



**TECHNICOLOR 2017 CONSOLIDATED FINANCIAL STATEMENTS**

***The audit procedures of the consolidated financial statements have been performed. The audit report will be issued in the following days after finalization of the audit of certain affiliates.***



## TECHNICOLOR 2017 CONSOLIDATED FINANCIAL STATEMENTS

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## CONSOLIDATED STATEMENT OF OPERATIONS

(€ in million)	Note	<b>December 31,</b>	
		<b>2017</b>	<b>2016*</b>
<b>CONTINUING OPERATIONS</b>			
Revenues		4,231	4,628
Cost of sales		(3,651)	(3,935)
<b>Gross Margin</b>		<b>580</b>	<b>693</b>
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
<b>Earning before Interest &amp; Tax from continuing operations</b>		<b>(10)</b>	<b>76</b>
Interest income		3	4
Interest expense		(46)	(85)
Other financial income (expense)		(54)	(73)
<b>Net financial income (expense)</b>	(8.4)	<b>(97)</b>	<b>(154)</b>
Share of gain (loss) from associates		-	2
Income tax	(6)	(112)	(30)
<b>Profit (loss) from continuing operations</b>		<b>(219)</b>	<b>(106)</b>
<b>DISCONTINUING OPERATIONS</b>			
Net profit (loss) from discontinuing operations	(12)	46	80
<b>Net income (loss)</b>		<b>(173)</b>	<b>(26)</b>
<i>Attributable to:</i>			
- Equity holders of the parent		(172)	(26)
- Non-controlling interest		(1)	-
<b>EARNINGS PER SHARE</b>			
<i>(in euro, except number of shares)</i>		<b>December 31,</b>	
		<b>2017</b>	<b>2016*</b>
Weighted average number of shares outstanding (basic net of treasury shares held)	(7.3)	412,716,772	411,932,346
<b>Earnings (losses) per share from continuing operations</b>			
- basic		(0.53)	(0.26)
- diluted		(0.53)	(0.26)
<b>Earnings (losses) per share from discontinuing operations</b>			
- basic		0.11	0.20
- diluted		0.11	0.20
<b>Total earnings (losses) per share</b>			
- 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)

The accompanying notes on pages 9 to 76 are an integral part of these consolidated financial statements.



## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(€ in million)	Note	December 31,	
		2017	2016
<b>Net income (loss) for the year</b>		<b>(173)</b>	<b>(26)</b>
<b>Items that will not be reclassified to profit or loss</b>			
Remeasurement of the defined benefit obligations	(9.2)	(3)	(43)
<b>Items that may be reclassified subsequently to profit or loss</b>			
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		-	-
<b>Total other comprehensive income <sup>(1)</sup></b>		<b>(163)</b>	<b>15</b>
<b>Total comprehensive income for the year</b>		<b>(336)</b>	<b>(11)</b>
<i>Attributable to:</i>			
- 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 9 to 76 are an integral part of these consolidated financial statements.



## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(€ in million)	Note	December 31, 2017	December 31, 2016
<b>ASSETS</b>			
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
<b>TOTAL OPERATING NON-CURRENT ASSETS</b>		<b>1,848</b>	<b>2,132</b>
Investments and available-for-sale financial assets	(8.1)	17	19
Other non-current financial assets	(8.1)	19	39
<b>TOTAL FINANCIAL NON-CURRENT ASSETS</b>		<b>36</b>	<b>58</b>
Investments in associates and joint-ventures	(2.4)	2	3
Deferred tax assets	(6.2)	275	423
<b>TOTAL NON-CURRENT ASSETS</b>		<b>2,161</b>	<b>2,616</b>
Inventories	(5.1)	238	234
Trade accounts and notes receivable	(5.1)	684	806
Other operating current assets	(5.1)	256	284
<b>TOTAL OPERATING CURRENT ASSETS</b>		<b>1,178</b>	<b>1,324</b>
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	-
<b>TOTAL CURRENT ASSETS</b>		<b>1,551</b>	<b>1,765</b>
<b>TOTAL ASSETS</b>		<b>3,712</b>	<b>4,381</b>

*The accompanying notes on pages 9 to 76 are an integral part of these consolidated financial statements.*

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(€ in million)	Note	December 31, 2017	December 31, 2016
<b>EQUITY &amp; LIABILITIES</b>			
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)
<b>Shareholders' equity attributable to owners of the parent</b>		<b>333</b>	<b>701</b>
Non-controlling interest		3	3
<b>TOTAL EQUITY</b>		<b>336</b>	<b>704</b>
Retirement benefits obligations	(9.2)	355	376
Provisions	(10.1)	23	35
Other operating non-current liabilities	(5.1)	59	153
<b>TOTAL OPERATING NON-CURRENT LIABILITIES</b>		<b>437</b>	<b>564</b>
Borrowings	(8.3)	1,077	998
Deferred tax liabilities	(6.2)	193	217
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>1,707</b>	<b>1,779</b>
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
<b>TOTAL OPERATING CURRENT LIABILITIES</b>		<b>1,547</b>	<b>1,809</b>
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	-
<b>TOTAL CURRENT LIABILITIES</b>		<b>1,669</b>	<b>1,898</b>
<b>TOTAL LIABILITIES</b>		<b>3,376</b>	<b>3,677</b>
<b>TOTAL EQUITY &amp; LIABILITIES</b>		<b>3,712</b>	<b>4,381</b>

The accompanying notes on pages 9 to 76 are an integral part of these consolidated financial statements.



## CONSOLIDATED STATEMENT OF CASH FLOWS

(€ in million)	Note	December 31,	
		2017	2016*
<b>Net income (loss)</b>		<b>(173)</b>	<b>(26)</b>
Income (loss) from discontinuing activities		46	80
<b>Profit (loss) from continuing activities</b>		<b>(219)</b>	<b>(106)</b>
<i>Summary adjustments to reconcile profit from continuing activities to cash generated from continuing operations</i>			
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
<b>Cash generated from continuing activities</b>		<b>262</b>	<b>316</b>
Interest paid		(46)	(74)
Interest received		2	3
Income tax paid		(9)	(5)
<b>NET OPERATING CASH GENERATED FROM CONTINUING ACTIVITIES (I)</b>		<b>209</b>	<b>240</b>
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	-
<b>NET INVESTING CASH USED IN CONTINUING ACTIVITIES (II)</b>		<b>(151)</b>	<b>(117)</b>
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
<b>NET FINANCING CASH USED IN CONTINUING ACTIVITIES (III)</b>		<b>(28)</b>	<b>(331)</b>
<b>NET CASH FROM DISCONTINUED ACTIVITIES (IV)</b>	(12.2)	<b>(43)</b>	<b>168</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>		<b>371</b>	<b>385</b>
<b>Net decrease in cash and cash equivalents (I+II+III+IV)</b>		<b>(13)</b>	<b>(40)</b>
Exchange gains / (losses) on cash and cash equivalents		(39)	26
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>		<b>319</b>	<b>371</b>

