# TECHNICOLOR 2016 CONSOLIDATED FINANCIAL STATEMENTS


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## CONSOLIDATED STATEMENT OF OPERATIONS

| (€ in million) | Note | December 31, 2016 | December 31, 2015 restated* |
|---|---|---|---|
| **CONTINUING OPERATIONS** | | | |
| Revenues | | 4,890 | 3,652 |
| Cost of sales[1] | | (3,983) | (2,823) |
| **Gross Margin** | | **907** | **829** |
| Selling and administrative expenses[1] | *(3.3)* | (400) | (331) |
| Research and development expenses | *(3.3)* | (178) | (129) |
| Restructuring costs | *(10.1)* | (55) | (39) |
| Net impairment gains (losses) on non-current operating assets | *(4.4)* | (13) | (27) |
| Other income (expense) | *(3.3)* | 1 | (45) |
| **Earning before Interest & Tax from continuing operations[2]** | | **262** | **258** |
| Interest income | | 4 | 9 |
| Interest expense | | (85) | (72) |
| Other financial income (expense) | | (75) | (24) |
| **Net financial income (expense)** | *(8.4)* | **(156)** | **(87)** |
| Share of gain (loss) from associates | | 2 | (1) |
| Income tax | *(6)* | (44) | 19 |
| **Profit (loss) from continuing operations** | | **64** | **189** |
| **DISCONTINUING OPERATIONS** | | | |
| Net gain (loss) from discontinuing operations | *(12)* | (90) | (43) |
| **Net income (loss)** | | **(26)** | **146** |
| *Attributable to:* | | | |
| *- Equity holders of the parent* | | (26) | 150 |
| *- Non-controlling interest* | | - | (4) |

| **EARNINGS PER SHARE** *(in euro, except number of shares)* | Note | December 31, 2016 | December 31, 2015* |
|---|---|---|---|
| Weighted average number of shares outstanding (basic net of treasury shares held) | *(7.3)* | 411,932,346 | 357,355,262 |
| ***Earnings (losses) per share from continuing operations*** | | | |
| - basic | | 0.15 | 0.54 |
| - diluted | | 0.15 | 0.53 |
| ***Earnings (losses) per share from discontinuing operations*** | | | |
| - basic | | (0.22) | (0.12) |
| - diluted | | (0.22) | (0.12) |
| ***Total earnings (losses) per share*** | | | |
| - basic | | (0.07) | 0.42 |
| - diluted | | (0.07) | 0.41 |

*(*) The opening amounts are restated for December 31, 2015 and do not correspond to the figures published in 2015 financial statements, since, pursuant to IFRS 3, adjustments to the valuation of 2015 acquisitions through the purchase price allocation were made during 2016 as detailed in Note 2.3.*

*(1) In 2016, amortization of customer relationships has been reclassified from cost of sales to selling and administrative expenses as it better reflects the nature of these expenses. Had such comparable 2015 expenses been classified the same way, cost of sales would have amounted to €2,806 million instead of €2,823 million and selling and administrative expenses would have amounted to €348 million instead of €331 million.*

*(2) Formerly denominated "Profit (loss) from continuing operations before tax and net financial income (expense)".*

*The accompanying notes on pages 8 to 81 are an integral part of these consolidated financial statements.*

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| *(€ in million)* | *Note* | December 31, 2016 | December 31, 2015 restated* |
|---|---|---|---|
| **Net income (loss) for the year** | | **(26)** | **146** |
| ***Items that will not be reclassified to profit or loss*** | | | |
| Remeasurement of the defined benefit obligations | *(9.2)* | (43) | 21 |
| ***Items that may be reclassified subsequently to profit or loss*** | | | |
| Fair values gains / (losses), gross of tax on cash flow hedges: | | | |
| - reclassification adjustments when the hedged forecast transactions affect profit or loss | *(8.5)* | 4 | 1 |
| Currency translation adjustments: | | | |
| - currency translation adjustments of the year | | 54 | (29) |
| - reclassification adjustments on disposal or liquidation of a foreign operation | | | |
| **Total other comprehensive income [(1)]** | | **15** | **(7)** |
| **Total comprehensive income for the year** | | **(11)** | **139** |
| *Attributable to:* | | | |
| *- Equity holders of the parent* | | *(11)* | *143* |
| *- Non-controlling interest* | | *-* | *(4)* |

