retirement benefits | | Total | |
|---|---|---|---|---|---|---|
| *(in million euros)* | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| **Benefit obligation at opening** | **(593)** | **(578)** | **-** | **(7)** | **(600)** | **(585)** |
| Current service cost | (3) | (3) | - | - | (3) | (3) |
| Interest cost | (12) | (15) | - | - | (12) | (15) |
| Remeasurement - actuarial gains/(losses) arising from: | | | | | | |
| ■ changes in demographic assumptions | - | 1 | - | - | - | 1 |
| ■ changes in financial assumptions | (5) | (58) | - | - | (5) | (58) |
| ■ experience adjustments | (6) | 3 | - | - | (6) | 3 |
| Past service cost, including gains/(losses) on curtailments | 1 | 3 | - | - | 1 | 3 |
| Benefits paid | 36 | 39 | - | - | 36 | 39 |
| Currency translation adjustments | 21 | 15 | 1 | - | 22 | 15 |
| Others (Change in Pension system)[1] | (12) | - | - | - | (12) | - |
| **Benefit obligation at closing** | **(573)** | **(593)** | **(6)** | **(7)** | **(579)** | **(600)** |
| *Benefit obligation wholly or partly funded* | *(256)* | *(262)* | - | - | *(256)* | *(262)* |
| *Benefit obligation wholly unfunded* | *(317)* | *(331)* | *(6)* | *(7)* | *(323)* | *(338)* |
| **Fair value of plan assets at opening** | **196** | **203** | **-** | **-** | **196** | **203** |
| Interest income | 5 | 6 | - | - | 5 | 6 |
| Remeasurement gains/(losses) | 8 | 11 | - | - | 8 | 11 |
| Employer contribution | 7 | 8 | - | - | 7 | 8 |
| Benefits paid | (16) | (19) | - | - | (16) | (19) |
| Currency translation adjustments | (15) | (13) | - | - | (15) | (13) |
| Others (Change in Pension system) | 12 | - | - | - | 12 | - |
| **Fair value of plan assets at closing** | **197** | **196** | **-** | **-** | **197** | **196** |
| **RETIREMENT BENEFIT OBLIGATIONS** | **(376)** | **(397)** | **(6)** | **(7)** | **(382)** | **(404)** |

(1) *In 2017, Others are mainly related to the Change in Pension system in Belgium. The net impact of this change is nil as the increase of Benefit Obligation is the same as the plan asset increase.*

The Group expects the overall 2018 benefits paid to be equal to €32 million for defined benefits plans, of which €21 million directly by the Company to the employees and €11 million by the plans.

## 9.2.4. Plan assets

### 9.2.4.1. Funding policy and strategy

When defined benefit plans are funded, mainly in the U.S. and in the UK., the investment strategy of the benefit plans aims to match the investment portfolio to the membership profile.

In the UK., contributions are negotiated with the Trustees as per the triennial valuation. Trustees are advised by an external leading global provider of risk management services regarding investment policy. The average yearly funding contribution is GBP 2 million (€2 million at 2017 average rate).

In the U.S., Technicolor's policy is to contribute on an annual basis in an amount that is at least sufficient to meet the minimum requirements of the U.S. law. The average yearly contribution is 5 million of U.S. dollars (€4 million at 2017 average rate).

Periodically an asset-liability analysis is performed in which the consequences of the strategic investment policies are analyzed in terms of risk-and-return profiles:

- in the U.S., as the pension plan is frozen, the investment strategy aims to increase the funded ratio toward termination liability while simultaneously attempting to minimize the volatility of the funded ratio (currently funded ratio is above 75%). Asset mix is fully based on bonds and cash equivalents. Over the past several years, the return of the plan has on average exceeded the expected return;
- in the UK., the funded status is above 75%. Asset mix is based on 34% of insurance contracts that cover obligations with pensioners, 44% of bonds and cash equivalents, 17% of equity instruments, and 5% of properties. The annualized performance of the plan exceeds the expected return on a 3-year basis.

### 9.2.4.2. Disaggregation of the fair value by category

| | Plan assets allocation at December 31 | | Fair value of plan assets at December 31 | |
|---|---|---|---|---|
| *(in % and € in millions)* | 2017 | 2016 | 2017 | 2016 |
| Cash and cash equivalents | 2% | 2% | 5 | 4 |
| Equity investments | 8% | 8% | 17 | 16 |
| Debt securities | 69% | 64% | 135 | 125 |
| Properties | 2% | 7% | 5 | 13 |
| Annuity contracts | 18% | 19% | 35 | 38 |
| **TOTAL** | **100%** | **100%** | **197** | **196** |

The fair value of the above equity and debt instruments is determined based on quoted market prices in active markets. The fair value of the plan assets did not include any Technicolor's own financial instruments or any asset used by the Group.

The 2017 actual return on plan assets amounts to €13 million (less than €17 million in 2016).

### 9.2.5. Assumptions used in actuarial calculation

| | Pension plan benefits | | Medical post-retirement benefits | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| Weighted average discount rate | 2.1% | 2.2% | 3.5% | 3.3% |
| Weighted average long-term rate of compensation increase | 1.7% | 1.7% | N/A | N/A |

**Discount rate methodology**

The projected benefit cash flows under the U.S. schemes are discounted using a specific yield curve based on AA rated corporate bonds. The discount rates used for the Euro zone and the UK. are determined based on AA rate corporate bonds common indexes and are as follows:

| *(in %)* | Pension plan benefits | Early retirement | Medical post-retirement benefits | Index Reference |
|---|---|---|---|---|
| Euro zone | 1.3% | 0.0% | N/A | Iboxx AA10+ |
| UK. | 2.5% | N/A | N/A | Aon Hewitt AA curve |
| U.S. | 3.27% | N/A | 3.51% | Citigroup pension discount curve |

### 9.2.6. Risk associated to the plans & sensitivity analysis

Pension plans are mainly exposed to:

- longevity risk due to mortality assumption;
- financial risks due to discount rate and salary increase rate assumptions.

Medical plans are mainly exposed to:

- longevity risk due to mortality assumption;
- financial risks due to discount rate and medical trend rate assumptions.

The sensitivity of the actuarial valuation is described below:

- if the discount rate is 0.25% higher, the obligation would decrease by €17 million;
- if the discount rate is 0.25% lower, the obligation would increase by €18 million;
- if the healthcare costs are 1% higher, the obligation would increase by less than €1 million;
- if the healthcare costs are 1% lower, the obligation would decrease by less than €1 million;
- if the salary increase rate is 0.25% higher, the obligation would increase by €1 million;
- if the salary increase rate is 0.25% lower, the obligation would decrease by €1 million.

The sensitivity analysis presented have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

## 9.3. Share-based compensation plans

*The Group issues equity-settled and cash-settled share-based payments to certain employees. According to IFRS 2, the advantage given to the employees regarding the grant of stock options or free shares consists of an additional compensation to these employees estimated at the grant date.*

*Equity-settled share-based payments are measured at fair value at the grant date. They are accounted for as an employee expense on a straight-line basis over the vesting period of the plans, based on the Group's estimate of instruments that will eventually vest.*

*For cash-settled share-based payments, a liability equal to the portion of the goods or services received is recognized at the current fair value determined at each balance sheet date with any changes in fair value recognized in profit or loss for the period within "Other financial income (expense)." In addition, for plans based on non-market performance conditions, the probability of achieving the performance is assessed each year and the expense is adjusted accordingly.*

*The fair value of instruments, and especially of options granted, is determined based either on a binomial option pricing model or on the Black-Scholes valuation model that takes into account an annual reassessment of the expected number of exercisable options. The Monte Carlo model may also be used for taking into account some market conditions.*

## 9.3.1. Stock-options plans granted by Technicolor

### Mid-Term Management Incentive Plan (MIP-SP1)

Under the thirteen-resolution approved by the Shareholder's Meeting of May 22, 2008, the Board of Directors meeting of June 17, 2010 approved the implementation of a Mid-Term Management Incentive Plan (MIP-SP1) granting non-market performance units made up of a combination of cash and stock options. Subject to the continuance of employment, the rights under the plan were vested on June 18, 2014 for each beneficiary in the proportion set by the Board of Directors on February 21, 2013 following the determination of the level of achievement of the non-market performance conditions on December 31, 2012. As of December 31, 2017, a total of 805,476 subscription options are still outstanding.

### Management Incentive Plans (MIP)

The Shareholders' Meeting of May 23, 2013, in its fifteenth resolution, authorized the Board of Directors to proceed with the allocation, in one or several times, in favor of employees or Executive Officers of the Company and its French and foreign subsidiaries, of share subscription or purchase options. This authorization has been given for a 38-month period, and is valid until July 23, 2016. Options granted under this authorization shall not give rights to a total number of shares greater than 26,843,507.

As of December 31, 2017, 11,757,464 subscription options are still outstanding (respectively 6,654,294 options, 3,949,376 options, 103,794 options and 1,050,000 options related to MIP 2015, MIP 2016, MIP June 2017 and MIP October 2017).

### Free Share Plan

Making use of the authorization given the Shareholder's Meeting on May 23, 2013 in its sixteenth resolution, the Board of Directors of October 24, 2013, approved the implementation of a global Free Share Plan to employees of the Group in 13 countries. This worldwide plan provides, for all beneficiaries, an acquisition period of four years. Subject to conditions of continuous employment within the Technicolor group during the acquisition period, 125 Technicolor shares would be delivered to eligible employees at the end of the acquisition period. The plan was not subject to performance conditions.

On November 6, 2017, 778,750 new shares were delivered to eligible employees under this Free Share Plan. No outstanding share rights as of December 31, 2017.

### 2016 and 2017 Long-Term Incentive Plan (LTIP)

The Shareholders' Meeting of April 29, 2016, in its twenty-eight resolution, authorized the Board of Directors to proceed with the allocation of existing shares or shares to be issued, in favor of the Group's employees or certain categories of employees. This authorization has been given for a 26-month period, and is valid until June 29, 2018. The shares to be issued pursuant to this authorization shall not give rights to a total of shares greater than 8,239,744.

Making use of the authorization given by the Shareholders' Meeting of April 29, 2016 in its twenty-eight resolution, the Board of Directors approved on April 29, 2016 and on January 6, 2017 the implementation of respectively 2016 and 2017 Long-Term Incentive Plan.

These three-year plans provide conditional rights to the beneficiaries to receive Performance Shares, the delivery of which is subject to the cumulative achievement of Adjusted EBITDA and Free Cash Flow targets for the three years from 2016 through 2018 (LTIP 2016) and from 2017 through 2019 (LTIP 2017) and the satisfaction of a continued employment condition for the full duration of the plan (through April 30, 2019 for LTIP 2016 and through April 30, 2020 for LTIP 2017).

As of December 31, 2017, the outstanding share rights under the plans amounts to 2,605,187 and 4,263,045 performance shares rights for respectively LTIP 2016 and LTIP 2017.

As of December 31, 2017, the total number of outstanding stock options amounted to a maximum of 12,562,940 options and the total number of rights to receive shares amounted to 6,868,232 rights granted to employees and Directors.

The details of these options and shares are disclosed hereafter.

| | Type of plan | Grant date | Number of options initially granted | Number of options outstanding | Initial number of bene-ficiaries | Vesting date | Contractual option life | Exercise price[2] | Estimated fair values granted[2] |
|---|---|---|---|---|---|---|---|---|---|
| **MIP Options*** | Subscription options | June 17, 2010 | 1,216,700[1] | 805,476 | 18 | April 30, 2013 for France<br>June 17, 2014 for other countries | 8 years | €6.29 | €2.22 |
| **MIP 2015 Options**** | Subscription options | May 23, 2013 and June 7, 2013 | 16,398,000 | 6,483,034 | 94 | May 2015 (50%)<br>May 2016 (25%)<br>May 2017 (25%) | 8 years | €3.19 | €1.06 |
| **MIP 2015 Options**** | Subscription options | October 24, 2013 | 200,000 | 103,794 | 1 | May 2015 (50%)<br>May 2016 (25%)<br>May 2017 (25%) | 8 years | €3.93 | €1.40 |
| **MIP 2015 Options**** | Subscription options | March 26, 2014 | 215,000 | 67,466 | 2 | May 2015 (50%)<br>May 2016 (25%)<br>May 2017 (25%) | 8 years | €4.53 | €1.73 |
| **MIP 2016 Options**** | Subscription options | June 20, 2014 | 2,830,000 | 2,203,037 | 40 | June 2016 (50%)<br>June 2017 (25%)<br>June 2018 (25%) | 8 years | €5.79 | €1.82 |
| **MIP 2016 Options**** | Subscription options | October 21, 2014 | 1,915,000 | 1,331,163 | 24 | October 2016 (50%)<br>October 2017 (25%)<br>October 2018 (25%) | 8 years | €4.92 | €1.45 |
| **MIP 2016 Options**** | Subscription options | April 9, 2015 | 400,000 | 415,176 | 1 | October 2016 (50%)<br>October 2017 (25%)<br>October 2018 (25%) | 8 years | €5.83 | €1.88 |
| **MIP June 2017 Options**** | Subscription options | June 26, 2015 | 250,000 | 103,794 | 2 | June 2017 (50%)<br>June 2018 (25%)<br>June 2019 (25%) | 8 years | €5.88 | €1.91 |
| **MIP October 2017 Options**** | Subscription options | December 3, 2015 | 1,710,000 | 1,050,000 | 22 | October 2017 (50%)<br>October 2018 (25%)<br>October 2019 (25%) | 8 years | €7.11 | €2.27 |
| **2016 LTIP***** | Performance shares | April 29, 2016 | 2,760,500 | 2,356,187 | 187 | April 2019 | - | - | €5.69 |
| **2016 LTIP***** | Performance shares | July 27, 2016 | 66,000 | 60,000 | 12 | April 2019 | - | - | €5.47 |
| **2016 LTIP***** | Performance shares | October 20, 2016 | 214,000 | 189,000 | 18 | April 2019 | - | - | €5.14 |
| **2017 LTIP***** | Performance shares | January 6, 2017 | 162,000 | 142,000 | 10 | April 2020 | - | - | €3.78 |
| **2017 LTIP***** | Performance shares | March 9, 2017 | 4,003,000 | 3,802,545 | 218 | April 2020 | - | - | €3.78 |
| **2017 LTIP***** | Performance shares | April 26, 2017 | 200,000 | 200,000 | 1 | April 2020 | - | - | €4.33 |
| **2017 LTIP***** | Performance shares | July 26, 2017 | 142,500 | 118,500 | 15 | April 2020 | - | - | €3.38 |

* *Mid-Term Incentive Plan (MIP-SP1) (see description above).*
** *Management Incentive Plans (MIP) (see description above).*
*** *Long-Term Incentive Plan (LTIP) (see description above).*
(1) *Maximum potential number.*
(2) *Exercise prices and number of options outstanding were modified following the 2015 capital increases.*

## 9.3.2. Changes in outstanding options & free shares

Movements in the number of options and free shares outstanding with their related weighted average exercise prices are as follows for 2017 and 2016:

| | Number of options and free shares | Weighted Average Exercise Price (in euros) |
|---|---|---|
| **Outstanding as of December 31, 2015**<br>(with an average remaining contractual life of 6 years – excluding free shares) | **17,907,823** | **4.43**<br>(ranging from 0 to 7) |
| *Of which exercisable* | *3,251,110* | *4.03* |
| Granted* | 3,040,500 | na |
| Delivered (Free Share Plan) | (250) | na |
| Delivered (MIP) | (1,802,677) | 3.36 |
| Forfeited & other | (1,538,467) | 4.79 |
| **Outstanding as of December 31, 2016**<br>(with an average remaining contractual life of 5 years – excluding free shares) | **17,606,929** | **4.53**<br>(ranging from 0 to 7) |
| *Of which exercisable* | *7,389,710* | *4.23* |
| Granted* | 4,507,500 | na |
| Delivered (Free Share Plan) | (778,750) | na |
| Delivered (MIP) | (436,461) | 3.19 |
| Forfeited & other | (1,468,046) | 5.87 |
| **Outstanding as of December 31, 2017**<br>(with an average remaining contractual life of 4 years – excluding free shares) | **19,431,172** | **4.48**<br>(ranging from 0 to 7) |
| *Of which exercisable* | *11,087,249* | *4.27* |

* *Related to 2016 and 2017 Long-Term Incentive Plan (LTIP).*

### Significant assumptions used

The estimated fair values of the options granted were calculated using the Black&Scholes valuation model. The inputs into the model were as follows:

| | Stock options plan granted in | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| *(in % and in euro)* | December 2015 | June 2015 | April 2015 | October 2014 | June 2014 | March 2014 | October 2013 | May & June 2013 | June 2010 |
| Weighted average share price at measurement date | 7.05 | 6.13 | 6.06 | 4.71 | 5.68 | 4.88 | 4.06 | 3.20 | 5.50 |
| Weighted average exercise price | 7.11 | 5.88 | 5.83 | 4.92 | 5.79 | 4.53 | 3.93 | 3.19 | 6.29 |
| Expected volatility | 40% | 40% | 40% | 40% | 40% | 40% | 40% | 40% | 52% |
| Expected option life* | 5 years | 5 years | 5 years | 5 years | 5 years | 5 years | 5 years | 5 years | 5 years |
| Risk free rate | 0.12% | 0.17% | 0.17% | 0.13% | 0.31% | 0.62% | 0.77% | 0.62% | 1.85% |
| Expected dividend yield | 0.7% | 0.8% | 0.8% | 0% | 0% | 0% | 0% | 0% | 0% |
| Fair value of option at measurement date | 2.27 | 1.91 | 1.88 | 1.45 | 1.82 | 1.73 | 1.40 | 1.06 | 2.22 |

* *Expected option life is shorter than the contractual option life as it represents the period from grant date to the date on which the option is expected to be exercised.*

Factors that have been considered in estimating expected volatility for the long-term maturity stock option plans include:

- the historical volatility of Technicolor's shares over the longest period available;
- adjustments to this historical volatility based on changes in Technicolor's business profile.

For shorter maturity options, expected volatility was determined based on implied volatility on Technicolor's share observable at grant date.

For the 2011 and 2010 free shares granted as part of the MIP and the LTIP, Technicolor considered an expected turnover of 4% based on historical data of related beneficiaries, an average initial share price of €5.2 in 2011 (€5.5 in 2010), and a dividend rate of 0% (in 2011 and 2010).

For the 2013 free shares granted as part of Free Share Plan, Technicolor considered an expected turnover of 5% based on historical data of related beneficiaries, an average initial share price of €3.87 and a dividend rate of 0%.

For the 2016 performance shares granted as part of the 2016 LTIP, Technicolor considered an expected turnover of 5% based on historical data of related beneficiaries, an average initial share price of €5.65 and a 3-years expected yearly dividend of €0.18.

For the 2017 performance shares granted as part of the 2017 LTIP, Technicolor considered an expected turnover of 5% based on historical data of related beneficiaries, an average initial share price of €3.79 and a 3-years expected yearly dividend of €0.18.

### *9.3.3. Compensation expenses charged to income*

The compensation expenses charged to income for the services received during the period amount to €10 million for the years ended December 31, 2017 and 2016. The counterpart of this expense has been credited to equity.

## 9.4. Key management compensation

Directors' fees and compensation expenses (incl. Social security costs) amounted to €0.7 million and €0.7 million respectively in 2017 and 2016. The amounts due to Directors who are non-resident for French tax purposes are subject to a withholding tax. Fees due to Directors and advisors in respect to fiscal year 2017 will be paid in 2018.

Compensation expenses allocated by the Group to Members of the Executive Committee (including those who left this function during 2017 and 2016), during 2017 and 2016 are shown in the table below:

| *(in million euros)* | 2017[2] | 2016[2] |
|---|---|---|
| Short-term employee benefits[1] | 10 | 12 |
| Share-based payment | 4 | 2 |
| **TOTAL** | **14** | **14** |

*(1) In case of retirement the Group has an obligation almost nil as of December 31, 2016 and 2017.*
*(2) 12 members in 2017 and 12 members in 2016.*

The Members of the Executive Committee can benefit from severance packages in case of an involuntary termination and in absence of fault, which represent a total estimated amount of €8 million.

# NOTE 10. PROVISIONS & CONTINGENCIES

*Provisions are recorded at the balance sheet date when the Group has an obligation as a result of a past event and when it is probable that an outflow of resources embodying economic benefits will be required and a reliable estimate can be made of the amount of the obligation.*

*The obligation may be contractual, legal, regulatory or it may represent a constructive obligation deriving from the Group's actions where, by an established pattern of past practice, published policies or a sufficiently specific current statement, the Group has indicated to other parties that it will accept certain responsibilities, and as a result, has created a valid expectation on the part of those other parties that it will discharge those responsibilities.*

*The recorded provision represents the best estimate of the expenditure required to settle the obligation at the balance sheet date. If a reliable estimate cannot be made of the amount of the obligation, no provision is recorded but details of the obligation are disclosed in the notes to the consolidated financial statements.*

*Where the discounting effect is material, the recorded amount is the present value of the expenditures expected to be required to settle the related obligation. The present value is determined using pre-tax discount rates that reflect the assessment of the time value of money. Unwinding of discounts is recognized in the line item "Net financial income (expense)" in the consolidated statement of operations.*

### *ACCOUNTING ESTIMATES AND JUDGMENTS*

*Technicolor's management is required to make judgments about provisions and contingencies, including the probability of pending and potential future litigation outcomes that, by their nature, are dependent on future events that are inherently uncertain. In making its determinations of likely outcomes of litigation and tax matters, management considers the opinion of outside counsel knowledgeable about each matter, as well as developments in case law.*

### *PROVISIONS FOR RESTRUCTURING*

*Provisions for restructuring costs are recognized when the Group has a constructive obligation towards third parties, which results from a decision made by the Group before the balance sheet date and supported by the following items:*

- *the existence of a detailed and finalized plan identifying the sites concerned, the location, the role and the approximate number of headcounts concerned, the nature of the expenses that are to be incurred and the effective date of the plan; and*
- *the announcement of this plan to those affected by it.*

*The restructuring provision only includes the costs directly linked to the plan.*

## 10.1. Detail of provisions

| | | Provisions for risks & litigations related to | | Provisions for restructuring related to | | |
|---|---|---|---|---|---|---|
| *(€ in millions)* | Provisions for warranty | Continuing operations | Discontinued operations | Continuing operations | Discontinued operations | Total |
| **As of December 31, 2016** | **46** | **68** | **36** | **14** | **4** | **168** |
| Current period additional provision | 23 | 15 | 10 | 46 | 3 | 97 |
| Release | (2) | (14) | (2) | (3) | (1) | (22) |
| Usage during the period | (20) | (25) | (5) | (40) | (4) | (94) |
| Other movements and currency translation adjustments | (4) | (3) | (9) | - | - | (16) |
| **AS OF DECEMBER 31, 2017** | **43** | **41** | **30** | **17** | **2** | **133** |
| *Of which current* | *43* | *35* | *13* | *17* | *2* | *110* |
| *Of which non-current* | *-* | *6* | *17* | *-* | *-* | *23* |

The provisions for restructuring are mainly composed of termination costs related to continuing operations (for both employees and facilities).

## 10.2. Contingencies

GRI [G4-EN29] [G4-EN34] [G4-LA16] [G4-SO7] [G4-SO8] [G4-SO11] [G4-DMA Anti-competitive behavior]

In the ordinary course of the business, the Group is involved in various legal proceedings and is subject to tax, customs and administrative regulation. The Group's general policy is to accrue a reserve when a risk represents a contingent liability towards a third-party and when the probability of a loss is probable and it can be reasonably estimated. Significant pending legal matters include the following:

### *Anti-dumping duties*

In a case pertaining to imports into the European Union by Technicolor subsidiaries of televisions manufactured by Technicolor in Thailand, Technicolor received reassessment notices in 2004 and 2005 relating to antidumping duties from customs authorities in the United Kingdom, Germany, France and Italy. Those cases are now definitively closed.