(\*) 2016 amounts are re-presented to reflect the impacts of Discontinued Operations (see Note 12)

The accompanying notes on pages 9 to 76 are an integral part of these consolidated financial statements.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

<i>Other comprehensive income</i>	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
<b>Balance as of December 31, 2015</b>	411	(155)	1,233	500	(25)	(948)	(283)	733	4	737
Net income (loss)	-	-	-	-	-	(26)	-	(26)	-	(26)
Other comprehensive income	-	-	-	-	(39)	-	54	15	-	15
<b>Total comprehensive income for the period</b>	-	-	-	-	(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 <sup>(1)</sup>	-	-	-	-	8	-	-	8	-	8
Tax impact on equity <sup>(2)</sup>	-	-	-	-	-	(8)	-	(8)	-	(8)
<b>Balance as of December 31, 2016</b>	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)
<b>Total comprehensive income for the period</b>	-	-	-	-	(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 <sup>(1)</sup>	-	-	-	-	10	-	-	10	-	10
Tax impact on equity <sup>(2)</sup>	-	-	-	-	-	(17)	-	(17)	-	(17)
<b>Balance as of December 31, 2017</b>	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 9 to 76 are an integral part of these consolidated financial statements.



## 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

#### 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

#### 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](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		These amendments clarify the classification and measurement of share-based payment transactions and in particular: <ul style="list-style-type: none"> <li>- The accounting for cash-settled share-based payment transactions that include a performance condition;</li> <li>- The classification of share-based payment transactions with net settlement features;</li> <li>- The accounting for modifications of share-based payment transactions from cash-settled to equity-settled.</li> </ul> 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	Annual periods beginning on or after January 1, 2018	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. The new standard will not impact the Group. The Group's conclusion is described in more details hereafter this table. 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. The impact of the new standard is not significant and described in more details hereafter this table. 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. 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-winning 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
US 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.

## 2. Scope of consolidation

### 2.1. Scope and consolidation method

#### 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 1<sup>st</sup>, 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.

<b>Number of companies as of December 31, 2017</b>	<b>FRANCE</b>	<b>EUROPE (exc. France)</b>	<b>U.S.</b>	<b>OTHER</b>	<b>TOTAL</b>
Parent company and consolidated subsidiaries	17	41	23	32	113
Companies accounted for under the equity method	1	-	1	3	5
<b>TOTAL</b>	<b>18</b>	<b>41</b>	<b>24</b>	<b>35</b>	<b>118</b>

<b>Number of companies as of December 31, 2016</b>	<b>FRANCE</b>	<b>EUROPE (exc. France)</b>	<b>U.S.</b>	<b>OTHER</b>	<b>TOTAL</b>
Parent company and consolidated subsidiaries	21	42	23	35	121
Companies accounted for under the equity method	1	-	1	4	6
<b>TOTAL</b>	<b>22</b>	<b>42</b>	<b>24</b>	<b>39</b>	<b>127</b>

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**

### **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 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.



The purchase price allocation is as follows:

<i>(€ in million converted at May 17, 2017 exchange rate)</i>	<b>Fair Value</b>
<b>Net asset acquired</b>	
Property, plant and equipment	1
Intangible assets	2
Working Capital and other assets and liabilities	5
<b>Total net asset acquired</b>	<b>8</b>
Purchase price paid (before price adjustment)	14
Price adjustment	(2)
Earn-out payments' estimates	9
<b>Total purchase consideration</b>	<b>21</b>
<b>Goodwill</b>	<b>13</b>

No other significant acquisition occurred in 2017.

### 2.3. Change in the scope of consolidation of 2016

#### 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 14).

Details of investments in associates and joint ventures are summarized below:

<i>(€ in millions)</i>	Group's share of associates' & joint-ventures net assets		Profit (loss) from associates and joint-ventures	
	2017	2016	2017	2016
Investment in associates	2	2	-	2
Investment in joint ventures	-	1	-	(1)
<b>TOTAL</b>	<b>2</b>	<b>3</b>	<b>-</b>	<b>1</b>

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.

## 3. Information on operations

### 3.1. Information by business segments

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)	Entertainment Services	Connected Home	Corporate & Other (*) (2)	Adj	TOTAL
	Year ended December 31, 2017				
<b>Statement of operations items</b>					
Revenues	1,790	2,419	22	-	4,231
Intersegment sales	2	-	1	(3)	-
<b>Earning before Interest &amp; Tax (EBIT) from continuing operations</b>	<b>53</b>	<b>29</b>	<b>(92)</b>	<b>-</b>	<b>(10)</b>
<i>Of which:</i>					
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 <sup>(1)</sup>	(5)	10	(3)	-	2
<b>Adjusted EBITDA</b>	<b>230</b>	<b>137</b>	<b>(76)</b>	<b>-</b>	<b>291</b>
<b>Statements of financial position items</b>					
Segment assets	1,493	1,376	157	-	3,026
Unallocated assets					686
<b>Total consolidated assets</b>					<b>3,712</b>
Segment liabilities	527	1,057	403	-	1,987
Unallocated liabilities					1,389
<b>Total consolidated liabilities</b>					<b>3,376</b>
<b>Other information</b>					
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, has been included in the Corporate & Other segment.