In Germany, the court of appeals partially confirmed the customs reassessments against Technicolor subsidiaries in 2017. Based on this decision Technicolor paid €3 million to the customs authority in February and October 2017, in full settlement of the case.

### *Poland tax Proceedings*

Following two transfer pricing adjustments made for fiscal year ending 31 December 2003 by the French and United Kingdom Tax Authorities with regards to related parties of the former Thomson in Poland, the Group initiated two Mutual Agreement Procedures aiming at eliminating double taxation in 2009.

While an agreement had been reached between the UK. and Polish Competent Authorities as of 2011, the procedure between France and Poland has finally come to an end in December 2017. Both parties have agreed to eliminate double taxation with regards to the initial €21 million adjustment performed in France. Pursuant to the Competent Authorities' requests, the Group has confirmed in return that it will abandon the ongoing court litigation in Poland and renounce to any potential future litigations related to this 2003 tax adjustment.

This 2017 agreement will definitely solve this long-standing matter for the Group.

### *France VAT audit*

The French tax authorities audited the Company for 2009 tax year and issued at the end of 2012, a VAT assessment amounting to €6 million in principal and €1 million of interest.

Out of this principal amount, one VAT assessment amounting to €1 million, relates to a subsidy granted to a former subsidiary (Novatech) on which VAT was mistakenly charged. The other significant assessment involves the deduction of VAT by the Company as a mixed holding company for an amount of €4 million. In July 2013, the French tax authorities issued VAT assessments with respect to 2010 tax year on the same grounds as with respect to 2009, the two most significant of which being a €1 million assessment related to the subsidy and a €8 million assessment related to the deductibility of the "holding" VAT. In June 2014, a collegial tax commission decided to give up on the reassessments related to the deductibility of the "holding" VAT (*i.e.* €4 million for 2009 and €8 million for 2010).

Following receipt of the recovery notice in September 2014, the Company paid the remaining assessments (*i.e.* €1 million in 2009 and 2010, including interest). The Company therefore filed a claim before the French Ministry of Finance requesting the refund of the wrongly paid VAT to Novatech (liquidated in April 2014).

On February 2015, an implicit rejection occurred because of the absence of response from the French Ministry of Finance during the legal two-month period. Therefore, the Company presented a claim before the administrative Tribunal of Cergy-Pontoise in April 2015. The exchange of pleadings between the parties are ongoing.

End of December 2016, the Company filed a new claim before the French Ministry of Finance. On March 2017, an implicit rejection occurred because of the absence of response from the French Ministry of Finance during the legal two-month period. Therefore, the Company presented a second claim before the administrative Tribunal of Cergy-Pontoise in April 2017.

### *Taoyuan County Form RCA Employees' Solicitude Association*

In April 2004, the plaintiff, Taoyuan County Former RCA Employees' Solicitude Association (the "Association"), which is a non-profit entity composed of former RCA employees of Technicolor's subsidiary TCETVT (or heirs of former workers) who claim to have worked at TCETVT's former manufacturing facility in Taoyuan (the "Facility") filed a purported class action under Article 44-1 of the Taiwan Code of Civil Procedure in the Taipei District Court, Taiwan, Republic of China against Technicolor and General Electric entities. The Association is alleging they were exposed to various contaminants while living and working at the Facility, which allegedly caused them to suffer various diseases, including cancer, or caused them emotional distress from fear that living and working at the Facility increased their risk of contracting diseases.

The Association originally claimed damages of NTD 2.7 billion (€80 million at the December 31, 2016 exchange rate). The Taiwan court announced its ruling in April 2015 and entered judgment against Technicolor entities for approximately NTD 564 million (€16 million at the December 31, 2017 exchange rate) plus interest penalty. Appeals were filed, and in October 2017, the Taiwan High Court

entered judgment against TCETVT, Technicolor SA, TCE Bermuda, and General Electric International, Inc. for approximately NTD 718 million (€20 million at the exchange rate as of December 31, 2017) plus late interest penalty (5% interest per annum starting September 2009). The Association, GEI, TCETVT, Technicolor SA and TCE Bermuda have appealed the ruling to Taiwan's Supreme Court.

In May 2016, the Association filed a new suit against Technicolor entities and General Electric claiming damages in the amount of NTD 7.38 billion (€207 million at the December 31, 2017 exchange rate). The Association's complaint offered no new argument or facts from the pending claims.

Technicolor considers that it is General Electric's legal and contractual obligation to indemnify it and its subsidiaries for the Association's claims as, among other reasons, TCETVT operated for less than 4 years after its sale to the Technicolor group while GEI, and its predecessor-in-interest RCA Corporation, owned and operated TCETVT for approximately twenty years.

## *Cathode Ray Tubes cases*

### United States

In 2017, Technicolor entered into settlement agreements with the remaining plaintiffs in the legal actions that Technicolor had been defending in the United States pertaining to alleged anticompetitive conduct in the Cathode Ray Tubes ("CRT") industry. With these final settlements, all CRT cases are now closed in the U.S.

As a result of those settlements, the Group recognized in 2017 a non-current expense of €3 million covering the settlement agreements entered in 2017. The cash impact of the executed settlements was €77 million for 2017 and will be €7 million for 2018.

### Rest of the world

In November 2014, several Vestel entities filed a lawsuit before a court in the Netherlands against Technicolor SA and Technicolor USA (and other defendants) alleging anticompetitive behaviour in the CRT industry. Technicolor USA was dismissed from the case by the Dutch court in July 2016 on jurisdictional grounds. As appropriate and to the extent required, Technicolor SA will file responsive pleadings.

Vestel also brought suit in Turkey and Technicolor USA, Inc. and Technicolor SA have filed responsive pleadings.

On April 29, 2010, Technicolor's Brazilian affiliate received notice from the Brazilian authorities that they were initiating an investigation of possible cartel activity within the CRT industry in Brazil. In October 2017, Technicolor settled with the Brazilian Competition Authority (CADE) their CRT antitrust claim for an amount of R$13 million (€3 million as of December 31, 2017).

Finally, Technicolor SA, along with other defendants, is defending on similar grounds a number of cases in Germany against German manufacturers and in the Netherlands against Brazilian manufacturers and a Dutch consumer association which filed a petition for a pre-trial case management hearing alleging anticompetitive behavior in the CRT industry and citing Technicolor (and other defendants).

At this time, Technicolor is unable to assess the potential outcome from those cases and the resulting potential liability as the proceedings are at an early stage and the claims have been substantiated.

## *Environmental matters*

Some of Technicolor's current and previously-owned manufacturing sites have a history of industrial use. Soil and groundwater contamination, which occurred at some sites, may occur or be discovered at other sites in the future. Industrial emissions at sites that Technicolor has built or acquired expose the Group to remediation costs. The Group has identified certain sites at which chemical contamination has required or will require remedial measures.

Soil and groundwater contamination was detected at a former manufacturing facility in Taoyuan, Taiwan that was acquired from GE in a 1987 transaction. In 1992, the facility was sold to a local developer. Soil remediation was completed in 1998. In 2002, the Taoyuan County Environmental Protection Bureau ("EPB") ordered remediation of the groundwater underneath the former facility. The groundwater remediation process is underway. EPB and TCETVT continue to negotiate over the scope of that work. Technicolor has reached an agreement with General Electric with respect to allocation of responsibility related to the soil and groundwater remediation.

In addition to soil and groundwater contamination, the Group sells or has sold in the past products which are subject to recycling requirements and is exposed to changes in environmental legislation affecting these requirements in various jurisdictions.

The Group believes that the amounts reserved and the contractual guarantees provided by its contracts for the acquisition of certain production assets will enable it to reasonably cover its safety, health and environmental obligations. However, potential problems cannot be predicted with certainty and it cannot be assumed that these reserve amounts will be precisely adequate.

# NOTE 11. SPECIFIC OPERATIONS IMPACTING THE CONSOLIDATED STATEMENT OF CASH-FLOWS

GRI [G4-13] [G4-23]

## 11.1. Acquisitions and disposals of subsidiaries & investments

The details for the acquisition of subsidiaries and investments, net of cash position of companies acquired, are as below:

| *(in million euros)* | 2017 | 2016* |
|---|---|---|
| Cisco Connected Devices | (4) | 3 |
| Cinram NA | - | (18) |
| The Mill | - | (1) |
| Mr. X Inc. | (1) | (1) |
| LG set - top box business[1] | (15) | - |
| Others | (5) | (5) |
| **Acquisition of investments** | **(25)** | **(22)** |
| Less cash position of companies acquired | - | 1 |
| ACQUISITION OF INVESTMENTS, NET | (25) | (21) |

* *2016 amounts are re-presented to reflect the impacts of Discontinued Operations (see note 12).*
(1) *Including acquisition fees for €1 million.*

The details for the disposal of subsidiaries and activities, net of cash position of companies disposed off, are as below:

| *(in million euros)* | 2017 | 2016 |
|---|---|---|
| SV Holdco | - | 29 |
| M-GO activity | - | 10 |
| Digital Cinema activity[1] | 8 | 5 |
| Gainspeed investment | 1 | 6 |
| Other | 2 | 3 |
| **Disposal of investments** | **11** | **53** |
| Less cash position of companies disposed off | - | (1) |
| DISPOSAL OF INVESTMENTS, NET | 11 | 52 |

(1) *Activity sold to Deluxe in 2015, first payment received in 2016 and second in 2017.*

## 11.2. Cash impact of debt repricing and financing operations

| *(in million euros)* | note | 2017 | 2016 |
|---|---|---|---|
| Proceed from non-current borrowings[2] | (1.1) | 644 | 450 |
| Reimbursement of non-current borrowings to bank holders[4] | (1.1) | - | - |
| **Cash impact of non-current borrowings variation** | | **644** | **450** |
| Proceed from current borrowings[2] | (1.1) | 2 | - |
| Reimbursement of current borrowings to bank holders[4] | (1.1) | (612) | (775) |
| **Cash impact of current borrowings variation** | | **(610)** | **(775)** |
| Increase of Capital (net of fees paid)[1] | | 1 | 15 |
| Fees paid for debt repricing[3] | (8.4) | (7) | (10) |
| **TOTAL CASH IMPACT OF REFINANCING AND SHARE CAPITAL OPERATIONS** | | **28** | **(320)** |

*(1) Includes the MIP/LTIP cash impact for €1 million in 2017 and €15 million in 2016.*
*(2) Relates to the issuance of new Term Loan Debt on March 2017 nad EIB loan on January 2017 for total amount of €646 million;*
*In 2016, it related to Term Loan Debt issued on December 2016 for €450 million.*
*(3) Fees paid directly linked to the debt refinancing have been classified into financing cash flows.*
*In 2017, it includes €4 million for the new Term Loan Debt issued in March 2017, €1 million for the Term Loan Debt done in December 2016, and €2 million for revolving credit facility fees.*
*In 2016, it included €3 million for the Term Loan Debt issued in December 2016 and €7 million for revolving credit facility fees.*
*(4) In 2017, in addition to debt contractual refunds, €601 million for the Old Term Loan Debt maturing in 2020 were repaid.*
*In 2016, in addition to debt contractual refunds, €701 million of 2015 Term Loan Debt were reimbursed.*

The tables below rationalize the Group's borrowing variation in the Balance Sheet:

| | | Non cash variation | | | | | | |
|---|---|---|---|---|---|---|---|---|
| *(in million euros)* | December 31, 2016 | Cash impact of borrowing variation | Capital leases recognition | IFRS Discount of Term Loan Debt | Currency Translation Adjustments | Transfer Current – Non Current | Other Movements | December 31, 2017 |
| Non Current Borrowing | 998 | 644 | 15 | 27 | (52) | (554) | (1) | 1,077 |
| Current Borrowing | 52 | (610) | 15 | - | 7 | 554 | 2 | 20 |
| **TOTAL BORROWING** | **1,050** | **34** | **30** | **27** | **(45)** | **-** | **1** | **1,097** |

| | | Non cash variation | | | | | | |
|---|---|---|---|---|---|---|---|---|
| *(in million euros)* | December 31, 2015 | Cash impact of borrowing variation | Capital leases recognition | IFRS Discount of Term Loan Debt | Currency Translation Adjustments | Transfer Current – Non Current | Other Movements | December 31, 2016 |
| Non Current Borrowing | 1,207 | 450 | 4 | 44 | 7 | (714) | - | 998 |
| Current Borrowing | 86 | (775) | 10 | - | 14 | 714 | 3 | 52 |
| **TOTAL BORROWING** | **1,293** | **(325)** | **14** | **44** | **21** | **-** | **3** | **1,050** |

## 11.3. Contractual obligations and commercial commitments

The following table provides information regarding the aggregate maturities of contractual obligations and commercial commitments as of December 31, 2017 for which the Group is either obliged or conditionally obliged to make future cash payments but cannot be recognized in the balance sheet. This table includes firm commitments that would result in unconditional or conditional future payments but excludes all options since the latter are not considered as firm commitments or obligations. When an obligation leading to future payments can be cancelled through a penalty payment, the future payments included in the tables are those that management has determined most likely to occur.

| | | Amount of commitments by maturity | | | |
|---|---|---|---|---|---|
| *(in million euros)* | 2017 | Less than 1 year | 1 – 3 years | 3 – 5 years | More than 5 years |
| Off-balance sheet obligations | | | | | |
| **Unconditional future payments** | | | | | |
| Operating leases (see note 4.5) | 309 | 86 | 100 | 43 | 80 |
| Other unconditional future payments[1] | 25 | 6 | 8 | 6 | 5 |
| TOTAL UNCONDITIONAL FUTURE PAYMENTS | 334 | 92 | 108 | 49 | 85 |
| **Conditional future payments** | | | | | |
| Guarantees given and other conditional future payments | 61 | 13 | 1 | - | 47 |
| TOTAL CONDITIONAL FUTURE PAYMENTS | 61 | 13 | 1 | - | 47 |

(1) *Other unconditional future payments relate mainly to the maintenance costs associated with the lease.*

The Group provides certain guarantees to third parties (financial institutions, customers, partners and government agencies) to ensure the fulfilment of contractual obligations by Technicolor and its consolidated subsidiaries in the ordinary course of their business. The guarantees are not shown in the table above as they do not increase the Group's commitments in relation to the initial commitments undertaken by the entities concerned.

Subsidiaries within the Entertainment Services segment may provide guarantees to its customers on the products stored and then distributed against any risk or prejudice that may occur during manufacturing, storage or distribution. Such guarantees provided are covered by insurance and are therefore excluded from the table above.

The disclosed guarantees comprise:

- guarantees given to tax offices for €13 million related to ongoing tax litigations;
- a parental guarantee provided by Technicolor SA to secure the UK. pension plan under section 75 for €47 million;
- various operational guarantees granted to customs administrations in order to exempt from duties goods transiting through customs warehouses for re-exportation, and transit guarantees in order that taxes on goods are only paid at their final destination in the import country. The maturity of these bank guarantees matches the one-month renewable term of the agreements.

Guarantees and commitments received amount to €32 million as of December 31, 2017. This amount is mainly related to the royalties from Trademarks licensees.

On December 19, 2017, we entered into a 5-year replication services agreement with Sony, with an effective date of February 1, 2018. Pursuant to this agreement, a contract advance will be paid by Technicolor.

The above table is only related to continuing entities. The net contractual obligations and commercial commitments taken by discontinued entities as of December 31, 2017 is nil (with future payments €7 million compensated by a guarantee received for the same amount).

Total off-balance sheet unconditional future payments and conditional future payments as of December 31, 2016 amounted respectively to €424 million and €60 million on continuing entities.

# NOTE 12. DISCONTINUED OPERATIONS AND HELD FOR SALE OPERATIONS

GRI [G4-13] [G4-22] [G4-23]

## 12.1. Discontinued operations

*A discontinued operation is a component of the Group that either has been disposed of (by sale or otherwise) or is held for sale. In accordance with IFRS 5, to be disclosed as discontinued:*

- *the operation must have been stopped or be classified as "asset held for sale";*
- *the component discontinued must clearly be distinguishable operationally and for reporting purposes;*
- *it must represent a separate major line of business (or geographical area of business);*
- *it must be part of a single major plan of disposal or is a subsidiary acquired exclusively for resale.*

*The profit (loss) from discontinued operations is presented as a separate line item on the face of the statement of operations with a detailed analysis provided below. The statement of operations data for all prior periods presented are reclassified to present the results of operations meeting the criteria of IFRS 5 as discontinued operations. In the statement of cash flows, the amounts related to discontinued operations are disclosed separately.*

*When a non-current asset or disposal group no longer meet the held for sale criteria, the asset or disposal group ceases to be classified as held for sale.*

*It is then measured at the lower of:*

- *its carrying value before the asset (or disposal group) was classified as held for sale, adjusted for any depreciation, amortization that would have been recognized had the asset (or disposal group) not been classified as held for sale; and*
- *its recoverable amount at the date of the subsequent decision not to sell. Recoverable value is the higher of fair value less costs to sell and value in use.*

*Any adjustment to the carrying amount is included in profit and loss from continuing operations in which the assets ceased to be classified as held for sale.*

On December 18, 2017, the Group announced being in negotiations for the divestiture of its Patent Licensing Division, which represents substantially all the revenues and income of its former reporting segment "Technology". The disposal is considered as "highly probable" according to IFRS 5. As a result, Patent Licensing has been presented as Discontinued Operations for all periods reported and assets and liabilities classified as Assets and Liabilities held for sale in the Consolidated Statement of Financial Position as of December 2017.

Other discontinued activities relate to remaining subsequent impacts of activities disposed of or abandoned such as Cathode Tubes activities from 2004 and 2005.

### 12.1.1. Results of discontinued operations

| (in million euros) | December 31, 2017 | 2016* |
|---|---|---|
| **DISCONTINUED OPERATIONS** | | |
| Revenues | 131 | 257 |
| Cost of sales | (52) | (43) |
| **Gross Margin** | **79** | **214** |
| Selling and administrative expenses | (13) | (18) |
| Research and development expenses | (1) | (1) |
| Restructuring costs | (2) | (11) |
| Net impairment gains (losses) on non-current operating assets | (5) | - |
| Other income (expense) | (4) | (87) |
| **EARNING BEFORE INTEREST & TAX FROM DISCONTINUED OPERATIONS** | **54** | **97** |
| Net financial income (expense) | (1) | (2) |
| Share of income (loss) from associates | - | (1) |
| Income tax | (7) | (14) |
| **NET INCOME (LOSS)** | **46** | **80** |

In 2017, the profit of €46 million from discontinued operations consists mainly the result of Patent Licensing business.

In 2016, the gain of €80 million includes mainly the result of Patent Licensing business offset partly by impact of settlements of some risk and litigation which were related to businesses discontinued several years ago (see note 10.2).

### 12.1.2. Net cash from discontinued operations

| *(in million euros)* | 2017 | 2016 |
|---|---|---|
| **Profit (Loss) from discontinued operations** | **46** | **80** |
| *Summary adjustments to reconcile loss from discontinued operations to cash used in discontinued operations:* | | |
| *Depreciation and Amortization* | *8* | *8* |
| *Impairment of assets* | *5* | - |
| Net changes in provisions | 12 | 9 |
| (Profit) / Loss on asset sales | - | 1 |
| Other non-cash items (including tax)[1] | 3 | 88 |
| Changes in working capital and other assets and liabilities[2] | (114) | 13 |
| Income tax paid | 1 | (39) |
| NET OPERATING CASH GENERATED FROM DISCONTINUES ACTIVITIES (I) | (39) | 160 |
| NET INVESTING CASH USED IN DISCONTINUED ACTIVITIES (II) | (1) | 1 |
| Proceeds from borrowings | 3 | 7 |
| Repayments of borrowings | (6) | - |
| NET FINANCING CASH GENERATED IN DISCONTINUED ACTIVITIES (III) | (3) | 7 |
| NET CASH FROM DISCONTINUING ACTIVITIES (I+II+III) | (43) | 168 |

*(1) In 2016, it Included non-cash impact of settlements accrued in 2016 but not yet paid, on some risk and litigation (mainly Cathode Ray Tubes case "CRT").*
*(2) In 2017, it includes €77 million of CRT cash impact.*

## 12.2. Assets & liabilities held for sale

*A non-current asset (or disposal group) is classified as held for sale when its carrying amount will be recovered principally through a sale transaction rather than through continuing use. This means the asset (or disposal group) is available for immediate sale and its sale is highly probable. A non-current asset (or disposal group) classified as held for sale is measured at the lower of its fair value less costs to sell and its carrying amount. Any impairment loss for write-down of the asset (or disposal group) to fair value (less costs to sell) is recognized in the statement of operations.*

As of December 31, 2017, assets and liabilities of Patent Licensing business, which are part of the transaction described in note 1.1, have been classified as assets and liabilities held for sale.

| *(in million euros)* | December 31, 2017 |
|---|---|
| Patents | 7 |
| **Assets classified as held for sale** | **7** |
| **Liabilities classified as held for sale*** | **68** |

* *Include payroll and deferred income in relation with patents to be transferred.*

As of December 31, 2016, there was no activity classified as held for sale.

## NOTE 13. SUBSEQUENT EVENTS

There were no events that have a material impact on the financial status that occurred between the Statement of the Financial Position date and February 21, 2018, the date when the Board of Directors authorized the Consolidated Financial Statements for issue.