	Entertainment Services	Connected Home	Corporate & Other (*) (2)	Adj	TOTAL
(€ in million)	Year ended December 31, 2016 (3)				
<b>Statement of operations items</b>					
Revenues	1,966	2,637	25	-	<b>4,628</b>
Intersegment sales	3	-	1	(4)	-
<b>Earning before Interest &amp; Tax (EBIT) from continuing operations</b>	<b>76</b>	<b>113</b>	<b>(113)</b>	<b>-</b>	<b>76</b>
<i>Of which:</i>					
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 <sup>(1)</sup>	(3)	3	(3)	-	(3)
<b>Adjusted EBITDA</b>	<b>238</b>	<b>218</b>	<b>(97)</b>	<b>-</b>	<b>359</b>
<b>Statements of financial position items</b>					
Segment assets	1,755	1,522	178	-	3,455
Unallocated assets					926
<b>Total consolidated assets</b>					<b>4,381</b>
Segment liabilities	639	1,081	661	-	2,381
Unallocated liabilities					1,296
<b>Total consolidated liabilities</b>					<b>3,677</b>
<b>Other information</b>					
Net capital expenditures	(74)	(75)	(3)	-	<b>(152)</b>
Capital employed	693	141	(119)	-	<b>715</b>

(\*) 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

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 millions)	France	U.K.	Rest of Europe	U.S.	Rest of Americas	Asia-Pacific	TOTAL
<b>Revenues</b>							
2017	740	199	221	2,318	541	212	4,231
2016*	877	215	279	2,497	569	191	4,628
<b>Segment assets</b>							
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

#### 3.3.1. Research & development expenses

(€ in millions)	2017	2016*
Research and development expenses, gross	(186)	(204)
Capitalized development projects	48	49
Amortization of capitalized development projects	(46)	(36)
Subsidies <sup>(1)</sup>	12	14
<b>Research and development expenses, net</b>	<b>(172)</b>	<b>(177)</b>

(1) Include mainly research tax credit granted by the French State.

#### 3.3.2. Selling & administrative expenses and other operation income (expenses)

(€ in millions)	2017	2016*
Selling and marketing expenses	(145)	(162)
General and administrative expenses	(210)	(222)
<b>Selling and administrative expenses</b>	<b>(355)</b>	<b>(384)</b>
<b>Other income (expense)</b>	<b>(11)</b>	<b>1</b>

(\* ) 2016 amounts are re-presented to reflect the impacts of Discontinued Operations (see Note 12)

## 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).

(€ in million)	Connected Home	Entertainment Services		TOTAL
		Production Services	DVD Services	
<b>At December 31, 2015</b>	<b>429</b>	<b>204</b>	<b>370</b>	<b>1,003</b>
Exchange difference	13	(9)	9	13
Additions	-	3	-	3
Disposals	-	-	-	-
Impairment loss	-	-	-	-
Other	-	-	-	-
<b>At December 31, 2016</b>	<b>442</b>	<b>198</b>	<b>379</b>	<b>1,019</b>
Exchange difference	(33)	(15)	(42)	(90)
Additions <sup>(1)</sup>	13	-	-	13
Disposals	-	-	-	-
Impairment loss	-	-	-	-
Other	-	-	-	-
<b>At December 31, 2017</b>	<b>422</b>	<b>183</b>	<b>337</b>	<b>942</b>

(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 millions)	Trademarks	Patents & Customer Relationships	Other intangibles	Total Intangible Assets
<b>At December 31, 2015,</b>	<b>270</b>	<b>418</b>	<b>115</b>	<b>803</b>
<i>Cost</i>	375	979	321	1,675
<i>Accumulated depreciation</i>	(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	-	-	-	-
<b>At December 31, 2016,</b>	<b>275</b>	<b>353</b>	<b>143</b>	<b>771</b>
<i>Cost</i>	282	989	342	1,613
<i>Accumulated depreciation</i>	(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 <sup>(1)</sup>	-	(7)	-	(7)
<b>At December 31, 2017, Net</b>	<b>248</b>	<b>254</b>	<b>123</b>	<b>625</b>
<i>Cost</i>	255	642	389	1,286
<i>Accumulated depreciation</i>	(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 millions)	Land	Buildings	Machinery & Equipment	Other Tangible Assets <sup>(1)</sup>	TOTAL
<b>At December 31, 2015, Net,</b>	<b>3</b>	<b>24</b>	<b>172</b>	<b>105</b>	<b>304</b>
<i>Cost</i>	3	57	1,183	354	1,597
<i>Accumulated depreciation</i>	-	(33)	(1,011)	(249)	(1,293)
Exchange differences	-	1	4	3	8
Additions	-	-	4	71	75
Disposals of businesses <sup>(2)</sup>	-	-	-	(1)	(1)
Depreciation charge	-	(3)	(65)	(30)	(98)
Impairment loss	-	-	(1)	(1)	(2)
Other <sup>(4)</sup>	-	-	25	(25)	-
<b>At December 31, 2016, Net,</b>	<b>3</b>	<b>22</b>	<b>139</b>	<b>122</b>	<b>286</b>
<i>Cost</i>	3	61	1,243	388	1,695
<i>Accumulated depreciation</i>	-	(39)	(1,104)	(266)	(1,409)
Exchange differences	-	(1)	(12)	(11)	(24)
Additions	-	5	9	71	85
Acquisition of subsidiaries <sup>(3)</sup>	-	-	1	-	1
Disposals	-	-	(1)	(4)	(5)
Depreciation charge	-	(5)	(58)	(33)	(96)
Impairment loss	-	-	-	(1)	(1)
Other <sup>(4)</sup>	-	-	22	(25)	(3)
<b>At December 31, 2017, Net</b>	<b>3</b>	<b>21</b>	<b>100</b>	<b>119</b>	<b>243</b>
<i>Cost</i>	3	63	1,132	372	1,570
<i>Accumulated depreciation</i>	-	(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 millions)	Connected Home	Entertainment Services	Discontinued operations	TOTAL
<b>2017</b>				
Impairment loss on goodwill	-	-	-	-
Impairment losses on intangible assets	(7)	(1)	(5)	(13)
Impairment losses on tangible assets	(1)	-	-	(1)
<b>Impairment losses on non-current operating assets</b>	<b>(8)</b>	<b>(1)</b>	<b>(5)</b>	<b>(14)</b>
Impairment reversal on intangible assets	-	-	-	-
<b>Net impairment losses on non-current operating assets</b>	<b>(8)</b>	<b>(1)</b>	<b>(5)</b>	<b>(14)</b>
<b>2016</b>				
Impairment loss on goodwill	-	-	-	-
Impairment losses on intangible assets	(9)	(2)	-	(11)
Impairment losses on tangible assets	(1)	(1)	-	(2)
<b>Impairment losses on non-current operating assets</b>	<b>(10)</b>	<b>(3)</b>	-	<b>(13)</b>
Impairment reversal on intangible assets	-	-	-	-
<b>Net impairment losses on non-current operating assets</b>	<b>(10)</b>	<b>(3)</b>	-	<b>(13)</b>

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 <sup>(1)</sup> :			
- 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 bring 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

<i>(€ in millions)</i>	<b>Minimum future lease commitments</b>	<b>Future lease commitments received</b>	<b>Net value of future lease commitments</b>
2018	86	4	82
2019	58	1	57
2020	42	-	42
2021	27	-	27
2022	16	-	16
After 5 years	80	-	80
<b>Total<sup>(1)</sup></b>	<b>309</b>	<b>5</b>	<b>304</b>

(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 US:

- 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).

## 5. Other operating information

### 5.1. Operating assets & liabilities

#### 5.1.1. Non-current operating assets & liabilities

<i>(€ in millions)</i>	<b>2017</b>	<b>2016</b>
Customer contract advances and up-front prepaid discount	10	24
Other	28	32
<b>Other operating non-current assets</b>	<b>38</b>	<b>56</b>
Payable on acquisitions of business & fixed assets	(32)	(50)
Deferred income	(2)	(65)
Other	(25)	(38)
<b>Other operating non-current liabilities</b>	<b>(59)</b>	<b>(153)</b>

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 millions)	<b>2017</b>	<b>2016</b>
Raw materials	38	40
Work in progress	10	42
Finished goods and purchased goods for resale	214	179
<b>Gross value</b>	<b>262</b>	<b>261</b>
Less: valuation allowance	(24)	(27)
<b>Total inventories</b>	<b>238</b>	<b>234</b>

### 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 millions)	<b>2017</b>	<b>2016</b>
Trade accounts and notes receivable	708	826
Less: valuation allowance	(24)	(20)
<b>Total trade accounts and notes receivable</b>	<b>684</b>	<b>806</b>

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 millions)	<b>2017</b>	<b>2016</b>
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
<b>Other current operational assets</b>	<b>256</b>	<b>284</b>
Taxes payable	(40)	(37)
Accrued royalties expense	(49)	(71)
Payables for fixed assets	(25)	(30)
Other	(220)	(366)
<b>Other current operational liabilities</b>	<b>(334)</b>	<b>(504)</b>

### 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.

## 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 millions)	2017	2016*
<b>Current income tax</b>		
France	3	-
Foreign	(15)	(15)
<b>Total current income tax</b>	<b>(12)</b>	<b>(15)</b>
<b>Deferred income tax</b>		
France	(113)	(59)
Foreign	13	44
<b>Total deferred income tax</b>	<b>(100)</b>	<b>(15)</b>
<b>Income tax on continuing operations</b>	<b>(112)</b>	<b>(30)</b>

(\* 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, 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 renewal in 2017 of the 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 millions)	2017	2016*
<b>Profit (loss) from continuing operations</b>	<b>(219)</b>	<b>(106)</b>
Income tax	(112)	(30)
Share of profit (loss) from associates	-	2
<b>Pre-tax accounting income on continuing operations</b>	<b>(107)</b>	<b>(30)</b>
	39%	34%
<b>Expected tax expense</b>	<b>42</b>	<b>28</b>
Effect of unused tax losses and tax offsets not recognized as deferred tax assets <sup>(1)</sup>	86	(61)
Effect of different tax rates applied <sup>(2)</sup>	20	5
Effect of change in applicable tax rate <sup>(2)</sup>	(270)	(1)
Effect of permanent differences	10	-
Withholding taxes not recovered	(1)	(1)
Other <sup>(3)</sup>	-	-
<b>Effective tax expense on continuing operations</b>	<b>(112)</b>	<b>(30)</b>
<b>Effective Tax Rate on continuing operations</b>	<b>N/R<sup>(3)</sup></b>	<b>N/R<sup>(3)</sup></b>

(\* ) 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

<i>(€ in millions)</i>	<b>Deferred tax assets</b>	<b>Deferred tax liabilities</b>	<b>Total, net deferred tax assets</b>
<b>Year ended December 31, 2015</b>	<b>472</b>	<b>(247)</b>	<b>225</b>
Changes impacting continuing profit or loss	(46)	31	(15)
Other movement	(3)	(1)	(4)
<b>Year ended December 31, 2016</b>	<b>423</b>	<b>(217)</b>	<b>206</b>
Changes impacting continuing profit or loss	(108)	8	(100)
Other movement	(40)	16	(24)
<b>Year ended December 31, 2017</b>	<b>275</b>	<b>(193)</b>	<b>82</b>

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**

<i>(€ in millions)</i>	<b>2017</b>	<b>2016</b>
<b>Tax losses carried forward</b>	<b>1,348</b>	<b>1,578</b>
<b>Tax effect of temporary differences related to:</b>		
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
<b>Total deferred tax on temporary differences</b>	<b>197</b>	<b>269</b>
<b>Deferred tax assets / (liabilities) before netting</b>	<b>1,545</b>	<b>1,847</b>
Valuation allowances on deferred tax assets	(1,463)	(1,641)
<b>Net deferred tax assets / (liabilities)</b>	<b>82</b>	<b>206</b>

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).

## 7. Equity & Earnings per share

### **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
<b>Share Capital as of December 31, 2015</b>	<b>411,443,290</b>	<b>1</b>	<b>411,443,290</b>
Issuance of new shares for MIP* purpose	1,802,677	1	<b>1,802,677</b>
<b>Share Capital as of December 31, 2016</b>	<b>413,245,967</b>	<b>1</b>	<b>413,245,967</b>
Issuance of new shares for Free shares* purpose	778,750	1	<b>778,750</b>
Issuance of new shares for MIP* purpose	436,461	1	<b>436,461</b>
<b>Share Capital as of December 31, 2017</b>	<b>414,461,178</b>	<b>1</b>	<b>414,461,178</b>

\* 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 euros 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
<b>Number of Treasury shares at opening</b>	<b>752,768</b>	<b>401,524</b>
Variation related to the Share Management Agreement	225,283	351,494
Other variations	-	(250)
<b>Number of Treasury shares at closing</b>	<b>978,051</b>	<b>752,768</b>

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

	<b>2017</b>	<b>2016*</b>
<b>Net income (€ in million)</b>	<b>(173)</b>	<b>(26)</b>
Net (income) loss attributable to non-controlling interest	(1)	-
Net (gain) loss from discontinued operations	46	80
<b><u>Numerator:</u></b>		
Adjusted profit "Group share" from continuing operations attributable to ordinary shareholders	<b>(218)</b>	<b>(106)</b>
<b>Basic weighted average number of outstanding shares ('000)</b>	<b>412,717</b>	<b>411,932</b>
Dilutive impact of stock-option & free share plans	963	5,618
<b><u>Denominator:</u></b>		
Weighted shares ('000)	<b>413,680</b>	<b>417,550</b>

*(\*) 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).