## NOTE 14. TABLE OF AUDITOR'S FEES

| | Deloitte | | Mazars | | Total | |
|---|---|---|---|---|---|---|
| *(in thousands of euros)* | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| **Statutory audit, certification, consolidated and individual financial statements** | | | | | | |
| ▪ Technicolor SA | 819 | 784 | 952 | 951 | 1,771 | 1,735 |
| ▪ Subsidiaries | 1,952 | 2,039 | 1,525 | 1,462 | 3,477 | 3,501 |
| SUBTOTAL | 2,771 | 2,823 | 2,477 | 2,413 | 5,248 | 5,236 |
| **Services other than certification of financial statements as required by laws and regulations**[1] | | | | | | |
| ▪ Technicolor SA | 32 | 113 | - | - | 32 | 113 |
| ▪ Subsidiaries | 6 | - | 18 | 115 | 24 | 115 |
| SUBTOTAL | 38 | 113 | 18 | 115 | 56 | 228 |
| **Services other than certification of financial statements provided upon the entity's request**[2] | | | | | | |
| ▪ Technicolor SA | 263 | - | 23 | - | 286 | - |
| ▪ Subsidiaries | 126 | 150 | - | - | 126 | 150 |
| SUBTOTAL | 389 | 150 | 23 | - | 412 | 150 |
| TOTAL | 3,198 | 3,086 | 2,518 | 2,528 | 5,716 | 5,614 |

(1) *Include capital increase and capital decrease reports, comfort letters and other services required by laws and regulation.*
(2) *Include services upon request of Technicolor or its subsidiaries (due diligence, legal and tax assistance, and various reports).*

## NOTE 15. LIST OF MAIN CONSOLIDATED SUBSIDIARIES

GRI [G4-17]

The following is a list of the principal consolidated holding entities and subsidiaries:

| | % share held by Technicolor *(% rounded to one decimal)* | |
|---|---|---|
| **COMPANY – (Country)** | **2017** | **2016** |
| ***Fully consolidated*** | | |
| Technicolor SA<br>1-5 rue Jeanne d'Arc, 92130 Issy-Les-Moulineaux (France) | Parent company | Parent company |
| **Connected Home** | | |
| Technicolor Pioneer Japan KK (Japan) | 51.0 | 0.0* |
| Technicolor Delivery Technologies (France) | 100.0 | 100.0 |
| Technicolor Connected Home Rennes SNC (France) | 100.0 | 100.0 |
| Technicolor Connected Home India Private Ltd. (India) | 100.0 | 100.0 |
| TCH Connected Home Singapore Pte. Ltd. (Singapore) | 0.0** | 100.0 |
| Technicolor Korea Yuhan Hoesa (Korea, Republic of) | 100.0 | 0.0* |
| Technicolor Connected Home USA LLC (USA) | 100.0 | 100.0 |
| Thomson Telecom Mexico SA De CV (Mexico) | 100.0 | 100.0 |

| COMPANY – (Country) | % share held by Technicolor (% rounded to one decimal) 2017 | 2016 |
|---|---|---|
| Technicolor Asia Ltd. (Hong kong) | 100.0 | 100.0 |
| Technicolor Communication Technology (Shenzhen) Company Limited (China) | 0.0** | 100.0 |
| Technicolor Delivery Technologies Australia Pty Limited (Australia) | 100.0 | 100.0 |
| Technicolor (China) Technology Co., Ltd. (China) | 100.0 | 100.0 |
| Technicolor Brasil Midia E Entretenimento LTDA (Brazil) | 100.0 | 100.0 |
| Technicolor Delivery Technologies Belgium (Belgium) | 100.0 | 100.0 |
| Technicolor Malaysia Sdn Bhd (Malaysia) | 100.0 | 100.0 |
| **Entertainement Services** | | |
| Technicolor Entertainment Services France SAS (France) | 0.0** | 100.0 |
| Technicolor Global Logistics, LLC (USA) | 100.0 | 100.0 |
| Technicolor Distribution Australia PTY LTD (Australia) | 100.0 | 100.0 |
| MPC (Shanghai) Digital Technology Co., Ltd. (China) | 89.8 | 89.8 |
| Mikros Image (France) | 100.0 | 100.0 |
| Mikros Image Belgium (Belgium) | 100.0 | 100.0 |
| Technicolor India Pvt Ltd. (India) | 100.0 | 100.0 |
| Th. multimedia Distrib.(Netherlands) BV (Netherlands) | 100.0 | 100.0 |
| Technicolor Disc Services International Ltd. (Hammersmith) (USA) | 100.0 | 100.0 |
| Technicolor Mexicana, S. de R.L. de C.V. (Mexico) | 100.0 | 100.0 |
| Technicolor Export de Mexico, S. de R.L. de C.V. (Mexico) | 100.0 | 100.0 |
| Technicolor Trademark Management (France) | 100.0 | 100.0 |
| The Mill group Inc.. (USA) | 100.0 | 100.0 |
| Beam TV Inc.. (USA) | 100.0 | 100.0 |
| The Mill (Facility) LTD (USA) | 100.0 | 100.0 |
| Trace VFX LLC (USA) | 100.0 | 100.0 |
| Badger Bidco Limited (USA) | 100.0 | 100.0 |
| Badger USA, Inc.. (USA) | 100.0 | 100.0 |
| Comercializadora Thomson de Mexico SA de CV (Mexico) | 0.0** | 100.0 |
| Technicolor Inc. (USA) | 100.0 | 100.0 |
| Technicolor Home Entertainment Services Inc. (USA) | 100.0 | 100.0 |
| Technicolor Home Entertainment Services de Mexico, S. de R.L. de C.V. (Mexico) | 100.0 | 100.0 |
| Technicolor Videocassette of Michigan, Inc. (USA) | 100.0 | 100.0 |
| Technicolor Creative Services USA Inc. (USA) | 100.0 | 100.0 |
| Technicolor Canada, Inc. (Canada) | 100.0 | 100.0 |
| Technicolor China investment (BVI) Ltd. (China) | 0.0** | 100.0 |
| Technicolor Home Entertainment Services Canada ULC (Canada) | 100.0 | 100.0 |
| Technicolor Home Entertainment Services Southeast, LLC (USA) | 100.0 | 100.0 |
| Technicolor, Pty, Ltd. (Australia) | 100.0 | 100.0 |
| Technicolor Holdings Ltd. (USA) | 100.0 | 100.0 |
| Technicolor Video Services (UK.) Ltd. (UK.) | 100.0 | 100.0 |
| Technicolor Ltd. (USA) | 100.0 | 100.0 |
| Technicolor Distribution Services France SARL (France) | 100.0 | 100.0 |
| Technicolor Milan SpA (Italy) | 100.0 | 100.0 |
| The Moving Picture Company Limited (USA) | 100.0 | 100.0 |
| Technicolor Polska (Poland) | 100.0 | 100.0 |
| Mr. X Gotham, LLC (USA) | 100.0 | 100.0 |
| Mr. X Inc. (Canada) | 0.0** | 100.0 |
| Technicolor Animation Productions (France) | 100.0 | 100.0 |

| COMPANY – (Country) | % share held by Technicolor (% rounded to one decimal) 2017 | 2016 |
|---|---|---|
| **Corporate & Other** | | |
| Thomson Licensing DTV (France) | 100.0 | 100.0 |
| Technicolor Treasury USA LLC (USA) | 100.0 | 100.0 |
| TECH5 (France) | 0.0** | 100.0 |
| Technicolor USA Inc. (USA) | 100.0 | 100.0 |
| Technicolor R&D France SNC (France) | 0.0** | 100.0 |
| Technicolor Asia Pacific Holdings Pte. Ltd. (Singapore) | 100.0 | 100.0 |
| Gallo 8 SAS (France) | 100.0 | 100.0 |
| Sté Fr. d'Invest. et d'Arbitrage – Sofia (France) | 100.0 | 100.0 |
| Deutsche Thomson OHG (Germany) | 100.0 | 100.0 |
| Technicolor Technology Licensing SAS (France) | 0.0** | 100.0 |
| Thomson Licensing LLC (USA) | 100.0 | 100.0 |
| RCA Trademark Management SAS (France) | 100.0 | 100.0 |
| Thomson Licensing SAS (France) | 100.0 | 100.0 |
| **Accounted for under the equity method** | | |
| Technicolor SFG Technology Co. Ltd. (China) | 49.0 | 49.0 |
| Vancouver Lab Inc. (Canada) | 50.0 | 50.0 |
| Canada Cinema Distribution Inc. (Canada) | 50.0 | 50.0 |
| 3DCD LLC (USA) | 50.0 | 50.0 |
| Beijing Thomson CITIC Digital Technology Co., Ltd.. (China) | 0.0** | 50.0 |
| Techfund Capital Europe (France) | 19.8 | 19.8 |

* *Entities acquired or sold by the Group.*
** *Entities created, merged, liquidated or deconsolidated for reorganization purpose.*

# 6.3 STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

GRI [G4-33]

*This is a free translation into English of the Statutory Auditors' report on the consolidated financial statements issued in French and it is provided solely for the convenience of English speaking users.*

*The Statutory Auditors' report includes information specifically required by French law in such reports. This information is presented below the audit opinion on the consolidated financial statements and includes explanatory paragraphs discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were made for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the consolidated financial statements.*

*This report also includes information relating to the specific verification of information given in the management report and in the documents addressed to shareholders.*

*This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.*

To the Shareholders,

## OPINION

In compliance with the engagement entrusted to us by your Shareholders' Meeting, we have audited the accompanying consolidated financial statements of Technicolor for the year ended December 31, 2017.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as of December 31 2017 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

The audit opinion expressed above is consistent with our report to the Audit Committee.

## BASIS FOR OPINION

### Audit framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those texts are further described in the Statutory Auditor's "Responsibilities for the Audit of the Consolidated Financial Statements" section of our report.

### Independence

We conducted our audit in compliance with independence rules applicable to us, for the period from January 1, 2017 to the issue date of our report and specifically we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) no. 537/2014 or in the French Code of Ethics (Code de déontologie) for Statutory Auditors.

## JUSTIFICATION OF ASSESSMENTS – KEY AUDIT MATTERS

In accordance with the requirements of Articles L.823-9 and R.823-7 of the French Commercial Code (Code de commerce) relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the consolidated financial statements.

# IMPAIRMENT TESTING OF GOODWILL

*Note 4 to the consolidated financial statements*

## Risk identified

Goodwill is recorded in the balance sheet as of December 31, 2017 at a net carrying amount of €942 million, compared with total assets of €3.712 million. Goodwill is recognized in the currency of the acquired subsidiary/associate and measured at cost less accumulated impairment losses and translated into euros at the effective rate at the end of the period. Goodwill is not amortized but is tested annually for impairment. The Group performs impairment tests on goodwill as disclosed in Notes 4.1 and 4.4 of the notes to the consolidated financial statements.

We considered the valuation of goodwill to be a key audit matter given the relative importance of these assets in the consolidated financial statements and since the determination of their recoverable amount, generally based on discounted cash flow forecasts, is based on assumptions, estimates and management assessments and judgements, notably concerning business forecasts, long-term growth rates and discount rates.

We focused, in particular, on goodwill of the Entertainment Services segment due to uncertainties surrounding the future of physical media in the DVD Services division and the finite useful life of this asset.

## Our response

We examined the implementation of impairment tests by the Group and focused our procedures on the divisions where intangible assets represent a significant portion of net assets and are highly sensitive to changes in budget assumptions.

We reviewed the Group's process for establishing business plans and assessed the reasonableness of the key assumptions and estimates by:

- verifying the consistency of cash flow forecasts with past performance and 3-years plan approved by the Board of Directors,
- comparing growth rates used to extrapolate cash flows beyond the forecast period and discount rates with market data and our benchmarks. And,
- reviewing sensitivity analysis disclosed in the notes to the consolidated financial statements.

We verified the appropriateness of disclosures in the notes to the consolidated financial statements.

These analyses were performed with the assistance of our valuation experts.

# RECOVERABILITY OF DEFERRED TAX ASSETS

*Note 6.2 to the consolidated financial statements*

## Risk identified

Net deferred tax assets amount to €82 million as of December 31, 2017. The basis for computation of deferred tax assets include €3.3 billion of tax losses carried forward, mainly in France and the United States. These losses are partially expected to be consumed in the five next years.

We identified this issue as a key audit matter due to the uncertainty surrounding the recoverability of the deferred tax assets and the level of judgement exercised by management in this respect. The recoverable amount of deferred tax assets is measured using tax rates that are expected to apply in the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax amounts are classified as non-current assets and liabilities.

### Our response

A deferred tax asset is recognized only to the extent that it is probable that the company will generate sufficient taxable income against which unused tax losses can be utilized. Our audit approach consisted in assessing the probability that the relevant jurisdictions will be able to use tax losses carried forward in the future, taking into account:

- deferred tax liabilities in the same tax jurisdiction which could be offset against existing tax losses carried forward prior to their expiry; and
- the ability of the relevant tax consolidation groups to generate future taxable profits to absorb prior year tax losses.

We verified the appropriateness of the methodology adopted by management to identify existing tax losses carried forward that will be utilized, either by offset against deferred tax liabilities or future taxable profits.

To assess future taxable profits, we assessed the reliability of the preparation process for the business plan underlying our assessment of the probability that the Group will recover deferred tax assets by:

- examining the preparation and approval process for the most recent business plan underlying the estimates;
- comparing income forecasts for prior years with actual results for the years concerned;
- examining the impact of activities classified in discontinued and those acquired in 2015 on taxable income;
- reviewing management assumptions used in preparing income forecasts for the period covered by tax recovery plans by considering information gathered during discussions with management.

Our teams included tax specialists who supported our understanding of French and U.S. tax regulations.

## ACCOUNTING FOR DISCONTINUED OPERATIONS

*Note 12 to the consolidated financial statements*

### Risk identified

On December 18, 2017, the Group announced being in negotiations for the divestiture of its Patent Licensing division. The disposal has been considered by management as "highly probable" according to IFRS 5, Non-current Assets Held for Sale and Discontinued Operations. Patent Licensing has been presented as Discontinued Operations for all periods reported and assets and liabilities classified as Assets held for sale in the Consolidated Statement of Financial Position as of December 2017.

We identified this accounting as a key audit matter due to the significance of this segment for the Group as well as the uncertainty underlying the completion of the transaction considered as highly probable at year-end. Patent Licensing represented substantially all the revenues and income of its former reporting segment "Technology". As of December 31, 2017, revenue related to this segment is €131 million, net income is €46 million. Assets amount to €7 million and liabilities to €68million, classified as held for sale.

### Our response

According to IFRS 5, assets and liabilities related to the potential sale shall be classified as held for sale in the balance sheet if the asset is available for immediate sale and if the sale is highly probable. In the income statement, the reporting unit is presented as Discontinued Operation in the Statement of operations, Comprehensive income and Statement of Cash-flows for 2017 and the compared period.

We assessed the appropriateness of the criteria considered by management to determine that the disposal is highly probable according to IFRS 5 by analyzing the underlying documentation. We reviewed the methodology followed to identify the assets and liabilities to be classified as held for sale.

The result of discontinued operations comprises the total of:

- the post-tax profit of discontinued operations and;
- the post-tax gain or loss recognized on the measurement to fair value less costs to sell or on the disposal of the assets constituting the discontinued operation.

We reviewed the Group's process and facts provided by Management, according to IFRS 5 criteria, to identify the result of the discontinued operations by verifying that the amounts of operational flows, tax and financial result agree with the income statement of the entities within the Technology segment.

We verified the appropriateness of disclosures in the notes to the consolidated financial statements.

## VERIFICATION OF THE MANAGEMENT REPORT

As required by law, we have also verified in accordance with professional standards applicable in France the information concerning the Group presented in the Board of Directors' management report.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

### Appointment of the Statutory Auditors

We were appointed as statutory auditors of Technicolor by the Shareholders' Meeting held on May 29, 1985 for Mazars and on June 20, 2012 for Deloitte & Associés.

As at December 31, 2017, Mazars and Deloitte & Associés were in the 33rd year and 6th year of total uninterrupted engagement respectively.

## RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risk management systems and, where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The consolidated financial statements were approved by the Board of Directors.

# STATUTORY AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

## Objective and audit approach

Our role is to issue a report on the consolidated financial statements. Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As specified by article L.823-10-1 of the French Commercial Code, our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- Identifies and assesses the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control;
- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the consolidated financial statements;
- Assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein.
- Evaluates the overall presentation of the consolidated financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation;
- Obtains sufficient appropriate audit evidence regarding the financial information of the entities included in the consolidation scope to express an opinion on the consolidated financial statements. The statutory auditor is responsible for the direction, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed on these consolidated financial statements.

## Report to the Audit Committee

We submit a report to the Audit Committee, which includes, in particular, a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report, if any, significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period and which are therefore the key audit matters. We describe these matters in the audit report.

We also provide the Audit Committee with the declaration provided for in Article 6 of Regulation (EU) no. 537/2014, confirming our independence pursuant to the rules applicable in France such as they are set in particular by Articles L.822-10 to L.822-14 of the French Commercial Code (Code de Commerce) and in the French Code of Ethics (Code de déontologie) for Statutory Auditors. Where appropriate, we discuss with the Audit Committee the risks that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

The Statutory Auditors

Neuilly-sur-Seine, March 16, 2018
Deloitte et Associés
French original signed by
Ariane Bucaille
Partner

Courbevoie, March 16, 2018
Mazars
French original signed by
Guillaume Devaux
Partner

Jean-Luc Barlet
Partner

# 6.4 TECHNICOLOR SA PARENT COMPANY FINANCIAL STATEMENTS

GRI [G4-EC1]

## 6.4.1 STATEMENT OF OPERATIONS

| | | December 31, | |
|---|---|---|---|
| *(in million euros)* | **note** | **2017** | **2016** |
| Revenues | (2) | 54 | 77 |
| Other operating revenues | | 4 | 3 |
| **Total operating income** | | **58** | **80** |
| Wages and salaries | | (23) | (26) |
| Other operating expenses | | (64) | (70) |
| Depreciation, amortization and provisions | | (10) | (15) |
| **Loss from operations** | | **(39)** | **(31)** |
| Interest income (expense) | | (15) | 6 |
| Dividends from subsidiaries | | 265 | 188 |
| Depreciation on financial assets | | (1,576) | (58) |
| Other net financial gain/(losses) | | - | (3) |
| **Net financial profit (loss)** | **(3)** | **(1,326)** | **133** |
| NET PROFIT (LOSS) AFTER FINANCIAL RESULT | | (1,365) | 102 |
| Capital gain/(loss) on asset disposals | | (1) | - |
| Exceptional profit (expenses) | (4) | - | (5) |
| **Exceptional loss** | | **(1)** | **(5)** |
| Income tax | (5) | 23 | 52 |
| NET PROFIT (LOSS) | | (1,343) | 149 |

The accompanying notes on pages 262 to 284 are an integral part of these financial statements.

## 6.4.2 STATEMENT OF FINANCIAL POSITION

| *(in million euros)* | note | December 31 2017 | 2016 |
|---|---|---|---|
| **ASSETS** | | | |
| Intangible assets | | 27 | 26 |
| Depreciation, amortization and provisions | | (18) | (17) |
| **Intangible assets, net value** | **(6)** | **9** | **9** |
| Property and Equipment | | 17 | 15 |
| Depreciation, amortization and provisions | | (14) | (12) |
| **Property and equipment, net value** | **(6)** | **3** | **3** |
| Shares in subsidiaries, net value | | 2,085 | 3,413 |
| Other financial assets | | 8 | 183 |
| **Financial assets, net value** | **(7)** | **2,093** | **3,596** |
| **NON-CURRENT ASSETS** | | **2,105** | **3,608** |
| Trade Receivables | (12.1) | 44 | 62 |
| Current accounts and loans with subsidiaries | (12.1) | 847 | 893 |
| Depreciation of current accounts and loans with subsidiaries | (12.1) | (60) | (60) |
| Other current assets | (12.1) | 55 | 64 |
| Cash and cash equivalents | | 55 | 107 |
| **CURRENT ASSETS** | | **941** | **1,066** |
| **PREPAYMENTS, DEFERRED CHARGES AND UNREALIZED LOSSES ON FOREIGN EXCHANGE** | **(12.3)** | **5** | **49** |
| **TOTAL ASSETS** | | **3,051** | **4,723** |
| **EQUITY & LIABILITIES** | | | |
| Common stock (414,461,178 shares, at December 31,2017, at per value of €1.00) | | 414 | 413 |
| Additional paid-in capital | | 917 | 917 |
| Legal reserve | | 7 | - |
| Other reserves and retained earnings | | 217 | 100 |
| Net profit/ (loss) for the year | | (1,343) | 149 |
| **Total shareholders'equity** | **(8.1)** | **212** | **1,579** |
| Other equity instruments | (8.3) | 500 | 500 |
| **SHAREHOLDERS' EQUITY AND EQUITY INSTRUMENTS** | | **712** | **2,079** |
| **PROVISIONS FOR LOSSES AND CONTINGENCIES** | **(11)** | **29** | **81** |
| Current accounts and loans with subsidiaries | (9.1) | 1,199 | 1,428 |
| Financial debts | (9.1) | 1,068 | 1,062 |
| Trade payables | (12.1) | 19 | 9 |
| Other current liabilities | (12.1) | 22 | 61 |
| Deferred income and unrealized gains on foreign exchange | | 2 | 3 |
| **LIABILITIES** | | **2,310** | **2,563** |
| **TOTAL EQUITY & LIABILITIES** | | **3,051** | **4,723** |

The accompanying notes on pages 262 to 284 are an integral part of these financial statements.

## 6.4.3 STATEMENT OF CHANGES IN EQUITY

| *(in million euros, except number of shares)* | Number of shares | Nominal Value | Common Stock | Additional paid-in capital | Legal reserves | Other reserves | Retained earnings | Net income (loss) for the year | TOTAL |
|---|---|---|---|---|---|---|---|---|---|
| **At December 31, 2015** | **411,443,290** | **1** | **411** | **1,124** | **-** | **100** | **-** | **(186)** | **1,449** |
| Allocation of 2015 balance | - | - | - | - | - | - | (186) | 186 | - |
| Reclassification of retained earnings in additional paid-in capital as of April 29, 2016 | - | - | - | (186) | - | - | 186 | - | - |
| Dividend distribution | - | - | - | (25) | - | - | - | - | (25) |
| Shares capital increased by inssuance of new shares for MIP purpose | 1,802,677 | 1 | 2 | 4 | - | - | - | - | 6 |
| Net profit of the year | - | - | - | - | - | - | - | 149 | 149 |
| **At December 31, 2016** | **413,245,967** | **1** | **413** | **917** | **-** | **100** | **-** | **149** | **1,579** |
| Allocation of 2016 balance | - | - | - | - | 7 | - | 117 | (149) | (25) |
| Shares capital increased by inssuance of new shares for 2013 Free Share Plan purpose | 778,750 | 1 | 1 | (1) | - | - | - | - | - |
| Shares capital increased by inssuance of new shares for MIP purpose | 436,461 | 1 | - | 1 | - | - | - | - | 1 |
| Net profit of the year | - | - | - | - | - | - | - | (1,343) | (1,343) |
| **AT DECEMBER 31, 2017** | **414,461,178** | **1** | **414** | **917** | **7** | **100** | **117** | **(1,343)** | **212** |

See note 8.1 for detail on the changes in equity

The accompanying notes on pages 262 to 284 are an integral part of these financial statements.

# 6.5 NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

GRI [G4-DMA Economic Performance]


| | | |
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# NOTE 1. GENERAL INFORMATION

The Technicolor group is a leader in Media & Entertainment Services, developing and monetizing next-generation video and audio technologies. Technicolor SA is the holding Company of the Group and manages the cash of the Group's subsidiaries.

These notes are an integral part of these annual financial statements. They contain additional information relating to the statements of financial position and of operations and give a true and fair view of the Company's assets, financial position and results. Information which is not mandatory is disclosed only if material.

## 1.1. Main events of the year

### *Debt refinancing*

On January 3, 2017, Technicolor SA borrowed 90 million euros from European Investment Bank (EIB) at a fixed interest rate of 2.542% and a maturity of 6 years.

On March 30, 2017, Technicolor SA implemented two new Term Loans with a maturity on December 2023:

- 275 million euros at an interest rate of EURIBOR 3 months +300 bps with EURIBOR subject to a 0.00% floor;
- 300 million U.S. dollars at an interest rate of LIBOR 3 months +275 bps with LIBOR subject to a 0.00% floor.

The proceeds of these borrowings have been primarily used to reimburse the Old Term Loans maturing in 2020 (see note 9.2 for further details).

The objective of the refinancing was mainly to allow Technicolor to borrow funds at a lower rate and to extend its debt maturity profile.

### *Signature of a bilateral credit facility*

In July 2017, Technicolor SA signed with a bank a bilateral multicurrency credit agreement (euro and U.S. dollar) maturing on May 2019, for a maximum principal of 35 million euros, at an interest rate of LIBOR +1.6% (LIBOR subject to a 0.00% floor).

This credit facility, which comes in addition to the RCF of 250 million euros implemented in December 2016, is mainly dedicated to the financing of the working capital of the Company. The contract includes covenants (see note 9.2.2).

### *Patent Licensing business*

On December 18, 2017, the Company announced being in negotiations for the divestiture of its patent licensing business. This transaction is in line with Technicolor's objective to simplify the Group's structure and allocate its capital and resources to its operating business. In this context, the value in use of the Thomson Licensing SAS's shares has been re-estimated and a depreciation of 1.4 billion was recorded as of December 31, 2017 (see note 7.1).

## 1.2. Accounting policies

### *1.2.1. Basis of preparation*

The annual financial statements are drawn up according to the accounting standards defined by the French General Chart of Accounts (*Plan Comptable Général*) and the French Commercial Code. The guidelines and recommendations of the *Autorité des normes comptables*, the *Ordre des Experts Comptables* and the *Compagnie Nationale des Commissaires aux Comptes* are also applied.

The financial statements were approved by the Board of Directors of Technicolor SA on February 21, 2018. Pursuant to French law, the financial statements will be considered as definitive when approved by Company's shareholders at the Ordinary Shareholders' Meeting which should take place in April 2018.

The methods used to prepare the 2017 accounts remain unchanged compared to previous year.

The Company applies the provisions of the ANC 2015-05 regulation, approved by decree on December 28, 2015. This regulation, mandatory from January 1, 2017, aims to specify the accounting treatments of forward financial instruments and hedging operations. In this context, the Company has supplemented information in the notes relating to hedging transactions (see notes 9.4 and 12.4). The impact of this regulation on the Company's balance sheet and income statement is not significant.

These financial statements are presented in euro, the functional currency of Technicolor SA and have been rounded to the nearest million.