## 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	Fair value measurement by accounting categories as of December 31, 2017					December 31, 2016
	December 31, 2017	Amortized costs	Fair value through profit & loss	Fair value through equity	Derivative instruments (see Note 8.5)	
(€ in million)						
<b>Investments and available-for-sale assets</b>	<b>17</b>			17		<b>19</b>
<i>Cash collateral &amp; security deposits</i>	15		15		Level 1	24
<i>Loans &amp; others</i>	4	4				15
<b>Other non-current financial assets</b>	<b>19</b>					<b>39</b>
<b>Total non-current financial assets</b>	<b>36</b>					<b>58</b>
<i>Cash collateral and security deposits</i>	8		8		Level 1	10
<i>Other financial current assets</i>	2	2				4
<i>Derivative financial instruments</i>	-				Level 2	3
<b>Other financial current assets</b>	<b>10</b>					<b>17</b>
<i>Cash</i>	274		274		Level 1	229
<i>Cash equivalents</i>	45		45		Level 1	142
<b>Cash and cash equivalents</b>	<b>319</b>					<b>371</b>
<b>Total current financial assets</b>	<b>329</b>					<b>388</b>
Borrowings <sup>(1)</sup>	(1,097)	(1,097)				(1,050)
Other current financial liabilities	(1)				(1) Level 2	(2)
<b>Total financial liabilities</b>	<b>(1,098)</b>					<b>(1,052)</b>

(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

### 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 divisions 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 millions)	Transaction	Translation	Total
Profit from continuing operations before tax and net finance costs <sup>(1)</sup>	(12)	0	(12)
Equity Impact (cumulative translation adjustment) <sup>(2)</sup>			108

2016 (€ in millions)	Transaction	Translation	Total
Profit from continuing operations before tax and net finance costs <sup>(1)</sup>	6	(5)	0
Equity Impact (cumulative translation adjustment) <sup>(2)</sup>			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.

<i>(€ in millions)</i>	<b>2017</b>	<b>2016</b>
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 €90m 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 (\*)**

<i>(€ in millions)</i>	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 (\*)**

<i>(€ in millions)</i>	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 month Euribor and 3 month 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.

<i>(€ in millions)</i>	At December 31, 2017						Total
	2018	2019	2020	2021	2022	There after	
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
<b>Total debt principal payments</b>	<b>20</b>	<b>17</b>	<b>7</b>	<b>2</b>	<b>5</b>	<b>1,052</b>	<b>1,103</b>
IFRS Adjustment							(6)
<b>Debt in IFRS</b>							<b>1,097</b>
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
<b>Total interest payments</b>	<b>38</b>	<b>38</b>	<b>37</b>	<b>37</b>	<b>37</b>	<b>37</b>	<b>224</b>

<i>(€ in millions)</i>	At December 31, 2016						Total
	2017	2018	2019	2020	2021	There after	
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
<b>Total debt principal payments</b>	<b>52</b>	<b>38</b>	<b>34</b>	<b>507</b>	<b>-</b>	<b>452</b>	<b>1,083</b>
IFRS Adjustment							(33)
<b>Debt in IFRS</b>							<b>1,050</b>
Floating rate Term Loan Debt – interest	46	44	43	34	16	32	215
<b>Total interest payments</b>	<b>46</b>	<b>44</b>	<b>43</b>	<b>34</b>	<b>16</b>	<b>32</b>	<b>215</b>

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.

<i>(€ in millions)</i>	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

<i>(€ in millions)</i>	<b>2017</b>	<b>2016</b>
Debt due to financial institutions	1,058	1,022
Bank overdrafts	-	-
Other financial debt	35	22
Accrued interest	4	6
<b>Debt under IFRS</b>	<b>1,097</b>	<b>1,050</b>
<i>Total non-current</i>	<i>1,077</i>	<i>998</i>
<i>Total current</i>	<i>20</i>	<i>52</i>

### 8.3.2. Summary of debt

Details of the Group's debt as of December 31, 2017 are given in the table below:

<i>(in million currency)</i>	Currency	Nominal Amount	IFRS Amount <small>(see Note 8.3.3.4)</small>	Type of rate	Nominal rate <sup>(1)</sup>	Effective rate <sup>(1)</sup>	Repayment Type	Final maturity
Term Loan Debt	USD	249	248	Floating <sup>(2)</sup>	4.23%	4.35%	Amortizing	December 2023
Term Loan Debt	EUR	275	273	Floating <sup>(3)</sup>	3.00%	3.11%	Bullet	December 2023
Term Loan Debt	EUR	450	447	Floating <sup>(4)</sup>	3.50%	3.63%	Bullet	December 2023
EIB Loan	EUR	90	90	Fixed rate	2.54%	2.54%	Bullet	January 2023
<b>Total</b>	<b>EUR</b>	<b>1,064</b>	<b>1,058</b>		<b>3.46%</b>	<b>3.57%</b>		
Other Debt <sup>(5)</sup>	EUR	39	39		3.25%	3.25%		
<b>TOTAL</b>	<b>EUR</b>	<b>1,103</b>	<b>1,097</b>		<b>3.45%</b>	<b>3.56%</b>		

(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.

<i>(€ in millions)</i>	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
<b>Total current debt less than 1 year</b>	<b>20</b>	<b>52</b>
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
<b>Total non-current debt</b>	<b>1,083</b>	<b>1,031</b>
<b>Total nominal debt</b>	<b>1,103</b>	<b>1,083</b>
IFRS Adjustment (see Note 8.3.3.4)	(6)	(33)
<b>Debt under IFRS</b>	<b>1,097</b>	<b>1,050</b>

#### 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

<i>(€ in millions)</i>	<b>2017</b>	<b>2016</b>
Euro	816	756
U.S. Dollar	271	292
Other currencies	10	2
<b>Debt under IFRS</b>	<b>1,097</b>	<b>1,050</b>

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:

<i>(€ in million)</i>	
<b>IFRS discount of the Term Loan Debt as of December 31, 2016</b>	<b>(33)</b>
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
<b>IFRS discount of the Term Loan Debt as of December 31, 2017</b>	<b>(6)</b>

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 S.A. 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 S.A. 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 S.A.'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

Since 2.96 is less than the maximum allowed level of 4.00, the Group meets this financial covenant.