### *1.2.2. Use of estimates*

The process of drawing up the parent company financial statements involves using certain estimates and assumptions to calculate the figures presented in the Statements of Financial Position and of Operations. The Company periodically reviews its valuations and estimates based on its past experience and various other factors considered reasonable and relevant for the determination of the fair estimates of the assets and liabilities' carrying value and of the revenues and expenses. The actual results could significantly differ from these estimates depending on different conditions and assumptions.

### 1.2.3. *Accounting for foreign currencies transactions*

#### Global treasury management

Management of the Group's market and liquidity risks is centralized in its Group Treasury department in France in accordance with Group procedures covering, among other aspects, responsibilities, authorizations, limits, permitted financial instruments and tracking tools.

All financial market risks are monitored continually and reported regularly to the Chief Financial Officer, the Investment Committee and the Executive Committee *via* various reports showing the Company's exposures to these risks with details of the transactions undertaken to reduce them.

To reduce interest rate and currency exchange rate risk, the Group enters into hedging transactions using derivative instruments. However Technicolor's policy is not to use derivatives for any purpose other than for hedging its commercial and financial exposures:

- from an operational point of view, the Company is contracting foreign exchange guarantees with its subsidiaries, under which subsidiaries' transaction risk is hedged for a given period (up to twelve months or longer when justified). These commitments are described further in note 12.4 ;
- the Group treasury is then hedging the Company exposure towards its subsidiaries with first ranking banks using currency derivative contracts. Ultimately there is no or neglectable residual remaining exposure for the Company.

#### Impacts of translation of foreign currency transactions

Foreign currency transactions are translated into euros at the exchange rate effective on the trade date. Receivables and payables in foreign currency are revalued at closing rate. The differences arising on the translation compared to the historical rate are recorded as translation adjustments in the balance sheet (a provision for exchange risk is recognized when unfavorable translation differences occur on receivables or debt).

Realized gains and losses on foreign exchange transactions are booked under "Other net financial gains/(losses)".

Corporate Treasury manages its foreign currency exposure globally and does not take foreign exchange risk on its financial debt and loans in foreign currencies. Accordingly, the Term Loan Debt in foreign currency of the holding is only used to grant loans and current accounts in the foreign currency of the foreign affiliates and finally the global exchange result is totally symmetrical and neutral in the income statement.

In accordance with French accounting principles, the conversion of Term Loan Debt in foreign currency generates an unrealized gain (loss) on foreign exchange in the balance sheet. In case of loss, a provision for risk is booked in the balance sheet (see note 12.3). Should an unrealized gain materialize, and consistently with the Corporate treasury foreign currency policy, this gain is recognized in the balance sheet only if the global exchange result in the currency of the term loan is positive, and only in proportion of this net positive value.

Forward foreign currency contracts (set up between subsidiaries and the Group Treasury department to cover their trade exposures) as well as external transactions with banks are accounted for by the Group Treasury department. They are valued at market price at closing rate with gains and losses booked entirely in the statement of operations together with the result on the underlying hedged item. The forward points are recognized in the financial result prorate-temporis over the period of the contract.

Should a derivative exceptionally not qualify as hedge (isolated open position), its market value is reported in Other current assets and liabilities, in counterparty of the deferred income/charges. Any unrealized losses are covered by a provision for exchange risk. The realized gain or loss at maturity is recognized in financial result.

Information on exchange derivative instruments will be found in note 9.4.

## NOTE 2. **REVENUE**

| *(in million euros)* | 2017 | 2016 |
|---|---|---|
| Intra-group invoicing | 49 | 70 |
| Trademark royalties | - | 3 |
| Other external revenues | 5 | 4 |
| **TOTAL REVENUES** | **54** | **77** |
| *Including revenues in France* | *31* | *45* |

## NOTE 3. FINANCIAL RESULT

| *(in million euros)* | 2017 | 2016 |
|---|---|---|
| Dividends received | 265 | 188 |
| Depreciation on financial investments, treasury shares, current accounts and risk provisions regarding subsidiaries, net of reversal | (1,563) | (58) |
| Depreciation of other assets | (13) | - |
| Net interest income/(expenses) | (15) | 6 |
| Net gain/(losses) on foreign exchange | - | (3) |
| **NET FINANCIAL PROFIT (LOSS)** | **(1,326)** | **133** |
| *The financial result is mainly impacted by the following subsidiaries:* | | |
| ■ **Thomson Licensing SAS** | | |
| *- dividends* | *255* | *169* |
| *- depreciations: €1,417 million of depreciation on shares in 2017.* | *(1,417)* | *-* |
| ■ **Thomson Sales Europe SA** | | - |
| *- depreciations on shares in 2017.* | *459* | |
| ■ **Technicolor USA Inc.** | | |
| *- depreciations: €(126) million of depreciation on shares in 2017 and €(45) million of depreciation on shares, €106 million of reversal of depreciation on current account and €8 million of reversal of provision for risk on negative net result in 2016.* | *(126)* | *69* |
| ■ **Technicolor Delivery Technologies SAS** | | |
| *- depreciations on shares in 2017 and 2016.* | *(23)* | *(91)* |
| ■ **Société française d'investissement et d'arbitrage — Sofia SA** | | |
| *- depreciations: €4 million of reversal of depreciation on shares in 2017 and €(52) million of depreciation on shares in 2016.* | *4* | *(52)* |
| ■ **Gallo 8 SAS** | | |
| *- reversal of depreciation on shares in 2017 and 2016.* | *7* | *13* |
| ■ **Technicolor Brasil Midia e Entretenimento Ltda** | | |
| *- dividends received in 2016.* | *-* | *6* |

## NOTE 4. EXCEPTIONAL RESULT

*Exceptional items include income or charges of which the nature and amount are not recurring.*

| *(in million euros)* | 2017 | 2016 |
|---|---|---|
| Capital gains on disposals of intangible and financial assets[1] | (1) | - |
| Restructuring costs (accruals net of reversals and expenses for the year)[2] | (3) | (2) |
| Other net extraordinary profit (expenses) | 3 | (3) |
| **TOTAL EXCEPTIONAL PROFIT (LOSS)** | **(1)** | **(5)** |

*(1) In 2017, resulted from the sale of financial assets.*
*(2) In 2017, corresponds mainly to current actions of group organization.*
*In 2016, was corresponding mainly to a Restructuring Plan on the Group support functions.*

In 2017, the other net extraordinary profit/(expense) corresponds mainly to fees related to the External Debt carried out by Technicolor for €2 million (net of deferred expenses of €1 million amortized until 2023).

In 2016, the other net extraordinary profit/(expense) corresponded mainly to fees related to the New Term Loan Debt carried out by Technicolor for €3 million (net of deferred expenses of €1 million amortized over a period of seven years).

# NOTE 5. INCOME TAX

Under French tax law, Technicolor SA is the head Company of the French tax consolidation group consisting in 16 companies. Therefore, Technicolor SA is responsible to the French Tax Authorities for all corporate income tax matters and is allowed to collect from other members of the French tax consolidation group the amount of corporate income tax they would have paid if they were taxable separately on a standalone basis.

The Company tax losses to carry forward indefinitely by the French tax consolidation group are estimated at € 1,725 million as of December 31, 2017 due mainly to the Cathode Ray Tubes activity disposed in 2005.

## 5.1. Breakdown of booked income tax

| *(in million euros)* | 2017 | 2016 |
|---|---|---|
| Income tax booked by French subsidiaries and passed on to Technicolor SA[1] | 26 | 62 |
| Subsidiaries' research tax credit | 19 | 22 |
| Provision for tax-integrated companies | (4) | (8) |
| Unused foreign tax credits | (4) | (3) |
| Other[2] | (14) | (21) |
| **TOTAL INCOME TAX** | **23** | **52** |

*(1) Under French consolidation regime, Technicolor gets a tax income from consolidated French subsidiaries, in particular towards Thomson Licensing SAS (€18 million).*
*(2) Corresponds mainly to research tax credit to be repaid to subsidiaries. The amount to be received for the tax credit to boost competitiveness and employment (CICE) is not significant for 2017.*

The provision for the income tax expense under tax consolidation for 2017 will be offset with €4 million of foreign withholding tax credits.

In the absence of tax integration, the Company would show a nil net income tax expense.

## 5.2. Variation of deferred or latent tax bases

Temporarily non-deductible expenses related to Technicolor SA are the following:

| *(in million euros)* | December 31, 2016 | Variation | December 31, 2017 |
|---|---|---|---|
| ■ To be deducted the following year | | | |
| Paid vacations | 2 | - | 2 |
| Restructuring cost | 1 | (1) | - |
| Provisions for risks | 18 | (11) | 7 |
| Other | 2 | - | 2 |
| ■ To be deducted at a later date | | | |
| Provisions for retirement | 4 | (1) | 3 |
| Provisions for subsidiary risks | - | 6 | 6 |
| Depreciation on current accounts | 60 | (55) | 5 |
| Provisions for risks | 1 | 6 | 7 |
| Other | 2 | 12 | 14 |

# NOTE 6. PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS

## *INTANGIBLE ASSETS*

*Intangible assets consist mainly of capitalized IT development projects, the cost of software, trademarks and rights to use patents.*

*Ongoing software development projects are classified under "Intangibles in progress". Once development is achieved, the software is capitalized or delivered to the subsidiaries concerned. Software developed or used internally is amortized from the date of use. Other IT development costs are capitalized and amortized on a straight-line basis over a maximum of three years, with some exceptions. Minor IT expenses are amortized over the financial year they are put in use.*

*Software acquired or developed as well as licenses are amortized on a straight-line basis over the duration of their protection or over their useful life, whichever is shorter.*

## *TANGIBLE ASSETS*

*Tangible assets consist mainly of furniture and expenses for setting up and remodeling the head office in Issy-les-Moulineaux. They are amortized for the most part over nine years, the lease term for the building, on a straight-line basis.*

| *(in million euros)* | Intangible assets | Tangible assets |
|---|---|---|
| **At December 31, 2016, Net** | **9** | **3** |
| *Cost* | *26* | *15* |
| *Accumulated depreciation* | *(17)* | *(12)* |
| Acquisitions | 1 | 2 |
| Depreciation and amortization | (1) | (2) |
| **AT DECEMBER 31, 2017, NET** | **9** | **3** |
| *Cost* | *27* | *17* |
| *Accumulated depreciation* | *(18)* | *(14)* |

# NOTE 7. FINANCIAL ASSETS

*Financial assets include investments in subsidiaries that the Company intends to keep as well as other financial assets, such as loans.*

*Investments are recorded at acquisition cost. When the carrying value of such investments is less than their gross value, a valuation allowance is set up for the difference. Provision for current accounts and loans are made if the net financial position is negative. In addition, a provision for risk is set aside for the surplus over the residual net negative balance.*

*Carrying values of investments in subsidiaries and associates held for the long-term are based their value in use. Value in use is determined case by case based on the portion of equity represented by the shares, re-evaluation of net assets or recoverable value.*

*Until the announcement, in December 2017, of the divestiture of the Patent Licensing business, the recoverable value of Thomson Licensing SAS was determined based on discounted future cash flow increased by the cash available. As of December 31, 2017, value in use of Thomson Licensing SAS was determined based on re-evaluation of net assets, considering the probable value of the patents' disposal.*

## 7.1. Variation of financial assets

| *(in million euros)* | Shares in subsidiaries | Other financial assets[1] | Total financial assets |
|---|---|---|---|
| **At December 31, 2016, Net** | **3,413** | **183** | **3,596** |
| Cost | 11,587 | 241 | 11,828 |
| *Accumulated depreciation* | *(8,174)* | *(58)* | *(8,232)* |
| Acquisitions/ recapitalizations[2] | 244 | - | 244 |
| Disposals[3] | (464) | (161) | (625) |
| Depreciation[4] | (1,580) | (14) | (1,594) |
| Reversals of depreciation provisions[5] | 472 | - | 472 |
| **AT DECEMBER 31, 2017, NET** | **2,085** | **8** | **2,093** |
| *Cost* | *11,367* | *80* | *11,447* |
| *Accumulated depreciation* | *(9,282)* | *(72)* | *(9,354)* |

*(1) In 2017, includes, net of depreciation, €5 million of collateral and guarantees and €3 million of Technicolor treasury shares (see note 8.2).*
*(2) Corresponds mainly, to the recapitalization of the following subsidiaries: Technicolor Delivery Technologies SAS (€202 million), Technicolor Home Entertainment Services of America SAS (€21 million), Technicolor Animation Productions SAS (€17 million).*
*(3) Corresponds mainly to the impact of Thomson Sales Europe SA capital reduction (€461 million) concerning the shares in subsidiaries and to the reimbursement of loans borrowed by Technicolor Videocassette Holdings (UK.) Ltd. (€82 million) and Technicolor Europe Ltd. (€79 million) concerning the other financial shares.*
*(4) In 2017, depreciation of shares in subsidiaries concerns mainly the subsidiaries Thomson Licensing SAS (€1,417 million), Technicolor USA Inc. (€126 million) and Mikros Image SAS (€30 million). Depreciation of other financial assets relates mainly to the reclassification of depreciation that were booked as provisions in 2016 (€13 million).*
*(5) In 2017, reversal of depreciation on financial investments concerns mainly the subsidiaries Thomson Sales Europe SA (€459 million).*

In 2012, as part of an inter-company transaction, the shares of Thomson Licensing SAS were valued €2.2 billion by a third-party valuation expert using discounted cash-flows confirmed by the multiples approach. As of December 31, 2015, a depreciation of €0.5 billion was recorded leading to a carrying amount of €1.7 billion.

As of December 31, 2017, our shares in Thomson Licensing SAS were significantly depreciated in the context of the announcement of negotiations relating to the divestiture of the Patent Licensing business. This strategic transaction is in line with Technicolor's objective to simplify the Group's structure and re-allocate its capital and resources. This depreciation reflects an acceleration of the loss in value of our patent portfolio mainly due to the following factors: (i) useful life of patents becomes shorter due to more rapid changes in technology, (ii) market conditions become more competitive resulting in a lower than expected royalty rates per unit, and (iii) market player behavior evolving towards more litigation rather than contractual based.

The value in use of Thomson Licensing SAS was determined based on re-evaluation of net assets, considering the probable value of the patents' disposal. The depreciation amounted to 1.4 billion based on a US$/€ exchange rate of 1.15 and on an assumption of mid-range earn-out. An 10% increase in the US$/€ exchange rate and a decrease in the earn-out corresponding to our estimated low range would result in an increase of the depreciation of €36 and €70 million, respectively.

In relation with the shares in subsidiaries, depreciation on current accounts and loans to subsidiaries amounts to €60 million (see note 12.1).

## 7.2. Maturities of receivables included in other financial assets

| *(in million euros)* | |
|---|---|
| 2018 | 11 |
| 2019 and later | 12 |
| **GROSS VALUE** | **23** |
| Depreciation | (18) |
| **NET VALUE** | **5** |

## 7.3. Subsidiaries and investments at December 31, 2017

| *(in million euros, except number of shares)* | Holding percentage (%) | Holding Number of shares | Gross value | Net value | Equity after allocation of results | Revenues of the year | Net income | Gross advances, loans and current accounts |
|---|---|---|---|---|---|---|---|---|
| **Affiliates (more than 50% holding percentage)** | | | | | | | | |
| Technicolor USA, Inc.[1] | 100.00% | 1,005 | 5,184 | 603 | 603 | 2,547 | (45) | 173 |
| Thomson Licensing SAS[1][2] | 100.00% | 2,800,000 | 2,444 | 285 | 285 | 131 | 34 | 116 |
| Gallo 8 SAS[1] | 100.00% | 32,516,195 | 1,091 | 415 | 415 | 859 | 32 | - |
| Technicolor Delivery Technologies SAS[1][3] | 96.31% | 16,661,120 | 823 | 217 | 217 | 832 | (29) | - |
| Sté Fr. d'Invest. et d'Arbitrage – Sofia SA[1] | 100.00% | 8,883,491 | 543 | 58 | 58 | 1 | 4 | - |
| Thomson Sales Europe SA[1] | 100.00% | 2,461 | 6 | 1 | 1 | - | - | - |
| Thomson Angers SAS[4] | 100.00% | 4,630,001 | 289 | - | - | N/A | N/A | - |
| Technicolor Trademark Management SAS[1] | 100.00% | 13,616,129 | 214 | 214 | 283 | 5 | 3 | - |
| Thomson Multimedia Distribution (Netherlands) BV | 100.00% | 500 | 187 | 6 | 6 | 13 | - | - |
| Thomson Television España | 100.00% | 9,928,478 | 128 | - | (56) | - | - | 56 |
| Technicolor Brasil Midia E Entretenimento LTDA | 100.00% | 34,589,668 | 100 | 92 | 128 | 124 | 8 | - |
| Technicolor Entertainment Services Spain SA | 100.00% | 120,000 | 66 | - | - | 1 | - | - |
| Thomson Consumer Electronics (Bermuda) Ltd. | 100.00% | 1,000 | 66 | 29 | 29 | - | - | - |
| Technicolor Home Entertainment Services of America SAS | 100.00% | 2,096,294 | 72 | 70 | 70 | 91 | 3 | - |
| Mikros Image SAS[1] | 100.00% | 1,260,785 | 42 | 12 | 12 | 52 | (2) | - |
| Technicolor Asia Pacific Holdings Pte Ltd. | 100.00% | 37,948,000 | 37 | 37 | 56 | 86 | 11 | - |
| RCA Trademark Management SAS | 100.00% | 1,668,025 | 25 | 25 | 38 | 23 | 7 | - |
| Technicolor Hong Kong Ltd. | 100.00% | 1,000,000 | 7 | - | - | - | - | - |
| Thomson Investment India Ltd. | 51.00% | 51 | 4 | 2 | 2 | - | - | - |
| Technicolor Animation Productions SASU | 100.00% | 17,020,409 | 19 | 18 | 18 | 12 | (3) | - |
| Technicolor Milan S.r.l. | 100.00% | 6,000 | 2 | - | - | 2 | - | - |
| Thomson Purchasing and Liaison Company NV Korea Branch | 100.00% | 1,000 | 2 | - | 1 | - | - | - |
| **Total affiliates** | **N/A** | **N/A** | **11,351** | **2,084** | **N/A** | **N/A** | **N/A** | **345** |
| **Investments (between 10% and 50% holding percentage)** | | | | | | | | |
| TechFund Capital Europe FCPR | 19.80% | 500 | - | - | 2 | - | - | N/A |
| Other | N/A | N/A | 16 | 1 | N/A | N/A | N/A | N/A |
| **Total investments** | **N/A** | **N/A** | **16** | **1** | **N/A** | **N/A** | **N/A** | **N/A** |
| **TOTAL** | **N/A** | **N/A** | **11,367** | **2,085** | **N/A** | **N/A** | **N/A** | **N/A** |

*N/A: Not applicable.*
*(1) When shares are those of a consolidated Technicolor sub-group, the figures correspond to the sub-group, except for the gross advances, loans and current accounts.*
*(2) Net value based on Discounted Cash Flow adjusted with available cash.*
*(3) The 3.69% other shares are held by Sofia SA.*
*(4) Thomson Angers is in the process of being liquidated.*

# NOTE 8. SHAREHOLDERS' EQUITY AND EQUITY INSTRUMENT

## 8.1. Capital and additional paid-in capital

On December 31, 2017, the capital of Technicolor SA was €414,461,178 (414,461,178 shares with a per value €1). In 2017, change in equity was as follow:

- the share capital was increased by 436,461 new shares as part of the Management Incentive Plan (MIP 2015) and the additional paid-in capital by €955,850;
- the share capital was increased by 778,750 new shares delivered to eligible employees of the Group, as part of the free share plan "MyTechnicolorShares."

On December 31, 2016, the capital of Technicolor SA was €413,245,967 (413,245,967 shares with a per value €1). In 2016, change in equity was as follow:

- the share capital was increased by 1,802,677 new shares as part of the Management Incentive Plan (MIP 2015 and MIP 2016) and the additional paid-in capital by €4,252,964.

## 8.2. Treasury shares

*Treasury shares are recorded at purchase cost. A depreciation charge is recorded when the purchase cost is higher than the average stock price for the last month of the financial period. Gains and losses on disposal are booked under "extraordinary profit/(expense)".*

| | 2017 | 2016 |
|---|---|---|
| Number of treasury shares at opening | 752,768 | 401,524 |
| *Treasury shares allocated in the year as part of the stock options and free shares plans*[2] | - | *(250)* |
| *Net movement of the year related to the share repurchase program*[3] | *225,283* | *351,494* |
| Number of treasury shares at closing | 978,051 | 752,768 |
| Net Value in euros[1] | 2,968,385 | 3,747,279 |

*(1) The gross value of treasury shares held at December 31, 2017 is €57,029,458 (€57,117,377 as of December 31, 2016), depreciated for €54,061,073 (€53,370,098 as of December 2016).*
*(2) Shares delivered as part of the Free Share Plan in 2016.*
*(3) The Combined Shareholder's Meetings on April 29, 2016 and May 24, 2017 authorized the renewal of a share repurchase program. Accordingly, in 2017, 3,006,648 shares were repurchased for a total amount of €11,210,985 and 2,781,365 shares were sold for a total amount of €10,361,241 (in 2016, impact of the repurchase program was an increase of treasury shares by 351,494 for a net cash impact of €2,013,935).*

Treasury shares are hold for the purpose of meeting the obligations under debt securities giving access to capital or stock-option schemes or any other form of allocation of shares to employees and Directors of the Company.

## 8.3. Other equity instruments

The deeply subordinated perpetual notes (*Titres Super Subordonnés* – TSS) are booked as other equity instruments. Further to the restructuring of the Company's debt in 2010, the characteristics of these perpetual notes are now as follow:

- they are not repayable other than (i) at Technicolor's sole option in specific contractually defined events or (ii) in case of liquidation of the Company;
- they no longer bear interest, since an amount of €25 million was paid to TSS holders as final payment of all interest claims in 2010.

## 8.4. Dividends and other distributions

The Shareholders' Meeting held on May 24, 2017 voted the payment of a dividend of €0.06 per share for the fiscal year 2016. The amount of €25 million was paid to shareholders on June 2017.

In 2016, for the fiscal year 2015, a €25 million dividend (€0.06 per share) was paid to shareholders.

# NOTE 9. BORROWINGS & FINANCIAL INSTRUMENTS

Technicolor's debt consists primarily of Term Loan Debt in U.S. dollars and in euros, issued in December 2016 and March 2017, maturing in 2023, as well as a borrowing from the European Investment Bank (EIB).

The proceeds of the term loans issued in March 2017 for respectively €275 million and U.S.$300 million have been used to prepay the balance of the Old term loans issued by Tech Finance & Co S.C.A. in 2013, 2014 and 2015 that should have matured in 2020.

## 9.1. Summary of the debt

| *(in million euros)* | 2017 | 2016 |
|---|---|---|
| Term Loan Debt | 974 | 1,055 |
| EIB Loan | 90 | - |
| Accrued interest | 4 | 1 |
| Current Accounts and loans with subsidiaries | 1,199 | 1,428 |
| Other debt to third parties | - | 7 |
| TOTAL FINANCIAL DEBT | 2,267 | 2,490 |
| **Of which due and payable after 1 year** | | |
| *Term Loan Debt and EIB Loan* | *1,061* | *1,022* |
| *Loans with subsidiaries* | *205* | *212* |

## 9.2. Main features of Term Loan Debt and EIB loan

| *(in million euros)* | Amount in local currency | Currency | Amount[1] | Interest rate type | Final maturity |
|---|---|---|---|---|---|
| Term loan | 450 | EUR | 450 | EURIBOR[2] + 350bps | December 2023 |
| Term loan | 275 | EUR | 275 | EURIBOR[2] + 300bps | December 2023 |
| Term loan | 298 | USD | 249 | LIBOR[3] + 275bps | December 2023 |
| EIB loan | 90 | EUR | 90 | Fixed rate[4] | January 2023 |
| | | | 1,064 | | |

*(1) Exchange rate as of December 31, 2017.*
*(2) 3 months EURIBOR is subject to a 0% floor.*
*(3) 3 months LIBOR is subject to a 0% floor.*
*(4) Interest rate: 2.542%.*

## 9.2.1. Analysis by maturity of financial debt

| (in million euros) | 2017<br>Term Loan Debt and EIB loan | 2016<br>Term Loan Debt and EIB loan |
|---|---|---|
| Within one year | 2 | 33 |
| 1 to 2 years | 3 | 33 |
| 2 to 3 years | 2 | 33 |
| 3 to 4 years | 3 | 506 |
| 4 to 5 years | 2 | - |
| More than 5 years | 1,052 | 450 |
| **TOTAL DEBT** | **1,064** | **1,055** |
| *Of which current debt* | *2* | *33* |
| *Of which non-current debt* | *1,062* | *1,022* |

## 9.2.2. Financial covenants and other limitations

In respect of the:

- Term Loan Debt Agreement entered into in December 2016 as amended in March 2017,
- the RCF entered into in December 2016, and
- the EIB loan signed in December 2016 and drawn in January 2017,

together the "Debt instruments", the Group is required to meet financial covenants and is subject to several limitations described below.