\* Adjusted EBITDA in respect of the leverage covenant definition

### **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 S.A. 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)**

<i>(€ in millions)</i>	<b>2017</b>	<b>2016</b>
Interest income	3	4
Interest expense	(46)	(85)
<b>Net interest expense <sup>(1)</sup></b>	<b>(43)</b>	<b>(81)</b>
Net interest expense on defined benefit liability (Note 9.2.2.1)	(7)	(8)
Foreign exchange gain / (loss)	(6)	(15)
Other <sup>(2)</sup>	(41)	(50)
<b>Other financial income (expense)</b>	<b>(54)</b>	<b>(73)</b>
<b>Net financial income (expense)</b>	<b>(97)</b>	<b>(154)</b>

(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.

<i>(€ in millions)</i>	2017		2016	
	Assets	Liabilities	Assets	Liabilities
Forward foreign exchange contracts - cash flow and fair value hedges	-	1	3	1
<b>Total</b>	<b>-</b>	<b>1</b>	<b>3</b>	<b>1</b>

### 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;

<i>(€ in millions)</i>	2017
Currency swaps	514
<b>Total commitments given</b>	<b>514</b>
Currency swaps	514
<b>Total commitments received</b>	<b>514</b>

## 9. Employee benefit

### 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:

<i>(€ in millions)</i>	<b>2017</b>	<b>2016</b>
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
<b>Total Employee benefits expenses (excluding defined contribution plans)</b>	<b>952</b>	<b>1,068</b>
Pension costs - defined contribution plans	<b>21</b>	<b>21</b>

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

(€ in millions)	Pension plan benefits		Medical Post-retirement benefits		TOTAL	
	2017	2016	2017	2016	2017	2016
	<b>Opening provision</b>	<b>397</b>	<b>375</b>	<b>-</b>	<b>7</b>	<b>404</b>
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)
<b>Closing provision</b>	<b>376</b>	<b>397</b>	<b>6</b>	<b>7</b>	<b>382</b>	<b>404</b>
<i>Of which current</i>	27	28	-	-	27	28
<i>Of which non-current</i>	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:

<i>(€ in millions)</i>	<b>Germany</b>	<b>U.S.</b>	<b>U.K.</b>	<b>France</b>	<b>Others</b>	<b>Total</b>
Present value of defined benefit obligation	282	121	134	20	22	<b>579</b>
Fair value of plan assets	-	(83)	(102)	-	(12)	<b>(197)</b>
<b>Retirement benefit obligations</b>	<b>282</b>	<b>38</b>	<b>32</b>	<b>20</b>	<b>10</b>	<b>382</b>
Cash flows	(18)	(6)	(2)	(1)	-	<b>(27)</b>
Average duration (in years)	12	9	19	12	N/A	<b>N/A</b>

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**

<i>(€ in millions)</i>	<b>Pension plan benefits</b>		<b>Medical Post-retirement benefits</b>		<b>TOTAL</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>Service cost:</b>					
- Current service cost	(3)	(3)	-	-	(3)	(3)
- Past service cost and gain from settlements	1	3	-	-	1	3
<b>Financial interest expense, net:</b>						
- Interest cost on obligation	(12)	(15)	-	-	(12)	(15)
- Interest income on plan assets	5	6	-	-	5	6
<b>Components of defined benefit costs recognized in profit or loss</b>	<b>(9)</b>	<b>(9)</b>	<b>-</b>	<b>-</b>	<b>(9)</b>	<b>(9)</b>

**9.2.2.2. Other comprehensive income**

<i>(€ in millions)</i>	<b>Pension plan benefits</b>		<b>Medical Post-retirement benefits</b>		<b>TOTAL</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>Opening</b>					<b>(189)</b>
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 <sup>(1)</sup>	(5)	(58)	-	-	(5)	(58)
- due to experience adjustments	(6)	3	-	-	(6)	3
<b>Components of defined benefit costs recognized in OCI</b>	<b>(3)</b>	<b>(43)</b>	<b>-</b>	<b>-</b>	<b>(3)</b>	<b>(43)</b>
<b>Closing</b>					<b>(192)</b>	<b>(189)</b>

(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**

(€ in millions)	Pension plan benefits		Medical Post-retirement benefits		TOTAL	
	2017	2016	2017	2016	2017	2016
<b>Benefit obligation at opening</b>	<b>(593)</b>	<b>(578)</b>	-	(7)	<b>(600)</b>	<b>(585)</b>
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) <sup>(1)</sup>	(12)	-	-	-	(12)	-
<b>Benefit obligation at closing</b>	<b>(573)</b>	<b>(593)</b>	<b>(6)</b>	<b>(7)</b>	<b>(579)</b>	<b>(600)</b>
<i>Benefit obligation wholly or partly funded</i>	<i>(256)</i>	<i>(262)</i>	<i>-</i>	<i>-</i>	<i>(256)</i>	<i>(262)</i>
<i>Benefit obligation wholly unfunded</i>	<i>(317)</i>	<i>(331)</i>	<i>(6)</i>	<i>(7)</i>	<i>(323)</i>	<i>(338)</i>
<b>Fair value of plan assets at opening</b>	<b>196</b>	<b>203</b>	-	-	<b>196</b>	<b>203</b>
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	-
<b>Fair value of plan assets at closing</b>	<b>197</b>	<b>196</b>	-	-	<b>197</b>	<b>196</b>
<b>Retirement benefit obligations</b>	<b>(376)</b>	<b>(397)</b>	<b>(6)</b>	<b>(7)</b>	<b>(382)</b>	<b>(404)</b>

(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 U.K., the investment strategy of the benefit plans aims to match the investment portfolio to the membership profile.

In the U.K., 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 U.K., 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

<i>(in % and € in millions)</i>	<b>Plan assets allocation at December 31</b>		<b>Fair value of plan assets at December 31</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
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
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>197</b>	<b>196</b>

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

	<b>Pension plan benefits</b>		<b>Medical post-retirement benefits</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
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 U.K. 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+
U.K.	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 will be delivered to eligible employees at the end of the acquisition period. The plan is 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.