### Security Package

Technicolor granted security interests to secure the Debt Instruments with the pledge of the shares of the main subsidiaries of Technicolor SA and of certain intra-group loans and material cash pooling bank accounts.

### Early repayment and mandatory prepayments

In case of default or change of control of Technicolor, creditors will have the ability to immediately demand payment of all or a portion of the outstanding amounts.

The events of default apply in whole or in part to Technicolor SA. The events of defaults include among other things and subject to certain exceptions, thresholds and grace periods:

- failure by Technicolor SA to meet the payment dates of the Debt Instruments or of any other financial indebtedness or to comply with material obligations related to the Debt Instruments;
- any auditor's report qualification made to the Technicolor SA's ability to continue as a going concern or the accuracy of the information given.

Under the mandatory prepayment terms of the Debt Instruments, the Group is required to apply funds towards the repayment of outstanding amounts of the loans under the Debt Instruments in certain circumstances, including the following:

- asset disposals: the net proceeds in respect of any disposal of any of its assets to an unaffiliated third party will be applied, subject to a minimum threshold, to repay the outstanding amounts of the term loans unless the proceeds are reinvested in assets useful for its business within 365 days;
- excess cash flow: a percentage of the Company's excess cash flow will be applied to prepay the term loans. The applicable percentage depends on the leverage ratio of the Group, and ranges from 25% to 50%. The percentage steps down to 0% if certain levels of leverage ratio are reached. Excess cash flow is defined for purposes of the term loans prepayments, as the aggregate of net cash from operating and investing activities, subject to certain adjustments and minus the total funding costs, which comprise all voluntary or mandatory prepayments of the term loans during the year;
- other: net proceeds in respect of payments related to a casualty event (giving rise to insurance reimbursements or condemnation awards) shall be applied to the repayment of the debt under the Debt Instruments, subject to certain minimum thresholds and with certain carve-outs.

Technicolor can also, at its election, prepay all or part of its outstanding Term Loan Debt without penalty, and the EIB Loan.

## Covenants

The EIB Loan contains a single affirmative financial covenant which requires that the total gross debt be no more than 4.00 times Adjusted EBITDA on a trailing twelve-month basis ("Leverage covenant") on June 30 and December 31 of each financial year.

The RCF contains the same financial covenant but this covenant is only applicable if there is an outstanding drawing of more than 40% of the RCF amount on June 30 or December 31 of each financial year.

The €35 million credit line agreement signed with Crédit Agricole d'Ile-de-France in July 2017 contains the same financial covenant but this covenant is only tested on December 31 of each financial year.

The Term Loan Debt does not contain a financial affirmative covenant.

The total gross debt and Adjusted EBITDA are calculated on the basis of the entire Group perimeter. Therefore, the variance of €80 million between the Adjusted EBITDA determined in respect of the leverage covenant definition and the Adjusted EBITDA is equal to the Adjusted EBITDA in the discontinued activities. Likewise, the variance of €2 million between the gross debt determined in respect of the leverage covenant definition and the gross debt from continuing operations is equal to the debt in the discontinued activities.

Leverage covenant

Total gross debt of the Group at December 31, 2017 must be no more than 4.00 times the Adjusted EBITDA of the Group for the twelve months ending December 31, 2017.

| | |
|---|---|
| Gross Debt | €1,099 million |
| Covenant Adjusted EBITDA* | €371 million |
| Gross Debt/Covenant Adjusted EBITDA Ratio | 2.96 |

* *Adjusted EBITDA in respect of the leverage covenant definition.*

Since 2.96 is less than the maximum allowed level of 4.00, the Group meets this financial covenant.

## Other Restrictions

In addition to certain information provision covenants, the agreements governing the Debt Instruments include certain negative covenants that restrict the ability of Technicolor SA to undertake various actions regarding indebtedness, investments and material changes in the general nature of the business. These restrictions are subject in each case to certain exceptions and limitations.

In particular, the Group is subject to restrictions on its ability to, among other things and subject to certain exceptions:

- make restricted payments, if certain ratios are not met, in excess of certain cumulative amounts, including payment of dividends, distributions, share purchases or redemptions, investments other than permitted investments, repayment of subordinated debt;
- incur additional financial debt in excess of certain cumulative amounts and if certain ratios are not met and with certain carve outs; and
- make certain investments in joint ventures not controlled by the Group and in which the Group has no veto right on material decisions, except to the extent the Group's consolidated leverage ratio is under a threshold which decreases over time and subject to a certain cumulative amount and with certain carve-outs.

## 9.3. Interest rate hedging operations

No interest rate hedging operations are outstanding at December 31, 2017.

## 9.4. Commitments relating to financial instruments

As commented in note 1.2.3., the Company uses exchange derivative instruments to hedge the foreign exchange risk arising in particular of the guarantees given to affiliate companies of the Group. As of December 31, 2017, these derivative instruments can be detailed as follows:

| | Currency | Notional[1] | Maturity | Market value[2] |
|---|---|---|---|---|
| Forward and swaps instruments | USD/EUR | (235) | 2018 | (2) |
| Forward and swaps instruments | USD/CAD | 55 | 2018 | 1 |
| Forward and swaps instruments | others | | | - |
| MARKET VALUE | | | | (1) |

*(1) Forward buy/sale (net amount) in millions of the 1st currency.*
*(2) Market value as of December 31, 2017.*

As of December 31, 2017, the Company does not have foreign exchange derivatives that would not qualify as hedge instruments (isolated open position).

# NOTE 10. EMPLOYEES BENEFITS

## 10.1. Information on employees

| | 2017 | 2016 |
|---|---|---|
| Engineers and managers | 128 | 131 |
| Employees and supervisory staff | 28 | 25 |
| TOTAL HEADCOUNT | 156 | 156 |

## 10.2. Stock option plan

### *Mid Term Management Incentive Plan (MIP-SP1)*

Under the thirteen-resolution approved by the Shareholder's Meeting of May 22, 2008, the Board of Directors Meeting of June 17, 2010 approved the implementation of a Mid Term Management Incentive Plan (MIP-SP1) granting non-market performance units made up of a combination of cash and stock options. Subject to the continuance of employment, the rights under the plan were vested on June 18, 2014 for each beneficiary in the proportion set by the Board of Directors on February 21, 2013 following the determination of the level of achievement of the non-market performance conditions on December 31, 2012. As of December 31, 2017, a total of 805,476 subscription options are still outstanding.

### *Management Incentive Plans (MIP)*

The Shareholders' Meeting of May 23, 2013, in its fifteenth resolution, authorized the Board of Directors to proceed with the allocation, in one or several times, in favor of employees or Executive Officers of the Company and its French and foreign subsidiaries, of share subscription or purchase options. This authorization has been given for a 38-month period and is valid until July 23, 2016. Options granted under this authorization shall not give rights to a total number of shares greater than 26,843,507.

As of December 31, 2017, 11,757,464 subscription options are still outstanding (respectively 6,654,294 options, 3,949,376 options, 103,794 options and 1,050,000 options related to MIP 2015, MIP 2016, MIP June 2017 and MIP October 2017).

### *Free Share Plan*

Making use of the authorization given the Shareholder's Meeting on May 23, 2013 in its sixteenth resolution, the Board of Directors of October 24, 2013, approved the implementation of a global free share plan to employees of the Group in 13 countries. This worldwide plan provides, for all beneficiaries, an acquisition period of four years. Subject to conditions of continuous employment within the Technicolor Group during the acquisition period, 125 Technicolor shares would be delivered to eligible employees at the end of the acquisition period. The plan was not subject to performance conditions.

On November 6, 2017, 778,750 new shares were delivered to eligible employees under this Free Share Plan. No outstanding share rights as of December 31, 2017.

### *2016 and 2017 Long Term Incentive Plan (LTIP)*

The Shareholders' Meeting of April 29, 2016, in its twenty-eight resolution, authorized the Board of Directors to proceed with the allocation of existing shares or shares to be issued, in favor of the Group's employees or certain categories of employees. This authorization has been given for a 26-month period and is valid until June 29, 2018. The shares to be issued pursuant to this authorization shall not give rights to a total of shares greater than 8,239,744.

Making use of the authorization given by the Shareholders' Meeting of April 29, 2016 in its twenty-eight resolution, the Board of Directors approved on April 29, 2016 and on January 6, 2017 the implementation of respectively 2016 and 2017 Long Term Incentive Plan.

These three-year plans provide conditional rights to the beneficiaries to receive Performance Shares, the delivery of which is subject to the cumulative achievement of Adjusted EBITDA and Free Cash Flow targets for the three years from 2016 through 2018 (LTIP 2016) and from 2017 through 2019 (LTIP 2017) and the satisfaction of a continued employment condition for the full duration of the plan (through April 30, 2019 for LTIP 2016 and through April 30, 2020 for LTIP 2017).

As of December 31, 2017, the outstanding share rights under the plans amounts to 2,605,187 and 4,263,045 performance shares rights for respectively LTIP 2016 and LTIP 2017.

As of December 31, 2017, the total number of outstanding stock options amounted to a maximum of 12,562,940 options and the total number of rights to receive shares amounted to 6,868,232 rights granted to employees and Directors.

The details of these options and shares are disclosed hereafter.

| | Type of plan | Grant date | Number of options initially granted | Number of options out-standing | Initial number of bene-ficiaries | Vesting date | Contractual option life | Exercise price[1] | Estimated fair values granted[1] |
|---|---|---|---|---|---|---|---|---|---|
| **MIP Options*** | Subscription options | June 17, 2010 | 1,216,700[2] | 805,476 | 18 | April 30, 2013 for France<br>June 17, 2014 for other countries | 8 years | €6.29 | €2.22 |
| **MIP 2015 Options**** | Subscription options | May 23, 2013 and June 7, 2013 | 16,398,000 | 6,483,034 | 94 | May 2015 (50%)<br>May 2016 (25%)<br>May 2017 (25%) | 8 years | €3.19 | €1.06 |
| **MIP 2015 Options**** | Subscription options | October 24, 2013 | 200,000 | 103,794 | 1 | May 2015 (50%)<br>May 2016 (25%)<br>May 2017 (25%) | 8 years | €3.93 | €1.40 |
| **MIP 2015 Options**** | Subscription options | March 26, 2014 | 215,000 | 67,466 | 2 | May 2015 (50%)<br>May 2016 (25%)<br>May 2017 (25%) | 8 years | €4.53 | €1.73 |
| **MIP 2016 Options**** | Subscription options | June 20, 2014 | 2,830,000 | 2,203,037 | 40 | June 2016 (50%)<br>June 2017 (25%)<br>June 2018 (25%) | 8 years | €5.79 | €1.82 |
| **MIP 2016 Options**** | Subscription options | October 21, 2014 | 1,915,000 | 1,331,163 | 24 | October 2016 (50%)<br>October 2017 (25%)<br>October 2018 (25%) | 8 years | €4.92 | €1.45 |
| **MIP 2016 Options**** | Subscription options | April 9, 2015 | 400,000 | 415,176 | 1 | October 2016 (50%)<br>October 2017 (25%)<br>October 2018 (25%) | 8 years | €5.83 | €1.88 |
| **MIP June 2017 Options**** | Subscription options | June 26, 2015 | 250,000 | 103,794 | 2 | June 2017 (50%)<br>June 2018 (25%)<br>June 2019 (25%) | 8 years | €5.88 | €1.91 |
| **MIP October 2017 Options**** | Subscription options | December 3, 2015 | 1,710,000 | 1,050,000 | 22 | October 2017 (50%)<br>October 2018 (25%)<br>October 2019 (25%) | 8 years | €7.11 | €2.27 |
| **2016 LTIP***** | Performance shares | April 29, 2016 | 2,760,500 | 2,356,187 | 187 | April 2019 | - | - | €5.69 |
| **2016 LTIP***** | Performance shares | July 27, 2016 | 66,000 | 60,000 | 12 | April 2019 | - | - | €5.47 |
| **2016 LTIP***** | Performance shares | October 20, 2016 | 214,000 | 189,000 | 18 | April 2019 | - | - | €5.14 |
| **2017 LTIP***** | Performance shares | January 6, 2017 | 162,000 | 142,000 | 10 | April 2020 | - | - | €3.78 |
| **2017 LTIP***** | Performance shares | March 9, 2017 | 4,003,000 | 3,802,545 | 218 | April 2020 | - | - | €3.78 |
| **2017 LTIP***** | Performance shares | April 26, 2017 | 200,000 | 200,000 | 1 | April 2020 | - | - | €4.33 |
| **2017 LTIP***** | Performance shares | July 26, 2017 | 142,500 | 118,500 | 15 | April 2020 | - | - | €3.38 |

* *Mid-Term Incentive Plan (MIP-SP1) (see description above).*

** *Management Incentive Plans (MIP) (see description above).*

*** *Long Term Incentive Plan (LTIP) (see description above).*

(1) *Maximum potential number.*

(2) *Exercise prices and number of options outstanding were modified following the 2015 capital increases.*

The exercise prices of the various plans were set without the application of a discount.

In accordance with Article L. 225-184 of the French Commercial Code:

- in 2016, 1,802,677 options were exercised as part of the Management Incentive Plan (MIP 2015 and MIP 2016);
- in 2017, 436,461 options were exercised as part of the Management Incentive Plan MIP 2015.

## 10.3. Key management compensation

Total compensation that will be paid in 2018 to Board Members of the Company for the 2017 financial year amounted to €709,000. The amounts due to non-resident for French tax purposes are subject to a withholding tax.

The amount of the fixed and variable compensation paid by Technicolor SA to the CEO for the fiscal year 2017 amounts to €284,173.

The exercise of the options is subject to the continuance of employment and to a performance condition tied to the consolidated Free Cash Flow.

Following the Board of Directors' reviews, on February 18, 2015, on February 18, 2016 and on February 22, 2017 of the level of achievement of the Free Cash Flow performance condition for fiscal years 2014, 2015 and 2016, 1,393,432 options became exercisable by the CEO on May 23, 2015, 696,716 options became exercisable on May 23, 2016 and the last tranche of 25% of the stock options awarded (696,716 options) became exercisable on May 23, 2017.

The CEO is a beneficiary of a Long-Term Management Incentive Plan (LTIP 2016) approved by the Board of Directors on April 29, 2016. He has been granted 270,000 performance share rights under this plan. The vesting of these performance share rights is subject to the terms and conditions laid down in the plan rules. Inter alia, they specify that the performance shares will vest on April 30, 2019 subject to a condition of presence within the Group and the achievement of two performance objectives, with respect to Adjusted EBITDA and Free Cash Flow.

The CEO, as other managers of the Group, is a beneficiary in 2017 of the 2017 Long-Term Incentive Plan (LTIP 2017) approved by the Board of Directors on March 9, 2017. He has been granted 380,000 share rights under this plan. The vesting of these performance share rights is subject to the terms and conditions laid down in the plan rules. Inter alia, they specify that the performance shares will vest on April 30, 2020 subject to a condition of presence within the Group and the achievement of two performance objectives, with respect to Adjusted EBITDA and Free Cash Flow.

# NOTE 11. PROVISION & CONTINGENCIES

## 11.1. Detail of provision

### *PROVISIONS*

*Provisions are recorded at the balance sheet date when the Company has an obligation as a result of a past event and when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made.*

*The obligation may be legal, regulatory or contractual or it may represent a constructive obligation deriving from the Company's actions where, by an established pattern of past practice, published policies or a sufficiently specific current statement, the Company has indicated to other parties that it will accept certain responsibilities, and as a result, has created a valid expectation on the part of those other parties that it will discharge those responsibilities.*

*The recorded provision represents the best estimate of the expenditure required to settle the obligation at the closing date. If a reliable estimate cannot be made of the amount of the obligation, no provision is recorded but details of the obligation are disclosed in the notes to the financial statements.*

### *RESTRUCTURING PROVISIONS*

*Provisions for restructuring costs are recognized when the Company has a constructive obligation towards third parties, which results from a decision made by the Company before the closing date and supported by the following items:*

- *the existence of a detailed and finalized plan identifying the sites concerned, the location, the role and the approximate number of headcounts concerned, the nature of the expenses that are to be incurred and the effective date of the plan; and*
- *the announcement of this plan to those affected by it.*

*The restructuring provision only includes the costs directly linked to the plan. Restructuring costs encompass estimated shut-down costs, the impact of shorter useful life for property and equipment and the costs linked to employees' lay-off.*

### *POST-EMPLOYMENT OBLIGATIONS*

*The costs for employee pensions retirement at Technicolor are accounted for progressively as employees acquire their rights to benefits. The valuation method applied takes into account future changes in payroll obligations. Post-employment benefits are accounted for when rights to benefits are acquired and payment thereof becomes probable.*

*Such payments and provisions are based on the estimated salaries and seniorities of employees at their date of departure.*

*Actuarial assumptions are as follows:*

- *discount rate: 1.6%;*
- *projected long-term inflation rate: 2%;*
- *salary rate of increase: 3.5%.*

*The Company records its commitments for jubilee awards (médailles du travail), in compliance with the ANC Recommendation n° 2013-02 issued on November 7, 2013. These charges are recognized separately from retirement provisions and actuarial differences are booked immediately in the statement of operations.*

| (in million euros) | As of December 31, 2016 | Increases | Usage during the period | Reversals and reclassifications | As of December 31, 2017 |
|---|---|---|---|---|---|
| **Provisions for retirement benefit and jubilee** | **5** | **-** | **-** | **(2)** | **3** |
| Subsidiaries and other risks | 6 | - | - | (6) | - |
| Restructuring measures relating to employees | 2 | 2 | (3) | - | 1 |
| Related to activities disposed of[1] | 20 | - | (1) | (13) | 6 |
| Other[2] | 48 | 12 | (3) | (38) | 19 |
| **Other provisions for risks** | **76** | **14** | **(7)** | **(57)** | **26** |
| **TOTAL PROVISIONS FOR LOSSES AND CONTINGENCIES** | **81** | **14** | **(7)** | **(59)** | **29** |

(1) *Provision relating to the disposal of businesses notably the former Cathode Ray Tubes activity. The reversal relates to a provision regarding a financial asset that has been reclassified as a depreciation of the asset.*
(2) *Mainly concerns a provision for litigation (see note 11.2).*

## 11.2. Contingencies

### *France VAT audit*

The French tax authorities audited the Company for 2009 tax year and issued at the end of 2012, a VAT assessment amounting to €6 million in principal and €1 million of interest.

Out of this principal amount, one VAT assessment amounting to €1 million, relates to a subsidy granted to a former subsidiary (Novatech) on which VAT was mistakenly charged. The other significant assessment involves the deduction of VAT by the Company as a mixed holding Company for an amount of €4 million. In July 2013, the French tax authorities issued VAT assessments with respect to 2010 tax year on the same grounds as with respect to 2009, the two most significant of which being a €1 million assessment related to the subsidy and a €8 million assessment related to the deductibility of the "holding" VAT. In June 2014, a collegial tax commission decided to give up on the reassessments related to the deductibility of the "holding" VAT (*i.e.* €4 million for 2009 and €8 million for 2010).

Following receipt of the recovery notice in September 2014, the Company paid the remaining assessments (*i.e.* €1 million in 2009 and 2010, including interest). The Company therefore filed a claim before the French Ministry of Finance requesting the refund of the wrongly paid VAT to Novatech (liquidated in April 2014).

On February 2015, an implicit rejection occurred because of the absence of response from the French Ministry of Finance during the legal two-month period. Therefore, the Company presented a claim before the administrative Tribunal of Cergy-Pontoise in April 2015. The exchange of pleadings between the parties are ongoing.

End of December 2016, the Company filed a new claim before the French Ministry of Finance. On March 2017, an implicit rejection occurred because of the absence of response from the French Ministry of Finance during the legal two-month period. Therefore, the Company presented a second claim before the administrative Tribunal of Cergy-Pontoise in April 2017.

### *Taoyuan County Form RCA Employees' Solicitude Association*

In April 2004, the plaintiff, Taoyuan County Former RCA Employees' Solicitude Association (the "Association"), which is a non-profit entity composed of former RCA employees of Technicolor's subsidiary TCETVT (or heirs of former workers) who claim to have worked at TCETVT's former manufacturing facility in Taoyuan (the "Facility") filed a purported class action under Article 44-1 of the Taiwan Code of Civil Procedure in the Taipei District Court, Taiwan, Republic of China against Technicolor and General Electric entities. The Association is alleging they were exposed to various contaminants while living and working at the Facility, which allegedly caused them to suffer various diseases, including cancer, or caused them emotional distress from fear that living and working at the Facility increased their risk of contracting diseases.

The Association originally claimed damages of NTD 2.7 billion (€80 million at the December 31, 2016 exchange rate). The Taiwan court announced its ruling in April 2015 and entered judgment against Technicolor entities for approximately NTD 564 million (€16 million at the December 31, 2017 exchange rate) plus interest penalty. Appeals were filed, and in October 2017, the Taiwan High Court entered judgment against TCETVT, Technicolor SA, TCE Bermuda and General Electric International, Inc. for approximately NTD 718 million (€20 million at the exchange rate as of December 31, 2017) plus late interest penalty (5% interest per annum starting September 2009). The Association, GEI, TCETVT, Technicolor SA and TCE Bermuda have appealed the ruling to Taiwan's Supreme Court.

In May 2016, the Association filed a new suit against Technicolor entities and General Electric claiming damages in the amount of NTD 7.38 billion (€207 million at the December 31, 2017 exchange rate). The Association's complaint offered no new argument or facts from the pending claims.

Technicolor considers that it is General Electric's legal and contractual obligation to indemnify it and its subsidiaries for the Association's claims as, among other reasons, TCETVT operated for less than 4 years after its sale to the Technicolor group while GEI, and its predecessor-in-interest RCA Corporation, owned and operated TCETVT for approximately twenty years.

## *Cathode Ray Tubes cases*

### United States

In 2017, Technicolor entered into settlement agreements with the remaining plaintiffs in the legal actions that Technicolor had been defending in the United States pertaining to alleged anticompetitive conduct in the Cathode Ray Tubes ("CRT") industry. With these final settlements, all CRT cases are now closed in the U.S.

As a result of those settlements, the Group recognized in 2017 a non-current expense of €3 million covering the settlement agreements entered in 2017. The cash impact of the executed settlements was €77 million for 2017 and will be €7 million for 2018.

### Rest of the world

In November 2014, several Vestel entities filed a lawsuit before a court in the Netherlands against Technicolor SA and Technicolor USA (and other defendants) alleging anticompetitive behaviour in the CRT industry. Technicolor USA was dismissed from the case by the Dutch court in July 2016 on jurisdictional grounds. As appropriate and to the extent required, Technicolor SA will file responsive pleadings.

Vestel also brought suit in Turkey and Technicolor USA, Inc. and Technicolor SA have filed responsive pleadings.