This three-year plan provides conditional rights to the beneficiaries to receive Performance Shares, the delivery of which is subject to the 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 plan 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 beneficiaries	Vesting date	Contractual option life	Exercise price <sup>(2)</sup>	Estimated fair values granted <sup>(2)</sup>
<b>MIP Options (*)</b>	Subscription options	June 17, 2010	1,216,700 <sup>(1)</sup>	805 476	18	April 30, 2013 for France June 17, 2014 for other countries	8 years	€6.29	€2.22
<b>MIP 2015 Options (**)</b>	Subscription options	May 23, 2013 and June 7, 2013	16,398,000	6 483 034	94	May 2015 (50%) May 2016 (25%) May 2017 (25%)	8 years	€3.19	€1.06
<b>MIP 2015 Options (**)</b>	Subscription options	October 24, 2013	200,000	103 794	1	May 2015 (50%) May 2016 (25%) May 2017 (25%)	8 years	€3.93	€1.40
<b>MIP 2015 Options (**)</b>	Subscription options	March 26, 2014	215,000	67 466	2	May 2015 (50%) May 2016 (25%) May 2017 (25%)	8 years	€4.53	€1.73
<b>MIP 2016 Options (**)</b>	Subscription options	June 20, 2014	2,830,000	2 203 037	40	June 2016 (50%) June 2017 (25%) June 2018 (25%)	8 years	€5.79	€1.82
<b>MIP 2016 Options (**)</b>	Subscription options	October 21, 2014	1,915,000	1 331 163	24	October 2016 (50%) October 2017 (25%) October 2018 (25%)	8 years	€4.92	€1.45
<b>MIP 2016 Options (**)</b>	Subscription options	April 9, 2015	400,000	415 176	1	October 2016 (50%) October 2017 (25%) October 2018 (25%)	8 years	€5.83	€1.88
<b>MIP June 2017 Options (**)</b>	Subscription options	June 26, 2015	250,000	103 794	2	June 2017 (50%) June 2018 (25%) June 2019 (25%)	8 years	€5.88	€1.91
<b>MIP October 2017 Options (**)</b>	Subscription options	December 3, 2015	1,710,000	1 050 000	22	October 2017 (50%) October 2018 (25%) October 2019 (25%)	8 years	€7.11	€2.27
<b>2016 LTIP (***)</b>	Performance shares	April 29, 2016	2,760,500	2 356 187	187	April 2019	-	-	€5.69
<b>2016 LTIP (***)</b>	Performance shares	July 27, 2016	66,000	60,000	12	April 2019	-	-	€5.47
<b>2016 LTIP (***)</b>	Performance shares	October 20, 2016	214,000	189,000	18	April 2019	-	-	€5.14
<b>2017 LTIP (***)</b>	Performance shares	January 6, 2017	162 000	142 000	10	April 2020	-	-	€ 3.78
<b>2017 LTIP (***)</b>	Performance shares	March 9, 2017	4 003 000	3 802 545	218	April 2020	-	-	€ 3.78
<b>2017 LTIP (***)</b>	Performance shares	April 26, 2017	200 000	200 000	1	April 2020	-	-	€ 4.33
<b>2017 LTIP (***)</b>	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 €)
<b>Outstanding as of December 31, 2015</b> (with an average remaining contractual life of 6 years – excluding free shares)	<b>17,907,823</b>	<b>4.43</b> <i>(ranging from 0 to 7)</i>
<i>Of which exercisable</i>	<i>3,251,110</i>	<i>4.03</i>
Granted <sup>(*)</sup>	3,040,500	na
Delivered (Free Share Plan)	(250)	na
Delivered (MIP)	(1,802,677)	3.36
Forfeited & other	(1,538,467)	4.79
<b>Outstanding as of December 31, 2016</b> (with an average remaining contractual life of 5 years – excluding free shares)	<b>17,606,929</b>	<b>4.53</b> <i>(ranging from 0 to 7)</i>
<i>Of which exercisable</i>	<i>7,389,710</i>	<i>4.23</i>
Granted <sup>(*)</sup>	4,507,500	na
Delivered (Free Share Plan)	(778,750)	na
Delivered (MIP)	(436,461)	3.19
Forfeited & other	(1,468,046)	5.87
<b>Outstanding as of December 31, 2017</b> (with an average remaining contractual life of 4 years – excluding free shares)	<b>19,431,172</b>	<b>4.48</b> <i>(ranging from 0 to 7)</i>
<i>Of which exercisable</i>	<i>11,087,249</i>	<i>4.27</i>

(\*) 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:

<i>(in % and in euro)</i>	Stock options plan granted in								
	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 <sup>(*)</sup>	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:

<i>(€ in millions)</i>	<b>2017<sup>(2)</sup></b>	<b>2016<sup>(2)</sup></b>
Short-term employee benefits <sup>(1)</sup>	10	12
Share-based payment	4	2
<b>Total</b>	<b>14</b>	<b>14</b>

(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 €9 million.



## 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 warranty	Provisions for risks & litigations related to		Provisions for restructuring related to		Total
		Continuing operations	Discontinued operations	Continuing operations	Discontinued operations	
(€ in million)						
<b>As of December 31, 2016</b>	<b>46</b>	<b>68</b>	<b>36</b>	<b>14</b>	<b>4</b>	<b>168</b>
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)
<b>As of December 31, 2017</b>	<b>43</b>	<b>41</b>	<b>30</b>	<b>17</b>	<b>2</b>	<b>133</b>
<i>Of which current</i>	43	35	13	17	2	110
<i>Of which non-current</i>	-	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

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 US.

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\$13million (€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.

## 11. Specific operations impacting the consolidated statement of cash-flows

### 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:

<i>(€ in millions)</i>	<b>2017</b>	<b>2016*</b>
Cisco Connected Devices	(4)	3
Cinram NA	-	(18)
The Mill	-	(1)
Mr. X Inc	(1)	(1)
LG <sup>(1)</sup>	(15)	-
Others	(5)	(5)
<b>Acquisition of investments</b>	<b>(25)</b>	<b>(22)</b>
Less cash position of companies acquired	-	1
<b>Acquisition of investments, net</b>	<b>(25)</b>	<b>(21)</b>

(\* ) 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:

<i>(€ in millions)</i>	<b>2017</b>	<b>2016</b>
SV Holdco	-	29
M-GO activity	-	10
Digital Cinema activity <sup>(1)</sup>	8	5
Gainspeed investment	1	6
Other	2	3
<b>Disposal of investments</b>	<b>11</b>	<b>53</b>
Less cash position of companies disposed off	-	(1)
<b>Disposal of investments, net</b>	<b>11</b>	<b>52</b>