On April 29, 2010, Technicolor's Brazilian affiliate received notice from the Brazilian authorities that they were initiating an investigation of possible cartel activity within the CRT industry in Brazil. In October 2017, Technicolor settled with the Brazilian Competition Authority (CADE) their CRT antitrust claim for an amount of R$13 million (€3 million as of December 31, 2017).

Finally, Technicolor SA, along with other defendants, is defending on similar grounds a number of cases in Germany against German manufacturers and in the Netherlands against Brazilian manufacturers and a Dutch consumer association which filed a petition for a pre-trial case management hearing alleging anticompetitive behavior in the CRT industry and citing Technicolor (and other defendants).

At this time, Technicolor is unable to assess the potential outcome from those cases and the resulting potential liability as the proceedings are at an early stage and the claims have been substantiated.

# NOTE 12. OTHER INFORMATION

## 12.1. Trade accounts and other current assets and liabilities

*Trade receivables and other current operating assets are valued at historical cost. A depreciation charge is recorded when recoverable value is lower than book value.*

*Current liabilities mainly consist of debts with a maturity of less than one year. This caption includes tax and social security liabilities, trade payables and fixed assets payables.*

*Income or charges are accrued when the service has been provided to or supplied by the Company before the end of the financial year and when they can be measured with sufficient assurance.*

Current assets mainly include current accounts of Group subsidiaries for €787 million (net of depreciation for €60 million).

Accrued income are booked in the following captions:

| *(in million euros)* | 2017 | 2016 |
|---|---|---|
| **Trade receivables** | **44** | **62** |
| *of which accrued income* | *5* | *6* |
| **Other current assets** | **54** | **64** |
| *of which accrued income* | *43* | *32* |

Accrued charges are booked in the following captions:

| *(in million euros)* | 2017 | 2016 |
|---|---|---|
| **Trade payables** | **19** | **9** |
| *of which accrued charges* | *4* | *5* |
| **Other current liabilities** | **21** | **61** |
| *of which tax and social accrued charges* | *10* | *13* |
| *of which other accrued charges* | *1* | *13* |

Compliance with supplier and customer invoices contractual payment terms:

At year end:

- the amount including VAT of overdue supplier invoices represents 0.2% of fiscal year purchases amount excluding VAT,
- the amount including VAT of overdue customer invoices represents 0.1% of fiscal year revenue sales excluding VAT.

## 12.2. Related parties

All significant transactions with related parties are concluded with fully owned subsidiaries.

## 12.3. Prepayments, deferred charges and unrealized losses on foreign exchange

In 2017, corresponds to €3 million prepaid expenses and €2 million deferred charges on debt issuance costs.

In 2016, was corresponding to €3 million prepayments, €7 million deferred charges on debt issuance costs and €39 million unrealized losses on foreign exchange (*Écart de Conversion Actif*) in accordance with French accounting principles.

## 12.4. Off balance-sheet contractual obligations and commercial commitments

| *(in million euros)* | 2017 | 2016 |
|---|---|---|
| **Unconditional future payments** | | |
| Operating Leases | 9 | 19 |
| Other unconditional future payments | - | - |
| TOTAL UNCONDITIONAL FUTURE PAYMENTS | 9 | 19 |
| **Conditional future payments** | | |
| Guarantees given regarding undertakings by related entities | 458 | 372 |
| Other conditional future payments | - | - |
| TOTAL CONDITIONAL FUTURE PAYMENTS | 458 | 372 |

As part of its business activities, Technicolor SA may issue performance guarantees for its subsidiaries as well as comfort letters. The main performance guarantees have been made to Warner.

Further, as part of its management of the currency exchange rate risk, Technicolor SA implements over a fixed period foreign exchange guarantees with its subsidiaries under which their trade exposures are hedged at a determined currency exchange rate. The most significant commitments are thereafter summarized:

| Subsidiaries | Currency to deliver | Currency to receive | Commitment to deliver[1] | Commitment to receive[1] | Maturity |
|---|---|---|---|---|---|
| Technicolor Delivery Technologies SAS | | | | | |
| | EUR | USD | 509 | 575 | 2018 |
| | USD | EUR | 815 | 727 | 2018 |
| Thomson Licensing SAS | | | | | |
| | EUR | USD | 51 | 60 | 2018 |
| | USD | EUR | 15 | 13 | 2018 |
| RCA Trademark Management SAS | | | | | |
| | EUR | USD | 8 | 9 | 2018 |
| Technicolor Polska Sp. Z o.o | | | | | |
| | USD | EUR | 7 | 6 | 2018 |
| Technicolor Canada, Inc. | | | | | |
| | USD | CAD | 132 | 172 | 2018 |
| | CAD | USD | 125 | 96 | 2018 |
| Technicolor Mexicana, S. de R.L. de C.V. | | | | | |
| | MXN | USD | 511 | 26 | 2018 |
| Thomson Telecom Mexico SA de C.V. | | | | | |
| | USD | MXN | 25 | 510 | 2018 |

(1) *Expressed in millions of the corresponding currency.*

Technicolor SA has granted a parental guarantee to secure pension amounts due under Section 75 in the United Kingdom. The amount of the commitment given by TSA as of December 31, 2017 is €47 million.

## NOTE 13. STATUTORY AUDITORS FEES

| | Deloitte | | Mazars | |
|---|---|---|---|---|
| *(in million euros)* | 2017 | 2016 | 2017 | 2016 |
| Audit services | 1 | 1 | 1 | 1 |
| TOTAL | 1 | 1 | 1 | 1 |

Audit services include all services charged by the Statutory Auditors in completion of their audit of annual consolidated financial statements and the services provided by the Statutory Auditors in meeting the Group's legal and regulatory requirements, including the review of interim financial statements and the audit of the Company's financial statements.

## NOTE 14. SUBSEQUENT EVENTS

There were no events that have a material impact on the financial status that occurred between the Statement of the Financial Position date and February 21, 2018, the date when the Board of Directors approved the Financial Statements.

# 6.6 PARENT COMPANY FINANCIAL DATA OVER THE FIVE LAST YEARS (UNDER ARTICLES R. 225-81 AND R. 225-102 OF THE FRENCH COMMERCIAL CODE)

| *Type of information (in euros, except number of shares, earning per share and number of employees)* | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|---|---|---|---|---|
| **I - Financial position at year end** | | | | | |
| a. Share capital* | 335,709,392 | 335,907,670 | 411,443,290 | 413,245,967 | 414,461,178 |
| b. Number of shares issued | 335,709,392 | 335,907,670 | 411,443,290 | 413,245,967 | 414,461,178 |
| c. Maximum number of shares to issue in the future | | | | | |
| Share-based payment | 16,963,000 | 20,933,241 | 16,885,573 | 13,968,054 | 12,562,940 |
| Free share | 2,246,302 | 2,007,152 | 1,022,250 | 3,638,875 | 6,868,232 |
| **II - Statements of operations** | | | | | |
| a. Revenues (excluding VAT) | 86,121,912 | 65,947,358 | 60,366,804 | 77,630,479 | 53,706,814 |
| b. Profit (Loss) before tax, amortization and provisions | (50,618,068) | 177,502,850 | 604,666,914 | 58,004,385 | (289,776,803) |
| c. Income tax profit | 69,353,850 | 54,721,037 | 61,844,665 | 51,827,666 | 23,157,010 |
| d. Profit (Loss) after tax, amortization and provisions | (69,113,120) | (173,415,412) | (186,468,424) | 148,974,598 | (1,343,907,218) |
| e. Dividend paid and distributions | - | 16,795,384 | 24,686,597 | 24,794,758 | - |
| **III - Earning (loss) per share** | | | | | |
| a. Profit (Loss) after tax, but before amortization and provisions | 0.06 | 0.69 | 1.93 | 0.27 | (0.64) |
| b. Profit (Loss) after tax, amortization and provisions | (0.21) | (0.52) | (0.54) | 0.36 | (3.25) |
| c. Dividend paid and distributions | - | 0.05 | 0.06 | 0.06 | - |
| **IV - Employees** | | | | | |
| a. Average number of employees | 316 | 259 | 211 | 156 | 156 |
| b. Wages and salaries | 36,490,993 | 26,354,389 | 29,287,684 | 21,136,752 | 18,235,451 |
| c. Social security costs | 18,727,317 | 9,898,102 | 12,465,898 | 9,795,329 | 9,259,771 |
| * Changes in the number of shares in capital: | | | | | |
| ■ as of January 1, 2017 | 413,245,967 | | | | |
| ■ increase in capital by issuance of new shares for 2013 Free Share Plan purpose | 778,750 | | | | |
| ■ increase in capital by issuance of new shares for MIP purpose | 436,461 | | | | |
| ■ as of December 31, 2017 | 414,461,178 | | | | |

# 6.7 STATUTORY AUDITORS' REPORT ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

GRI [G4-33]

*This is a free translation into English of the Statutory Auditors' report on the financial statements issued in French and it is provided solely for the convenience of English speaking users.*

*The Statutory Auditors' report includes information specifically required by French law in such reports. This information is presented below the audit opinion on the financial statements and includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the consolidated financial statements.*

*This report also includes information relating to the specific verification of information given in the management report and in the documents addressed to shareholders.*

*This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.*

To the Shareholders,

## OPINION

In compliance with the engagement entrusted to us by your annual general meeting, we have audited the accompanying financial statements of Technicolor SA for the year ended December 31, 2017.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company and of the results of its operations for the year then ended in accordance with French accounting principles.

The audit opinion expressed above is consistent with our report to the Audit Committee.

## BASIS FOR OPINION

### Audit Framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the "Statutory Auditors' Responsibilities for the Audit of the Financial Statements" section of our report.

### Independence

We conducted our audit engagement in compliance with independence rules applicable to us, for the period from January 1st, 2017 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No 537/2014 or in the French Code of ethics (code de déontologie) for statutory auditors.

## EMPHASIS OF MATTER

We draw your attention to the following matter described in Note 1.2 of the financial statements relating to the first application of ANC 2015-05 regulation on financial instruments and hedging transactions. Our opinion is not modified in respect of this matter.

# JUSTIFICATION OF ASSESSMENTS - KEY AUDIT MATTERS

In accordance with the requirements of Articles L. 823-9 and R. 823-7 of the French Commercial Code (code de commerce) relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in our audit of the financial statements of the current period, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the financial statements.

# ASSESSMENT OF INVESTMENTS IN SUBSIDIARIES

*Note 7 to the financial statements*

## Risk identified

Investments in subsidiaries represent the most significant line items of the December 31, 2017 balance sheet with a net amount of €2,085 million. They are recorded at their historical acquisition cost and impaired based on their value in use.

As indicated in Note 7 to the financial statements, the value in use of investments in subsidiaries is defined, either based on their equity value, the revalued net asset or the recoverable amount. If the carrying amount exceeds the value in use, an impairment loss is recognized for the difference.

The economic environment in which the Group operates is rapidly changing. The affiliates can therefore experience changes in their activity with a negative impact on operating income. The Thomson Licensing SAS affiliate, whose contribution to the balance sheet is significant, is the subject of a disposal plan as of December 31, 2017. In this context, we considered that the valuation of investments and loans to affiliates, and contingency provisions to be a key audit matter.

The value in use of Thomson Licensing SAS investment as of December 31, 2017, in connection with the sale of Technicolor's patent licensing business, is determined based on the revalued net asset by taking into account the probable disposal value of the patents, which includes the estimate of an earn-out. Until the announcement of the disposal of the patent license activity in December 2017, the recoverable amount of the Thomson Licensing SAS securities had been determined based on future discounted cash flows adjusted with the cash available.

## Our response

To assess the reasonableness of the value in use of the shares in subsidiaries, based on the information communicated to us, our work mainly consisted in verifying that management's estimate of the values was based on an apppropiate justification of the valuation method and key figures used, and specifically:

- For the Thomson Licensing SAS investment, our work consisted in verifying the consistency of the carryng amount with the valuation of the revalued net asset arising from negotiations that were ongoing as of December 31, 2017, and reviewing the sensitivity analysis disclosed in Note 7 to the financial statements;
- For the other Group companies, our work consisted in verifying that the equity retained agrees with the acounts of the entities that were audited or the subject of analytical procedures.

In addition to assessing the value in use of the shares in subsidiaries, our work also consisted in:

- Assessing the recoverability of the loans to affiliates with respect to the participating interest analyses;
- Verifying that a contingency provision is recorded when the company is deemed required to bear the losses of a negative net equity affiliate.

# VERIFICATION OF THE MANAGEMENT REPORT AND OF THE OTHER DOCUMENTS PROVIDED TO SHAREHOLDERS

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by French law.

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the management report of the Board of Directors and in the other documents provided to Shareholders with respect to the financial position and the financial statements.

We attest that the Board of Directors' report on corporate governance sets out the information required by Articles L. 225-37-3 and L. 225-37-4 of the French Commercial Code.

Concerning the information given in accordance with the requirements of Article L. 225-37-3 of the French Commercial Code (code de commerce) relating to remunerations and benefits received by the directors and any other commitments made in their favour, we have verified its consistency with the financial statements, or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by your company from controlling and controlled companies. Based on this work, we attest the accuracy and fair presentation of this information

With respect to the information relating to items that your company considered likely to have an impact in the event of a public purchase or exchange offer, provided pursuant to Article L. 225-37-5 of the French Commercial Code, we have verified their compliance with the source documents communicated to us. Based on our work, we have no observations to make on this information.

In accordance with French law, we have verified that the required information concerning the purchase of investments and controlling interests and the identity of the shareholders and holders of the voting rights has been properly disclosed in the management report.

# REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

## Appointment of the Statutory Auditors

We were appointed as statutory auditors of the company by the annual general meeting held on June 20, 2012 for Deloitte & Associés and on May 29, 1985 for Mazars.

As at December 31, 2017, Deloitte & Associés and Mazars were in the 6th year and 33rd year of total uninterrupted engagement respectively.

# RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of the financial statements in accordance with French accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risks management systems and where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The financial statements were approved by the Board of Directors.

# STATUTORY AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

## Objectives and audit approach

Our role is to issue a report on the financial statements. Our objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As specified in Article L. 823-10-1 of the French Commercial Code (code de commerce), our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- Identifies and assesses the risks of material misstatement of the financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the financial statements.
- Assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein.
- Evaluates the overall presentation of the financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation

## Report to the Audit Committee

We submit a report to the Audit Committee which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report, if any, significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the financial statements of the current period and which are therefore the key audit matters that we are required to describe in this report.

We also provide the Audit Committee with the declaration provided for in Article 6 of Regulation (EU) N° 537/2014, confirming our independence within the meaning of the rules applicable in France such as they are set in particular by Articles L. 822-10 to L. 822-14 of the French Commercial Code (code de commerce) and in the French Code of Ethics (code de déontologie) for statutory auditors. Where appropriate, we discuss with the Audit Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

The Statutory Auditors

Neuilly-sur-Seine, March 16, 2018
Deloitte et Associés
French original signed by
Ariane Bucaille
Partner

Courbevoie, March 16, 2018
Mazars
French original signed by
Guillaume Devaux
Partner

Jean-Luc Barlet
Partner

# 6.8 AUDITORS

## 6.8.1 TABLE OF AUDITORS' FEES

For a detailed table of auditors' fees, please refer to note 14 to the Group's consolidated financial statements.

## 6.8.2 STATUTORY AUDITORS

**Deloitte & Associés** 185 avenue Charles-de-Gaulle 92200 Neuilly-sur-Seine represented by Mrs. Ariane Bucaille.

**Mazars** 61 rue Henri-Régnault – Tour Exaltis 92400 Courbevoie represented by Messrs. Jean-Luc Barlet and Guillaume Devaux.

### Starting date of Statutory Auditors' first mandate

**Deloitte & Associés:** 2012.
**Mazars:** 1985.

### Duration and expiration date of Statutory Auditors' mandate

**Deloitte & Associés:** appointed by the Combined Shareholders' Meeting of June 20, 2012 until the Shareholders' Meeting to be held for the approval of the financial statements for the fiscal year ended December 31, 2017.

**Mazars**: re-appointed by the Annual General Shareholders' Meeting held on April 29, 2016 until the Shareholders' Meeting to be held for the approval of the financial statements for the fiscal year ended December 31, 2021.

## 6.8.3 SUBSTITUTE STATUTORY AUDITORS

**BEAS** 195 avenue Charles-de-Gaulle 92200 Neuilly-sur-Seine

**CBA** 62 rue Henri Régnault – Tour Exaltis, 92140 Courbevoie

### Duration and expiration date of Substitute Statutory Auditors' mandate

**BEAS**: appointed by the Combined Shareholders' Meeting of June 20, 2012 until the Shareholders' Meeting to be held for the approval of the financial statements for the fiscal year ended December 31, 2017.

**CBA**: appointed by the Combined Shareholders' Meeting of April 29, 2016 until the Shareholders' Meeting to be held for the approval of the financial statements for the fiscal year ended December 31, 2021.

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# 7.1 COMPANY PROFILE

GRI [G4-3] [G4-5] [G4-7] [G4-9] [G4-28] [G4-30]

*Legal and business name*: TECHNICOLOR

Registered office:
1-5, rue Jeanne d'Arc
92130 Issy-les-Moulineaux, France
*Tel.*: +33 (0)1 41 86 50 00
*Fax*: +33 (0)1 41 86 58 59
*E-mail*: shareholder@technicolor.com
*Twitter*: twitter.com/technicolor

*Domicile, legal form and applicable legislation:* Technicolor is a French corporation *(société anonyme)*, governed by the French Commercial Code, by all laws and regulations pertaining to corporations, and its bylaws.

The Company is registered with the Trade Registry *(Registre du commerce et des sociétés)* of Nanterre under No. 333,773,174. Its APE Code, which identifies a Company's type of business and activities, is 7010Z, corresponding to the business of corporate administration.

*Date of incorporation and term of the Company:* Technicolor was formed on August 24, 1985. It was registered on November 7, 1985 for a term of 99 years, expiring on November 7, 2084.

*Fiscal year:* January 1 to December 31.

*Stock Exchange: Technicolor is listed on the Euronext Paris exchange (symbol: TCH). Technicolor is also trading on OTCQX International Premier, a premium listing Over-the-Counter securities service (symbol: TCLRY).*

For more information, please refer to Chapter 1: "Presentation of the Group", section 1.4.1: "Share capital and shareholders" of this Registration Document.

*Activity:* Technicolor, a worldwide Technology leader operating in the Media & Entertainment industry, is at the forefront of digital innovation. Technicolor's activities are organized in two business segments, namely Entetainment Services and Connected Home. All other activities and corporate functions (unallocated) and the Research & Innovation activities are presented within the "Corporate & Other" segment. For a detailed description of the Group's segments, please refer to section 1.2: "Organization & business overview". In fiscal year 2017, Technicolor generated revenues from continuing operation of €4,231 million. As of December 31, 2017, the Group had 16,307 employees in 32 countries.

# 7.2 LISTING INFORMATION

## 7.2.1 MARKETS FOR THE COMPANY'S SECURITIES

Technicolor's shares are listed on Euronext Paris (Compartment A), under the designation "Technicolor", ISIN Code FR0010918292, with the trading symbol TCH.

Technicolor's shares are eligible for the Long-only Deferred Settlement Service. With this service, the purchaser may on the determination date, which is the fifth trading day prior to the last trading day of the month, inclusive, either (i) settle the trade no later than the last trading day of such month, or (ii) upon payment of an additional fee, extend to the determination date of the following month the option either to settle no later than the last trading day of such month or postpone again the selection of a settlement date until the next determination date. Such option may be maintained on each subsequent determination date upon payment of an additional fee.

Equity securities traded on a deferred settlement basis are considered to be transferred only after they are registered in the purchaser's account. Under French securities regulations, any sale of a security traded on a deferred settlement basis during the month of a dividend payment date is deemed to occur after the dividend has been paid. Thus if the deferred settlement sale takes place during the month of a dividend payment, but before the actual payment date, the purchaser's account will be credited with an amount equal to the dividend paid and the seller's account will be debited by the same amount.

Prior to any transfer of securities listed on Euronext Paris held in registered form, the securities must be converted into bearer form and accordingly recorded in an account maintained by an intermediary accredited with Euroclear France SA, a registered central security depositary. Trades of securities listed on Euronext Paris are cleared through L.C.H. Clearnet and settled through Euroclear France SA using a continuous net settlement system.

In France, Technicolor's ordinary shares are included in the SBF 120 and Next 150 Index, and the CAC Media, CAC Consumer Services, CAC MID&SMALL and CAC Mid 60 Indices.

Since 2014, ADSs have been traded on OTCQX International Premier, a premium OTC securities listing service (symbol: TCLRY).

## 7.2.2 LISTING ON EURONEXT PARIS

The tables below set forth, for the periods indicated, the high and low prices (in euros) for Technicolor's outstanding shares on Euronext Paris.

| | Euronext Paris | | | | | |
|---|---|---|---|---|---|---|
| | Volume of transactions | | | Share price *(in euros)* | | |
| **Years ending December 31** | *(in million euros)* | **Number of shares** | **Average volume** | **Average closing price** | **Highest price** | **Lowest price** |
| 2013 | 807.00 | 258,614,158 | 1,014,173 | 3.30 | 4.17 | 1.93 |
| 2014 | 1,231.30 | 248,831,865 | 975,811 | 4.99 | 6.18 | 3.52 |
| 2015 | 1,375.13 | 227,934,940 | 890,371 | 6.03 | 7.57 | 4.27 |
| 2016 | 1,473.64 | 263,351,060 | 1,024,712 | 5.62 | 7.46 | 4.55 |
| 2017 | 1,141.00 | 319,022,476 | 1,251,069 | 3.71 | 5.28 | 2.60 |

*Source: Euronext.*

| | Euronext Paris | | | | | |
|---|---|---|---|---|---|---|
| | Volume of transactions | | | Share price *(in euros)* | | |
| **Years ending December 31** | *(in million euros)* | **Number of shares** | **Average volume** | **Average closing price** | **Highest price** | **Lowest price** |
| **2015** | | | | | | |
| First *quarter* | 337.67 | 63,546,559 | 1,008,676 | 5.23 | 6.01 | 4.27 |
| Second *quarter* | 252.04 | 43,500,208 | 701,616 | 5.79 | 6.25 | 5.46 |
| Third *quarter* | 374.91 | 59,168,436 | 896,491 | 6.30 | 7.21 | 5.25 |
| Fourth *quarter* | 410.51 | 61,719,737 | 949,534 | 6.77 | 7.57 | 5.85 |
| **2016** | | | | | | |
| First *quarter* | 473.97 | 81,604,784 | 1,316,206 | 5.89 | 7.46 | 4.76 |
| Second *quarter* | 392.48 | 69,505,908 | 1,069,322 | 5.63 | 6.30 | 4.85 |
| Third *quarter* | 268.66 | 46,054,451 | 697,795 | 5.85 | 6.25 | 5.35 |
| Fourth *quarter* | 338.53 | 66,185,917 | 1,034,155 | 5.14 | 6.05 | 4.55 |
| **2017** | | | | | | |
| First *quarter* | 391.12 | 96,909,544 | 1,490,916 | 4.14 | 5.28 | 3.48 |
| Second *quarter* | 219.88 | 49,827,649 | 803,672 | 4.49 | 4.80 | 3.57 |
| Third *quarter* | 238.70 | 72,984,964 | 1,122,846 | 3.30 | 4.09 | 2.84 |
| Fourth *quarter* | 291.30 | 99,300,319 | 1,576,196 | 2.92 | 3.28 | 2.60 |

*Source: Euronext.*

| | Euronext Paris | | | | | |
|---|---|---|---|---|---|---|
| | Volume of transactions | | | Share price *(in euros)* | | |
| **Last six months** | *(in million euros)* | **Number of shares** | **Average volume** | **Average closing price** | **Highest price** | **Lowest price** |
| **2017** | | | | | | |
| September | 60.17 | 19,892,772 | 947,275 | 3.05 | 3.22 | 2.84 |
| October | 97.92 | 33,566,674 | 1,525,758 | 2.89 | 3.12 | 2.66 |
| November | 84.35 | 29,502,313 | 1,341,014 | 2.85 | 3.13 | 2.60 |
| December | 109.04 | 36,231,332 | 1,906,912 | 3.04 | 3.28 | 2.80 |
| **2018** | | | | | | |
| January | 77.51 | 24,805,896 | 1,127,541 | 3.12 | 3.33 | 2.87 |
| February | 125.93 | 56,419,567 | 2,820,978 | 2.70 | 3.07 | 1.75 |

*Source: Euronext.*

# 7.3 NOTIFICATION OF INTERESTS ACQUIRED IN THE SHARE CAPITAL OF FRENCH COMPANIES IN 2017 AND 2016

## 7.3.1 NOTIFICATION OF INTERESTS ACQUIRED IN THE SHARE CAPITAL OF FRENCH COMPANIES IN 2017

In compliance with Article L. 233-6 of the French Commercial Code, the Group acquired no interests in any French Company in 2017.

## 7.3.2 NOTIFICATION OF INTERESTS ACQUIRED IN THE SHARE CAPITAL OF FRENCH COMPANIES IN 2016

In compliance with Article L. 233-6 of the French Commercial Code, the Group acquired in 2016 the minority interests in Technicolor Animation Productions (ex Ouido Productions) – 797 830 106 RCS PARIS.

# 7.4 MEMORANDUM AND BYLAWS

This section contains the information required by paragraph 21.2: "Memorandum and Bylaws" of European Commission Regulation (EC) no. 809/2004 of April 29, 2004.

Copies of the Company's bylaws in French are available from the Trade Registry of Nanterre, France.

## 7.4.1 CORPORATE PURPOSE

Technicolor's purpose is, directly or indirectly, in France and in any other country:

- the taking of equity holdings or interests in any business of any nature in any form whatsoever, whether in existence or to be created;
- the acquisition, management, and transfer of any and all real property rights and assets and any and all financial instruments, and the execution of any and all financing transactions;
- the acquisition, transfer and use of any and all Intellectual Property rights, licenses or processes;
- the manufacture, purchase, importation, sale and export, anywhere, of any and all materials and products, as well as the rendering of any and all services.

Technicolor may act directly or indirectly, for its own account or for the account of third parties, whether alone or through an equity holding, agreement, association or Company, with any other legal entity or individual, and carry out, in France or abroad, in any manner whatsoever, any and all financial, commercial, industrial, real property, and personal property transactions within the scope of its purpose or involving similar or related matters (Article 2 of the bylaws).

## 7.4.2 BOARD OF DIRECTORS AND EXECUTIVE COMMITTEE MEMBERS

Information relating to administrative bodies can be found in Chapter 4: "Corporate governance and internal control", section 4.1.2: "Composition and expertise of the Board of Directors" of this Registration Document.

## 7.4.3 RIGHTS, PRIVILEGES AND RESTRICTIONS ATTACHED TO SHARES

### Voting rights

"Each shareholder shall have as many votes as the shares that he possesses or represents by proxy. In accordance with paragraph 3 of article L. 225-123 of the French Commercial Code, it is not granted any double voting right for shares for which it is justified of a registered form during at least two years in the name of the same shareholder." (Article 20 of the bylaws).

Under French law, treasury shares are not entitled to voting rights.

### Other rights of shareholders

"In addition to the right to vote that is attributed by law, each share gives the right to the ownership of the corporate assets, to share in the profits, and to the liquidation proceeds, in an amount equal to the portion of the share capital represented by such share.

Whenever it may be necessary to own a certain number of shares in order to exercise a right, it is the responsibility of the shareholders who do not own an adequate number of shares, as the case may be, to group their shares in the amount necessary.

The ownership of a share entails, by operation of law, adherence to the bylaws of the Company and to the decisions of the General Shareholders' Meeting and the Board of Directors, acting by delegation of the General Shareholders' Meeting." (Article 9 of the bylaws).

## 7.4.4 ACTIONS NECESSARY TO CHANGE THE RIGHTS OF SHAREHOLDERS

Any amendment to the bylaws must be voted in or authorized by the shareholders' meeting under the conditions of quorum and majority required by the laws or regulations in force for Extraordinary Shareholders' Meetings.

## 7.4.5 SHAREHOLDERS' MEETINGS

### Notice of shareholders' meetings

"Shareholders' meetings are convened and deliberate pursuant to applicable laws and regulations." (Article 19 of the bylaws).

### Attendance and voting at shareholders' meetings

"Every shareholder has the right, upon proof of his identity, to participate in General Shareholders' Meetings, by attending in person, by mailing in a voting form, by designating a proxy or (...) by electronic vote during a meeting.

Such participation, in any form whatsoever, is subject to the registration or the recording of the shares, either in the Company's registered share account, or in a bearer share account held by an authorized intermediary, within the time limits and under the conditions provided for by applicable regulations. In the case of bearer shares, the registration or the recording of the shares is confirmed by a certificate of participation delivered by the authorized intermediary." (Article 19 of the bylaws).

## 7.4.6 BYLAWS REQUIREMENTS FOR HOLDINGS EXCEEDING CERTAIN PERCENTAGES

"Without prejudice to applicable law, any legal entity or individual, whether acting alone or in concert, who comes to own directly or indirectly a number of shares or voting rights equal to or greater than 0.5% of the total number of shares or voting rights of the Company, must so inform the Company. This obligation is governed by the same provisions as those governing the legal obligation; the threshold crossing declaration is to be made within the same deadline as for the legal obligation, by registered letter with return receipt requested, by facsimile or by telex, indicating whether the shares or the voting rights are held for the account of, under the control of, or in concert with other legal entities or individuals. An additional notice is required for each additional holding of 0.5% of the share capital or voting rights, without limitation.

This duty to inform applies under the same conditions when the equity holding or the voting rights cross below the thresholds mentioned in the preceding paragraph.

In the event of a failure to comply with the duty to inform provided above, the shareholder may, under the conditions and within the limits of applicable laws and regulations, be deprived of the right to vote in respect of the shares exceeding the relevant threshold. This penalty is independent of any penalty that may be decided by judicial decision upon request by the Chairman, a shareholder, or the *Autorité des marchés financiers*.

For the purpose of determining the thresholds referred to above, shares or voting rights held indirectly and shares or voting rights associated with the shares or voting rights actually held, as defined by the provisions of Articles L. 233-7 *et seq*. of the French Commercial Code, are taken into account.

The declarant must certify that the declaration includes all of the securities giving access immediately or in the future to the share capital of the Company held or owned within the meaning of the preceding paragraph. The declarant must also indicate the date or dates of acquisition.

Mutual fund management firms are required to report this information in respect of all of the voting rights attached to the shares of the Company held by the funds that they manage." (Article 8.2 of the bylaws).

# 7.5 MATERIAL CONTRACTS

Readers are invited to refer to the description of the agreements relating to the Term Loan documentation described in Chapter 2: "Operating and financial review and prospects", section 2.3.3 "Financial resources" of this Registration Document.

# 7.6 ADDITIONAL TAX INFORMATION

## Total amounts, by category of expenditure, reinstated in the taxable profits following a definitive tax adjustment under Article 223 quinquies of the Tax Code

None.

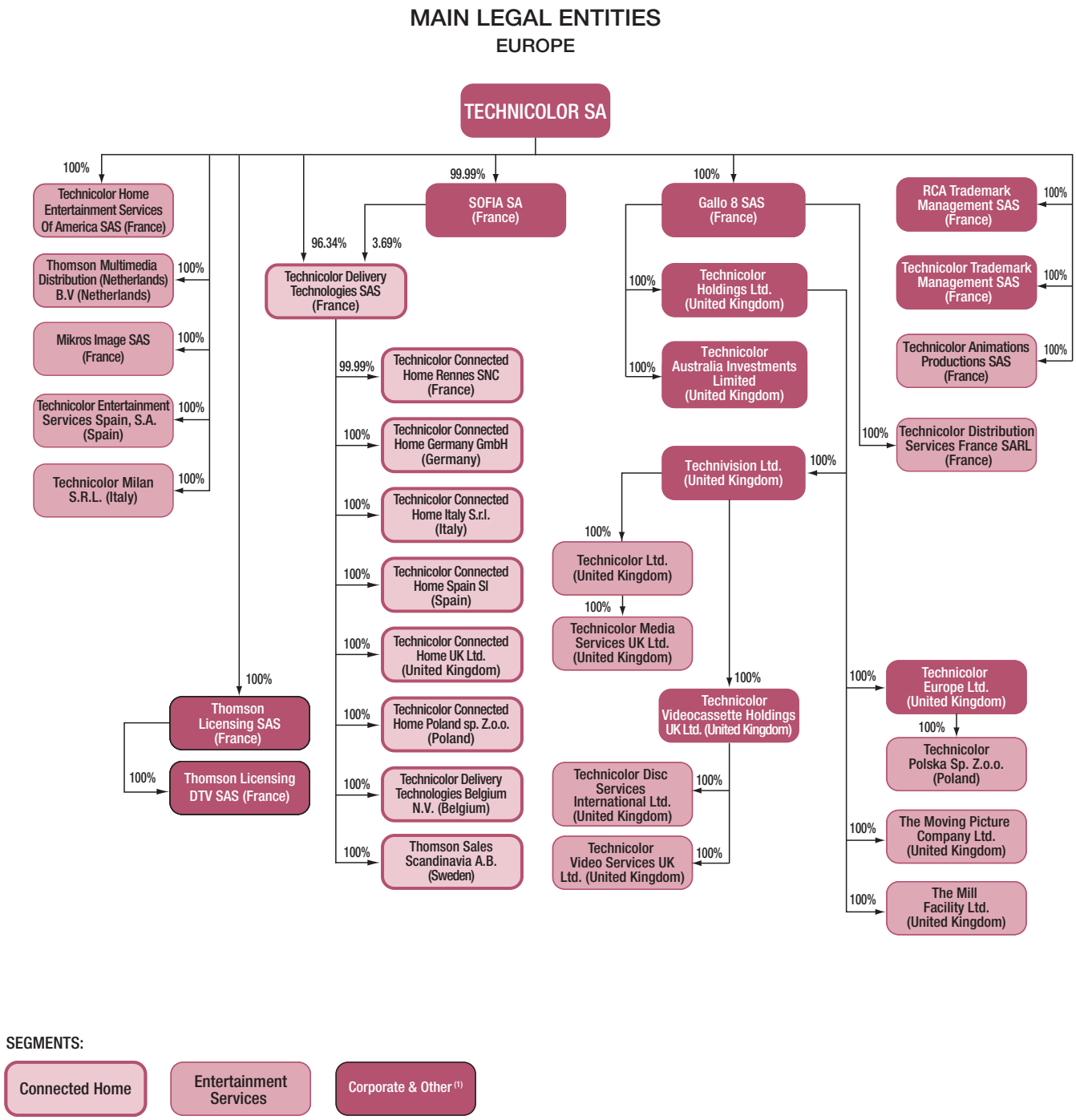
## Total amount of certain non-deductible expenses under Articles 39-4 and 223 quater of the Tax Code

The non-deductible expenses referred to in Article 39-4 of the French General Tax Code amounted to €139,330.40 in 2017 for the Company and corresponded to non-deductible lease payments on private vehicles.

# 7.7 ORGANIZATION OF THE GROUP

## 7.7.1 LEGAL ORGANIZATIONAL CHART OF THE GROUP AS OF DECEMBER 31, 2017

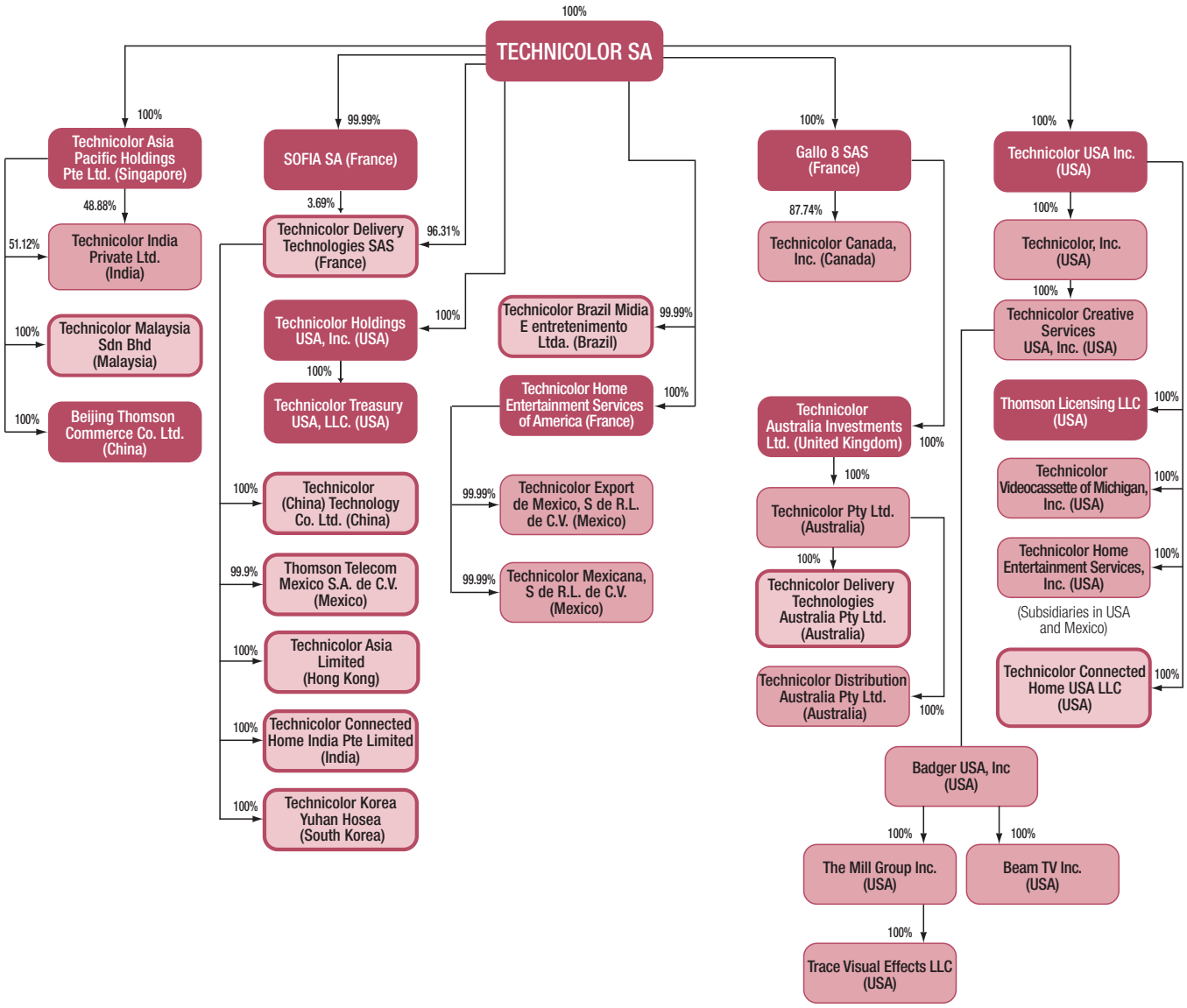
GRI [G4-17]




(1) *Including discontinued operations and held for sale operations*

## MAIN LEGAL ENTITIES

### ASIA AND AMERICA




**SEGMENTS:**

Connected Home | Entertainment Services | Corporate & Other (1)

*(1) Including discontinued operations and held for sale operations*

## 7.7.2 OPERATIONAL ORGANIZATION

GRI [G4-17] [G4-20]

The Group's organizational chart below contains the Group's main operating subsidiaries, classified by segments. These subsidiaries are directly held by Technicolor or indirectly held through holding companies as of December 31, 2017. They have been selected based on their contribution to the Group's revenues (external and intra-group) or on their workforce. Revenues from these subsidiaries represented 99% of the group's revenues (external and intra-group) in 2017.

The list of main consolidated subsidiaries is described in Chapter 6, note 15 to the Group's consolidated financial statements. A summary table sets forth the list of the Group's subsidiaries broken down by the geographic location of the entity (please refer to Chapter 6, note 2.1 to the consolidated financial statements).

Main financial data (revenues, profit (loss) from continuing and discontinuing activities, geographic breakdown of assets and liabilities) as well as goodwill and trademarks are broken down for each segment in the Group's consolidated financial statements in notes 3, 4.1 and 4.2, respectively.

| | Services Entertainment | Connected Home | Others |
|---|---|---|---|
| France | ■ Technicolor Distribution Services France SARL<br>■ Mikros Image SAS<br>■ Technicolor Animation Productions SAS | ■ Technicolor Delivery Technologies SAS | ■ RCA Trademark Management SAS<br>■ Technicolor Trademark Management SAS |
| Europe except France | ■ Technicolor Polska Sp.Z.o.o.<br>■ The Moving Picture Company Ltd. (MPC)<br>■ Technicolor Disc Services International Ltd. (Hammersmith)<br>■ Technicolor Video Services (UK) Ltd.<br>■ Thomson Multimedia Distribution (Netherlands) BV<br>■ Technicolor Ltd.<br>■ The Mill (Facility) Ltd. | | |
| America | ■ Technicolor USA Inc.<br>■ Technicolor Global Logistics, LLC<br>■ Technicolor Videocassette of Michigan, Inc.<br>■ Technicolor Home Entertainment Services Inc.<br>■ Technicolor Creative Services USA Inc.<br>■ Technicolor Canada Inc.(1)<br>■ Technicolor Home Entertainment Services de Mexico S. de R.L. de C.V.<br>■ Technicolor Home Entertainment Services Southeast, LLC<br>■ The Mill Group Inc.<br>■ Mr. X Gotham, Inc. | ■ Technicolor Brasil Midia E Entretenimento Ltda<br>■ Technicolor Connected Home USA LLC<br>■ Thomson Telecom Mexico, S.A. de C.V.<br>■ Technicolor Canada Inc.(1) | |
| Asia | ■ Technicolor, Pty, Ltd.<br>■ Technicolor India Privat Ltd.<br>■ Technicolor Distribution Australia, Pty. Ltd. | ■ Technicolor Delivery Technologies Australia, Pty, Ltd<br>■ Technicolor (China) Technology Co., Ltd.<br>■ Technicolor Malaysia Sdn Bhd<br>■ Technicolor Connected Home India Private Ltd.<br>■ Technicolor Pioneer Japan KK(2)<br>■ Technicolor Korea Yuhan Hoesa - CH | |

*(1) This entity hosts operations of the two segments Entertainment Services and Connected Home.*
*(2) Joint venture owned at 51% by Technicolor.*

## Parent company

On December 31, 2017, Technicolor SA had 156 employees. It mainly hosts the activities of group management, support functions, group treasury and part of the Connected Home segment. The Company's income statement (as presented in the corporate financial statements) shows a net loss of €1,343 million in 2017 (compared with a net profit of €149 million in 2016) (for more information regarding the parent company, refer to Technicolor SA's corporate financial statements and notes to the financial statements in Chapter 6: "Financial statements", sections 6.4 "Technicolor SA parent company financial statements" and 6.5 "Notes to the parent company financial statements" of this Registration Document).

## Main cash flows between the Company and the subsidiaries

The Company ensures the financing of its subsidiaries by loans and current accounts (net payable position of €289 million before depreciation at December 31, 2017) and equity instruments and received €265 million in dividends in 2017 (compared with 188 million in 2016). The Company has organized a system of centralization of the treasury in the main countries where it operates and implements hedge transactions for the group, in accordance with defined management rules.

The Company also provides services to companies affiliated to the Group in Information Systems, purchases, management, treasury, people and various counsels. These services are invoiced either on the basis of a percentage of the income or/and of the net profit of the subsidiaries, through a fixed fee, or charged for each service.

For more details, see note 12.2 to the Company's statutory accounts for related party transactions.

# 7.8 PROPERTY, PLANT AND EQUIPMENT

## OPERATING FACILITIES AND LOCATIONS

GRI [G4-6] [G4-20]

Technicolor occupies, as owner or tenant, a number of office buildings, manufacturing plants, and distribution and warehousing sites around the world. Technicolor is constantly reviewing its real estate needs in order to improve efficiency and minimize costs.

In 2017, Technicolor took a number of key actions to optimize its global real estate footprint.

The key actions taken to reduce the Group's real estate footprint in 2017 included:

| Operating Facilities | Primary Activity | Type of Action |
|---|---|---|
| Aachen-HES (Germany) | Office | Closure |
| Allen Park-HES (MI, United States) | Whse/Distribution | Closure |
| Amsterdam-CH (Netherlands) | Office | Closure |
| Brampton-HES (Canada - Hereford St.) | Whse/Distribution | Closure |
| Camarillo-HES (CA, United States) | Whse/Distribution | Downsize |
| El Segundo-CH (CA, United States) | Office | Closure |
| Hollywood-PS (CA, United States-1438 Gower Temp) | Production | Closure |
| Huntsville-HES (AL, United States – Dug Hill Rd.) | Whse/Distribution | Closure |
| Indianapolis-CH (IN, United States - 101 W. 103rd St.) | Office/Lab | Closure |
| Levallois-PS (France - 120 Rue Danton) | Production | Closure |
| Lincoln Park-HES (MI, United States) | Whse/Distribution | Closure |
| London-PS (United Kingdom-21 Soho) | Office | Closure |
| Los Altos-TECH (CA, United States) | Office | Closure |
| Memphis-HES (TN, United States - Behnke Ave.) | Whse/Distribution | Closure |
| Memphis-HES (TN, United States – Raines Rd.) | Whse/Distribution | Downsize |
| Memphis-HES (TN, United States - Steele Rd.) | Whse/Distribution | Closure |
| Mexico City-PS (Mexico - Torre Polanco) | Production | Closure |
| Murfreesboro-HES (TN, United States) | Distribution | Downsize |
| Munich-HES (Germany) | Office | Closure |
| New York-PS/Mr. X (NY, United States) | Production | Downsize |
| Northhampton-HES (United Kingdom – Brackmills) | Whse/Distribution | Closure |
| Ontario-CORP (CA, United States) | Office | Downsize |
| Paris-PS (France - 84 Rue d'Hauteville-Bldg B) | Production | Closure |
| Rome-CH (Italy) | Office | Closure |
| Sao Paulo-CH (Brazil) | Office | Downsize |
| Seoul-CH (South Korea) | Office | Closure |
| Seoul-TECH (South Korea) | Office | Closure |
| Shanghai-CH (China) | Office/Lab | Closure |
| Tokyo-TECH (Japan) | Office | Closure |
| Vancouver-PS (Canada - Brooksbank) | Production | Closure |
| Zurich-TECH (Switzerland) | Office | Closure |

In 2017, Technicolor has added the following sites (in some cases, relocating from other locations as indicated by the footnotes), increasing the total footprint:

| New Sites | Primary Activity | Total Square feet |
|---|---|---|
| Toronto-HES (Canada)[1] | Distribution | 158,458 |
| Bangalore-PS (India) | Production | 49,080 |
| South Korea-Seoul-CH | Office | 24,496 |
| Camarillo-PS (CA, United States) | Office/Storage | 22,311 |
| Mumbai-PS (India) | Production | 13,150 |
| Camarillo-HES (CA, United States) | Lab | 12,990 |
| Mexico-Guadalajara-CORP | Office | 11,765 |
| Omori-CH (Japan) | Office/Lab | 8,269 |
| Indianapolis-CH (IN, United States – 9045 River Rd.)[2] | Office/Lab | 7,873 |
| Burbank-PS (CA, United States) | Production | 3,000 |
| Greenwood Village-CH (CO, United States) | Office | 2,997 |
| Tokyo-TECH (Japan)[3] | Office | 2,403 |
| Paris-PS (France) | Office | 1,270 |
| Palo Alto-TECH (CA, United States)[4] | Office | 1,006 |
| Munich-HES (Germany)[5] | Office | 753 |
| Indianapolis-CORP (IN, United States – Regus Temp) [2] | Office | 650 |
| Noborito-CH (Japan) | Lab | 479 |
| Aachen-HES (Germany)[6] | Office | 288 |

*(1) Replaced Brampton location (459,128 SF).*
*(2) Replaced Indianapolis 103rd St. location (194,306 SF).*
*(3) Replaced Tokyo location (4,243 SF).*
*(4) Replaced Los Altos (13,119 SF).*
*(5) Replaced Munich location (2,877 SF).*
*(6) Replaced Aachen location (3,240 SF).*

In 2017, Technicolor has experienced continued growth in the Production Services business, expanding the already existing locations below and increasing the total footprint.

| Expanded Sites | Primary Activity |
|---|---|
| Canada-Montreal-MPC | Production |
| India-Bangalore-MPC | Production |
| India-Mumbai-TRACE | Production |
| US-NY-New York-The Mill | Production |

End 2017, the global real estate footprint is 12.2 million square feet compared to 14.7 million square feet end 2016, *i.e.* decrease of 17.3%. This decrease reflects the closure and downsize of multiple sites and a reallocation of 506K SF of sublease space to "inactive" status in Technicolor's Real Estate portfolio.