(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 millions)	Note	2017	2016
Proceed from non-current borrowings <sup>(2)</sup>	(1.1)	644	450
Reimbursement of non-current borrowings to bank holders <sup>(4)</sup>	(1.1)	-	-
<b>Cash impact of non-current borrowings variation</b>		<b>644</b>	<b>450</b>
Proceed from current borrowings <sup>(2)</sup>	(1.1)	2	-
Reimbursement of current borrowings to bank holders <sup>(4)</sup>	(1.1)	(612)	(775)
<b>Cash impact of current borrowings variation</b>		<b>(610)</b>	<b>(775)</b>
Increase of Capital (net of fees paid) <sup>(1)</sup>		1	15
Fees paid for debt repricing <sup>(3)</sup>	(8.4)	(7)	(10)
<b>Total cash impact of refinancing and share capital operations</b>		<b>28</b>	<b>(320)</b>

- (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 and 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:

(€ in million)	December 31, 2016	Cash impact of borrowing variation	Non cash variation					December 31, 2017
			Capital leases recognition	IFRS Discount of Term Loan Debt	Currency Translation Adjustments	Transfer Current - Non Current	Other Movements	
Non Current Borrowing	998	644	15	27	(52)	(554)	(1)	1,077
Current Borrowing	52	(610)	15	-	7	554	2	20
<b>Total Borrowing</b>	<b>1,050</b>	<b>34</b>	<b>30</b>	<b>27</b>	<b>(45)</b>	<b>-</b>	<b>1</b>	<b>1,097</b>

(€ in million)	December 31, 2015	Cash impact of borrowing variation	Non cash variation					December 31, 2016
			Capital leases recognition	IFRS Discount of Term Loan Debt	Currency Translation Adjustments	Transfer Current - Non Current	Other Movements	
Non Current Borrowing	1,207	450	4	44	7	(714)	-	998
Current Borrowing	86	(775)	10	-	14	714	3	52
<b>Total Borrowing</b>	<b>1,293</b>	<b>(325)</b>	<b>14</b>	<b>44</b>	<b>21</b>	<b>-</b>	<b>3</b>	<b>1,050</b>

### 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.

(€ in millions)	Amount of commitments by maturity				
	2017	Less than 1 year	1 – 3 years	3 – 5 years	More than 5 years
<b>Off-balance sheet obligations</b>					
<b>Unconditional future payments</b>					
Operating leases (see Note 4.5)	309	86	100	43	80
Other unconditional future payments <sup>(1)</sup>	25	6	8	6	5
<b>Total Unconditional future payments</b>	<b>334</b>	<b>92</b>	<b>108</b>	<b>49</b>	<b>85</b>
<b>Conditional future payments</b>					
Guarantees given and other conditional future payments	61	13	1	-	47
<b>Total Conditional future payments</b>	<b>61</b>	<b>13</b>	<b>1</b>	<b>-</b>	<b>47</b>

(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.



## 12. Discontinued operations and held for sale operations

### 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)	December 31,	
	2017	2016*
<b>DISCONTINUED OPERATIONS</b>		
Revenues	131	257
Cost of sales	(52)	(43)
<b>Gross Margin</b>	<b>79</b>	<b>214</b>
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)
<b>Earning before Interest &amp; Tax from discontinued operations</b>	<b>54</b>	<b>97</b>
Net financial income (expense)	(1)	(2)
Share of income (loss) from associates	-	(1)
Income tax	(7)	(14)
<b>Net income (loss)</b>	<b>46</b>	<b>80</b>

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 millions)	2017	2016
<b>Profit (Loss) from discontinued operations</b>	<b>46</b>	<b>80</b>
<i>Summary adjustments to reconcile loss from discontinued operations to cash used in discontinued operations:</i>		
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) <sup>(1)</sup>	3	88
Changes in working capital and other assets and liabilities <sup>(2)</sup>	(114)	13
Income tax paid	1	(39)
<b>NET OPERATING CASH GENERATED FROM DISCONTINUES ACTIVITIES (I)</b>	<b>(39)</b>	<b>160</b>
<b>NET INVESTING CASH USED IN DISCONTINUED ACTIVITIES (II)</b>	<b>(1)</b>	<b>1</b>
Proceeds from borrowings	3	7
Repayments of borrowings	(6)	-
<b>NET FINANCING CASH GENERATED IN DISCONTINUED ACTIVITIES (III)</b>	<b>(3)</b>	<b>7</b>
<b>NET CASH FROM DISCONTINUING ACTIVITIES (I+II+III)</b>	<b>(43)</b>	<b>168</b>

(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)	December 31, 2017
Patents	7
<b>Assets classified as held for sale</b>	<b>7</b>
<b>Liabilities classified as held for sale<sup>(*)</sup></b>	<b>68</b>

(\*) 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.

## 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.

## 14. Table of auditor's fees

	Deloitte		Mazars		Total	
	2017	2016	2017	2016	2017	2016
<i>(in thousands of euros)</i>						
<b>Statutory audit, certification, consolidated and individual financial statements</b>						
▪ Technicolor SA	819	784	952	951	1,771	1,735
▪ Subsidiaries	1,952	2,039	1,525	1,462	3,477	3,501
<b>Subtotal</b>	<b>2,771</b>	<b>2,823</b>	<b>2,477</b>	<b>2,413</b>	<b>5,248</b>	<b>5,236</b>
<b>Services other than certification of financial statements as required by laws and regulations<sup>(1)</sup></b>						
▪ Technicolor SA	32	113	-	-	32	113
▪ Subsidiaries	6	-	18	115	24	115
<b>Subtotal</b>	<b>38</b>	<b>113</b>	<b>18</b>	<b>115</b>	<b>56</b>	<b>228</b>
<b>Services other than certification of financial statements provided upon the entity's request<sup>(2)</sup></b>						
▪ Technicolor SA	263	-	10	-	273	-
▪ Subsidiaries	126	150	13	-	139	150
<b>Subtotal</b>	<b>389</b>	<b>150</b>	<b>23</b>	<b>-</b>	<b>412</b>	<b>150</b>
<b>TOTAL</b>	<b>3,198</b>	<b>3,086</b>	<b>2,518</b>	<b>2,528</b>	<b>5,716</b>	<b>5,614</b>

(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).

## 15. List of main consolidated subsidiaries

The following is a list of the principal consolidated holding entities and subsidiaries:

COMPANY - (Country)	% share held by Technicolor (% rounded to one decimal)	
	2017	2016
<b>Fully consolidated</b>		
Technicolor SA 1-5 rue Jeanne d'Arc, 92130 Issy-Les-Moulineaux (France)	Parent company	Parent company
<b>Connected Home</b>		
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
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
<b>Entertainment Services</b>		
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
<b>Corporate &amp; Other</b>		
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
<b>Accounted for under the equity method</b>		
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