The Group operates various manufacturing, production, distribution facilities in order to deliver products and services to customers. In addition, Technicolor relies on external partners for manufacturing some of its finished products, particularly for Connected Home.

Technicolor's objective is to optimize the location and the organization of its operations, to reduce its production costs and working capital requirements, maximize the quality, flexibility and responsiveness of its products and services, while minimizing negative impacts that could affect the environment or the health and safety of its employees and contractors.

At the end of 2017, Technicolor is owner or tenant of the following key facilities:

| Main Operating Facilities | Primary Activity | Own/Lease | Square Feet |
|---|---|---|---|
| Memphis-HES (TN, United States) | Whse/Distribution/Manufacturing | Lease | 3,638,791 |
| Huntsville-HES (TN, United States) | Distribution/Manufacturing | Lease | 1,665,135 |
| Olyphant-HES (PA, United States) | Manufacturing | Lease | 1,024,000 |
| Toronto-HES (Canada) | Whse/Distribution | Lease | 793,582 |
| LaVergne-HES (TN, United States) | Whse/Distribution | Lease | 770,000 |
| Mexicali-HES (Mexico) | Whse/Distribution/Manufacturing | Lease | 593,833 |
| Bangalore-PS (India) | Production | Lease | 331,093 |
| Rugby-HES (United Kingdom) | Whse/Distribution | Lease | 282,675 |
| Guadalajara-HES (Mexico) | Manufacturing | Own | 272,850 |
| Jozefoslaw-HES (Poland) | Manufacturing | Own | 263,540 |
| Lawrenceville-CH (GA, United States) | Lab/Office | Lease | 173,308 |
| Cesson-Sevigne-CH (France) | Lab | Lease | 170,755 |
| Tultitlan-HES (Mexico) | Whse/Distribution | Lease | 170,081 |
| Montreal-PS (Canada) | Production/Office | Lease | 151,490 |
| Issy-les-Moulineaux-CORP (France) | Office | Lease | 146,141 |
| Prestons-HES/CH (Australia) | Whse/Distribution/Office | Lease | 137,016 |
| Hollywood-PS (CA, United States) | Production/Office | Lease | 124,926 |
| Hollywood-PS (CA, United States - SGS) | Office | Lease | 114,958 |
| London-PS (United Kingdom) | Production/Office | Lease | 110,974 |
| Toronto-PS (Canada) | Production | Lease | 105,792 |
| Sydney-HES (Australia) | Distribution | Lease | 75,062 |
| Beijing-CH (China) | Office | Lease | 71,723 |
| New York-PS (NY, United States) | Production | Lease | 58,582 |
| Manaus-CH (Brazil) | Manufacturing | Own | 50,000 |
| Murfreesboro-HES (TN, United States) | Distribution | Lease | 50,000 |
| Camarillo-HES (CA, United States) | Office | Lease | 49,490 |
| Boulogne-PS (France) | Production | Lease | 48,713 |
| Vancouver-PS (Canada) | Production | Lease | 48,294 |
| Melbourne-HES (Australia) | Manufacturing/Distribution | Lease | 47,182 |
| Chennai-CH (India) | Lab/Office | Lease | 45,000 |
| Burbank-PS (CA, United States) | Production/Office | Lease | 40,182 |
| Edegem-CH (Belgium) | Office | Lease | 38,513 |
| Calexico-HES (CA, United States) | Distribution | Lease | 37,196 |

| Summary of Operating Facilities | Square Feet | Percentage of Surface |
|---|---|---|
| Office | 1,083,930 | 8.90% |
| Lab | 191,936 | 1.58% |
| Manufacturing | 4,506,553 | 37.02% |
| Production | 963,501 | 7.91% |
| Warehouse/Distribution | 5,428,632 | 44.59% |
| ALL PROPERTIES | 12,174,552 | 100% |

***Office:*** *sites dedicated to corporate and support functions activities and product development.*
***Lab:*** *research sites.*
***Manufacturing:*** *sites dedicated to DVDs/Blu-raysTM, set top boxes and gateways manufacturing.*
***Production:*** *sites dedicated to digital work for Production Services (post production, Visual Effects , Animation, etc.).*
***Warehouse/Distribution:*** *sites dedicated to DVDs/Blu-rays™ distribution/warehousing.*

## Manufacturing, Production and Distribution

Technicolor's manufacturing, production, and distribution facilities accounted for 89.5% of its facilities space, at the end of 2017. The location of each significant facility can be found in the table above.

Technicolor's respective business segments have varying approaches to performing these activities; each is discussed in turn below.

### *DVD Replication and Distribution*

GRI [G4-EN30] [G4-DMA Transport]

Global distribution and supply chain activities are provided in-house and through a network of contracted Third-Party Logistic Providers (3PLs). In markets where distributed unit volumes are sufficient, Technicolor completes all distributions and logistics activities in-house. In smaller markets, or where other considerations prevail, these activities are completed by 3PL's on Technicolor's behalf. In North America and Australia, the Group distributed 100% in-house; in Europe, approximately 67% in-house and approximately 33% by 3PL's.

### *Post Production, VFX and Animation*

Following the rapid shift to digital production since 2010, the Company has downsized or transferred Digital Cinema distribution, Media Services and photochemical films activities. 2017 activities were focused on picture and sound post production services and on VFX and Animation services. For more information, please refer to section 1.2.1.1 "Production Services" of this Registration Document.

### *Set Top Boxes, Gateways, and Connected Devices*

In 2017, Technicolor shipped a total of about 42.9 million modems and gateways, Set-Top Box, and other Connected Devices. Overall, around 8.5 % of the Group's total volume has been manufactured in-house, with the rest of its volumes being outsourced to partners in Asia, Mexico and Argentina.

The total in-house manufacturing and replication output for the Group can be found in the table below for 2017:

| In-house Manufacturing and Replication | Number of Units |
|---|---|
| **Entertainment Services** | |
| DVD replication | 954 million DVDs |
| Blu-ray™ Replication | 304 million Blu-ray™ discs |
| Theatrical post production (picture & sound) | 415 feature films |
| Broadcast post production (picture & sound) | Nearly 350 series and pilots |
| VFX shots for feature films | 11,800 shots |
| VFX shots for TV content | 5,100 shots |
| VFX/Post for advertising | 6,100 commercial spots |
| Animation for films and TV | over 2,800 minutes delivered |
| Games production (Animation & asset creation services) | 17,400 computer generated assets |
| **Connected Home** | |
| Modems and gateways, Set-Top Box and other Connected Devices | 3.66 million units |

# 7.9 SUPPLIERS AND CUSTOMERS PAYMENT TERMS

In compliance with article L. 441-6-1 of the French Commercial Code, the information on suppliers and customers payment terms is detailed in the table hereafter.

| | Article D. 441 I.-1°: Supplier invoices received, overdue but unpaid at year end | | | | | | Article D. 441 I.-2°: Customer invoices sent, overdue but unpaid at year end | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| *(in euros)* | Zero day (indicative) Dec. 31, 2017 | 1 to 30 days | 31 to 60 days | 61 to 90 days | 91 days and more | Total (1 day and more) | Zero day (indicative) Dec. 31, 2017 | 1 to 30 days | 31 to 60 days | 61 to 90 days | 91 days and more | Total (1 day and more) |
| **(A) Overdue payments by period** | | | | | | | | | | | | |
| Number of invoices concerned | 2 | | | | | 63 | 0 | | | | | 7 |
| Total amount including VAT of invoices concerned | 11,915 | 25,410 | 25,717 | 20,729 | 41,613 | 113,469 | 0 | 12,628 | 0 | 0 | 17,212 | 29,840 |
| Percentage of fiscal year purchases amount excluding VAT | 0.0% | 0.0% | 0.0% | 0.0% | 0.1% | 0.2% | | | | | | |
| Percentage of fiscal year revenue sales excluding VAT | | | | | | | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.1% |
| **(B) Disputed or unrecorded invoices excluded from (A)** | | | | | | | | | | | | |
| Number of invoices excluded | | | - | | | | | | 6 | | | |
| Total amount including VAT of invoices excluded | | | - | | | | | | 2,198,013 | | | |
| **(C) Reference payment terms used (contractual or required by law – article L. 441-6 or article L. 443-1 from French Commercial Code)** | | | | | | | | | | | | |
| Payment terms used for calculation of payment delays. (Specify) | | | Contractual payment terms | | | | | | Contractual payment terms | | | |

# 7.10 AVAILABLE DOCUMENTS

The bylaws and other corporate documents of the Company, any evaluation or statement prepared by an expert at the request of the Company, part of which is included or mentioned in this Registration Document, and, more generally, all documents sent or made available to shareholders pursuant to French law may be consulted at the Company's registered office, 1-5 rue Jeanne-d'Arc, 92130 Issy-les-Moulineaux, France.

Moreover, historical financial information and regulated information of the Group is available on the Company's website (www.technicolor.com).

Paper versions of this Registration Document are available free of charge. This Registration Document may also be consulted on the Technicolor website.

# 7.11 SOURCES REGARDING COMPETITIVE POSITION

This Registration Document contains statements regarding market trends, market share, market position and products and businesses. Unless otherwise noted herein, market estimates are based on the following outside sources, in some cases in combination with internal estimates:

- IHS Screen Digest, FutureSource Consulting, PwC, Wilkofsky Gruen Associates, Thomson Reuters, Strategy Analytics, Statista, Magna Global, IDATE, Parks Associates, IAB, Nielsen, eMarketer, Harvard Business Review, McKinsey, IDC, and Visual Effects Society for overall market trends in the Media & Entertainment and Technologie industries;
- FutureSource Consulting for information on DVD replication and distribution services;
- IHS Screen Digest, Parks Associates, Generator Research, IDC, Gartner, IDG and Informa for information on consumer electronics (TV, Tablets, smartphones);
- Parks Associates, Dell'Oro Group and Infonetics Research for information on set-top-boxes, DSL and cable modems, routers & gateways.

# 7.12 PERSONS RESPONSIBLE FOR THE REGISTRATION DOCUMENT AND THE ANNUAL FINANCIAL REPORT

GRI [G4-31]

## 7.12.1 DECLARATION BY THE PERSON RESPONSIBLE FOR THE REGISTRATION DOCUMENT AND THE ANNUAL FINANCIAL REPORT

Mr. Frédéric Rose, Chief Executive Officer, Technicolor.

I declare that, having taken all reasonable care to ensure that such is the case, the information contained in this Registration Document is, to the best of my knowledge, in accordance with the facts and that there is no omission likely to affect the fairness of the presentation.

I certify, to the best of my knowledge, that the financial statements have been prepared in accordance with the applicable set of accounting standards and give a true and fair view of the assets and liabilities, financial position and results of the Company and of its consolidated subsidiaries, and that the management report, hereby enclosed, fairly presents the evolution of the business, results and financial position of the Company and its consolidated subsidiaries, and describes the principal risks and uncertainties that they face.

I have received a letter of completion of assignment from the Statutory Auditors, in which they state that they have verified the information relating to the financial position and the financial statements set out in this Registration Document and have read the Registration Document in its entirety.

Issy-les-Moulineaux, March 21, 2018

Chief Executive Officer of Technicolor,

Frédéric Rose

## 7.12.2 PERSON RESPONSIBLE FOR INFORMATION

GRI [G4-31]

Mrs. Esther Gaide, Chief Financial Officer of Technicolor 1-5, rue Jeanne-d'Arc – 92130 Issy-les-Moulineaux France
Tel.: +33 (0)1 41 86 50 00 – Fax: +33 (0)1 41 86 56 22

# 8 REGISTRATION DOCUMENT CROSS REFERENCE TABLE


Cross-reference table referring to the main headings required by Annex 1 of European Commission Regulation 809/2004 310

Annual financial report cross-reference table 314

Cross-reference table referring to the elements of the management report 315

Cross-reference table referring to the elements of the corporate governance report 316

Cross-reference table referring to environmental, social and societal information pursuant to Article L. 225-102-1 and Article R. 225-105-1 of the French Commercial Code 317

Under Article 28 of European Commission regulation (EC) 809/2004, the following information is incorporated by reference in the Regulation Document:

- the consolidated financial statements of the year 2016 and the Statutory Auditors' reports on the consolidated financial statements are contained in the Chapter 8: "Financial Statements" of the Registration Document of the year 2016 (pages 178 to 255); and
- the consolidated financial statements of the year 2015 and the Statutory Auditors' reports on the consolidated financial statements are contained in the Chapter 8: "Financial Statements" of the Registration Document of the year 2015 (pages 170 to 255); and
- the annual accounts of the Company for the year 2016 and the Statutory Auditors' reports on the annual accounts are contained in the Chapter 8: "Financial Statements" of the Registration Document of the year 2016 (pages 258 to 281); and
- the annual accounts of the Company for the year 2015 and the Statutory Auditors' reports on the annual accounts are contained in the Chapter 8: "Financial Statements" of the Registration Document of the year 2014 (pages 256 to 283).

The Registration Document of the year 2016 was filed with the *Autorité des marchés financiers* on March 31, 2017 under No. D.17-0276.

The Registration Document of the year 2015 was filed with the *Autorité des marchés financiers* on March 24, 2016 under No. D.16-0202.

To facilitate the reading of the Registration Document, the cross reference tables below refer to the main headings required by Annex 1 of European Commission Regulation 809/2004 implementing the "Prospectus" Directive as well as the elements of the management report and the corporate governance report both adopted by the Board of Directors.

## CROSS-REFERENCE TABLE REFERRING TO THE MAIN HEADINGS REQUIRED BY ANNEX 1 OF EUROPEAN COMMISSION REGULATION 809/2004

GRI [G4-18]

| Information required under Appendix 1 of regulation (EC) 809/2004 | | Corresponding sections and Chapters of the Registration Document | Page no. |
|---|---|---|---|
| **1.** | **PERSON RESPONSIBLE** | | |
| 1.1 | Names and positions of the persons responsible for the information | Chapter 7, section 7.12.2 | 307 |
| 1.2 | Declaration by the persons responsible | Chapter 7, section 7.12.1 | 307 |
| **2.** | **STATUTORY AUDITORS** | | |
| 2.1 | Name and address | Chapter 6, section 6.8 | 290 |
| 2.2 | Resignation or departure of Statutory Auditors | N/A | |
| **3.** | **SELECTED FINANCIAL INFORMATION** | | |
| 3.1 | Historical financial information | Chapter 1, Chapter 2 and Chapter 6 | 6; 32; 176 |
| 3.2 | Interim financial information | N/A | |
| **4.** | **RISK FACTORS** | **CHAPTER 3** | **48** |
| **5.** | **INFORMATION ABOUT THE ISSUER** | | |
| 5.1 | History and development of the Company | | |
| 5.1.1 | Legal and business name | Chapter 7, section 7.1 | 292 |
| 5.1.2 | Place of registration and registration number | Chapter 7, section 7.1 | 292 |
| 5.1.3 | Issuer's incorporation date and length of life | Chapter 7, section 7.1 | 292 |
| 5.1.4 | Domicile, legal form, applicable legislation, country of incorporation, registered office's address and telephone number | Chapter 7, section 7.1 | 292 |
| 5.1.5 | Main events in the development of the Company activities | Chapter 1, section 1.1.2 | 10 |
| 5.2 | Investments | | |
| 5.2.1 | Principles investments realized during each year of the period covered by the historical financial information until the date of the document | Chapter 6, section 6.2 notes 2, 4.1, 4.2, 4.3 and 11 to the consolidated financial statements | 188; 196; 197; 200; 243 |
| 5.2.2 | Major investments in progress, including the geographic distribution of these investments and their financing method | N/A | |

| Information required under Appendix 1 of regulation (EC) 809/2004 | | Corresponding sections and Chapters of the Registration Document | Page no. |
|---|---|---|---|
| 5.2.3 | Major investments planned by the issuer and for which the management bodies have already taken a firm commitment | N/A | |
| **6.** | **BUSINESS OVERVIEW** | | |
| 6.1 | Principal activities | | |
| 6.1.1 | Nature of transactions made by the Company and its principal activities | Chapter 1, section 1.2 | 11 |
| 6.1.2 | New products/services launched on the market | Chapter 1, section 1.2 | 11 |
| 6.2 | Principal markets | Chapter 1, section 1.2 | 11 |
| 6.3 | Exceptional events | N/A | |
| 6.4 | Dependency from certain contracts | Chapter 2, section 2.3.3 and Chapter 3, section 3.1.1 | 43; 49 |
| 6.5 | Competitive position | Chapter 7, section 7.11 | 306 |
| **7.** | **ORGANIZATIONAL STRUCTURE** | | |
| 7.1 | Brief description | Chapter 7, sections 7.7.1 and 7.7.2 | 297; 299 |
| 7.2 | List of main subsidiaries | Chapter 7, section 7.7.2 and Chapter 6, section 6.2 note 15 to the consolidated financial statements | 299; 249 |
| **8.** | **PROPERTY, PLANTS AND EQUIPMENT** | | |
| 8.1 | Material tangible fixed assets important or planned | Chapter 7, section 7.8 and Chapter 6, section 6.2 note 4.3 to the consolidated financial statements | 301; 200 |
| 8.2 | Environmental issues potentially affecting the use of the tangible fixed assets | Chapter 5, section 5.2 | 154 |
| **9.** | **OPERATING AND FINANCIAL REVIEW** | | |
| 9.1 | Financial position | Chapter 2 and Chapter 6 | 32; 176 |
| 9.2 | Operating results | Chapter 2, section 2.2.2 | 35 |
| 9.2.1 | Significant factors affecting the income from operations | Chapter 2, sections 2.2, 2.4, 2.5 and 2.6 | 32; 45; 46; 46 |
| 9.2.2 | Reasons for material changes in net sales or revenues | Chapter 2, section 2.2 | 32 |
| 9.2.3 | Policies or factors that have materially affected, or could materially affect, directly or indirectly, the issuer's operations | N/A | |
| **10.** | **CASH AND CAPITAL** | | |
| 10.1 | Information concerning capital resources (short and long-term) | Chapter 6, section 6.2 note 7 to the consolidated financial statements and section 6.5 note 8 to the statutory financial statements | 213; 270 |
| 10.2 | Sources, amounts and description of cash flows | Chapter 2, section 2.3 and Chapter 6, section 6.1.4 | 40; 180 |
| 10.3 | Information on borrowing conditions and financing structure | Chapter 2, section 2.3 and Chapter 6, section 6.2, notes 8.3 and 8.5 to the consolidated financial statements | 40; 223; 227 |
| 10.4 | Restrictions on use of capital resources, having materially impact on business operations | Chapter 2, section 2.3.3 and Chapter 3, section 3.1.3 | 43; 56 |
| 10.5 | Expected sources of financing | N/A | |
| **11.** | **RESEARCH AND DEVELOPMENT, PATENTS AND LICENCES** | **Chapter 1, section 1.2, Chapter 2, section 2.2.3 and Chapter 6, section 6.2 note 3.3.1 to the consolidated financial statements** | **11; 36; 195** |

| Information required under Appendix 1 of regulation (EC) 809/2004 | | Corresponding sections and Chapters of the Registration Document | Page no. |
|---|---|---|---|
| **12.** | **TREND INFORMATION** | | |
| 12.1 | Main trends in production, sales and inventory, and in costs and selling prices, since the end of the last fiscal year | N/A | |
| 12.2 | Known trends, uncertainties, demands, commitments or events that might have a material effect on prospects for the current fiscal year | Chapter 1, section 1.3 and Chapter 2, section 2.4 | 22;45 |
| **13.** | **PROFIT FORECASTS OR ESTIMATES** | **N/A** | |
| **14.** | **ADMINISTRATIVE, MANAGEMENT, AND SUPERVISORY BODIES AND SENIOR MANAGEMENT** | | |
| 14.1 | Information concerning Members of the administrative and management bodies (list of mandates performed during the last five years) | Chapter 4, sections 4.1.1.2 and 4.1.1.3 | 74; 80 |
| 14.2 | Conflicts of interest in administrative and management bodies | Chapter 4, section 4.1.3 | 102 |
| **15.** | **REMUNERATION AND BENEFITS** | | |
| 15.1 | Remuneration paid and benefits in kind | Chapter 4, section 4.2 | 112 |
| 15.2 | Amounts of provisions booked or otherwise recognized for the payment of pensions, retirement annuities or other benefits | Chapter 4, section 4.2.1 and Chapter 6, section 6.2 note 9 to the consolidated financial statements | 112; 229 |
| **16.** | **BOARD PRACTICES** | | |
| 16.1 | Expiry date of current terms of office | Chapter 4, section 4.1.1.2 | 74 |
| 16.2 | Service contracts with Members of administrative bodies | Chapter 4, section 4.1.1.7 | 93 |
| 16.3 | Information about the Audit Committee and the Remuneration Committee | Chapter 4, section 4.1.2.5 | 99 |
| 16.4 | Declaration – corporate governance applicable in the home country of the issuer | Chapter 4, section 4.1.2.1 | 93 |
| **17.** | **EMPLOYEES** | | |
| 17.1 | Number of employees | Chapter 5, section 5.1.1 and Chapter 6, section 6.2 note 9.1 | 141; 229 |
| 17.2 | Profit sharing and stock options | Chapter 4, section 4.2.3, Chapter 5, section 5.1.3 and Chapter 6, section 6.2 note 9.3 to the consolidated financial statements | 128; 142; 235 |
| 17.3 | Agreements for employees' equity stake in the capital of the issuer | Chapter 5, section 5.1.2 | 142 |
| **18.** | **MAJOR SHAREHOLDERS** | | |
| 18.1 | shareholders owning more than 5% of the share capital or voting rights | Chapter 1, section 1.4.1 | 23 |
| 18.2 | Existence of specific voting rights | Chapter 7, section 7.4.3 | 295 |
| 18.3 | Control of the Company | Chapter 1, section 1.4.1 | 23 |
| 18.4 | Agreement known to the Company which could lead to a change in control if implemented | N/A | |
| **19.** | **RELATED PARTY TRANSACTIONS** | **Chapter 6, section 6.2 note 5.2 to the consolidated financial statements** | **208** |
| **20.** | **FINANCIAL INFORMATION CONCERNING THE ISSUER'S ASSETS AND LIABILITIES, FINANCIAL POSITION AND PROFITS AND LOSSES** | | |
| 20.1 | Historical financial information | Chapter 1, Chapter 2 and Chapter 6 | 6; 32; 176 |
| 20.2 | Pro forma financial information | N/A | |
| 20.3 | Financial statement | Chapter 6 | 176 |
| 20.4 | Auditing of historical annual financial information | | |
| 20.4.1 | Statement of audit of historical financial information | Chapter 6, sections 6.3 and 6.7 and Chapter 7, sections 7.12 | 252; 286; 307 |
| 20.4.2 | Other information contained in the Registration Document and not extracted from the issuer's audited financial statement | N/A | |
| 20.4.3 | Financial data contained in the Registration Document and not extracted from the issuer's audited financial statement | N/A | |
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| 20.6.2 | Interim financial information in the event that the document was established more than nine months after the end of the last audited financial year | N/A | |
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