*(*) The opening amounts are restated for December 31, 2015 and do not correspond to the figures published in 2015 financial statements, since, pursuant to IFRS 3, adjustments to the valuation of 2015 acquisitions through the purchase price allocation were made during 2016 as detailed in Note 2.3.*

*(1) No significant tax effect due to the overall tax loss position of the Group.*

*The accompanying notes on pages 8 to 81 are an integral part of these consolidated financial statements.*

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| *(€ in million)* | *Note* | December 31, 2016 | December 31, 2015 restated* |
|---|---|---|---|
| **ASSETS** | | | |
| Goodwill | *(4.1)* | 1,019 | 1,003 |
| Intangible assets | *(4.2)* | 771 | 803 |
| Property, plant & equipment | *(4.3)* | 286 | 304 |
| Other operating non-current assets | *(5.1)* | 56 | 77 |
| **TOTAL OPERATING NON-CURRENT ASSETS** | | **2,132** | **2,187** |
| Investments and available-for-sale financial assets | *(8.1)* | 19 | 22 |
| Other non-current financial assets | *(8.1)* | 39 | 40 |
| **TOTAL FINANCIAL NON-CURRENT ASSETS** | | **58** | **62** |
| Investments in associates and joint-ventures | *(2.4)* | 3 | 16 |
| Deferred tax assets | *(6.2)* | 423 | 472 |
| **TOTAL NON-CURRENT ASSETS** | | **2,616** | **2,737** |
| Inventories | *(5.1)* | 234 | 297 |
| Trade accounts and notes receivable | *(5.1)* | 806 | 709 |
| Other operating current assets | *(5.1)* | 284 | 298 |
| **TOTAL OPERATING CURRENT ASSETS** | | **1,324** | **1,304** |
| Income tax receivable | | 53 | 62 |
| Other financial current assets | *(8.1)* | 17 | 23 |
| Cash and cash equivalents | *(8.1)* | 371 | 385 |
| Assets classified as held for sale | *(12)* | - | 24 |
| **TOTAL CURRENT ASSETS** | | **1,765** | **1,798** |
| **TOTAL ASSETS** | | **4,381** | **4,535** |

*(*) The opening amounts are restated for December 31, 2015 and do not correspond to the figures published in 2015 financial statements, since, pursuant to IFRS 3, adjustments to the valuation of 2015 acquisitions through the purchase price allocation were made during 2016 as detailed in Note 2.3.*

*The accompanying notes on pages 8 to 81 are an integral part of these consolidated financial statements.*

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## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| *(€ in million)* | *Note* | December 31, 2016 | December 31, 2015 restated* |
|---|---|---|---|
| **EQUITY & LIABILITIES** | | | |
| Common stock *(413,245,967 shares at December 31, 2016 with nominal value of 1 euro per share)* | *(7.1)* | 413 | 411 |
| Treasury shares | *(7.2)* | (157) | (155) |
| Subordinated Perpetual Notes | | 500 | 500 |
| Additional paid-in capital & reserves | | 174 | 260 |
| Cumulative translation adjustment | | (229) | (283) |
| **Shareholders' equity attributable to owners of the parent** | | **701** | **733** |
| Non-controlling interest | | 3 | 4 |
| **TOTAL EQUITY** | | **704** | **737** |
| Retirement benefits obligations | *(9.2)* | 376 | 353 |
| Provisions | *(10.1)* | 35 | 40 |
| Other operating non-current liabilities | *(5.1)* | 153 | 157 |
| **TOTAL OPERATING NON-CURRENT LIABILITIES** | | **564** | **550** |
| Borrowings | *(8.3)* | 998 | 1,207 |
| Deferred tax liabilities | *(6.2)* | 217 | 247 |
| **TOTAL NON-CURRENT LIABILITIES** | | **1,779** | **2,004** |
| Retirement benefits obligations | *(9.2)* | 28 | 29 |
| Provisions | *(10.1)* | 133 | 139 |
| Trade accounts and notes payable | | 992 | 745 |
| Accrued employee expenses | | 152 | 166 |
| Other current operating liabilities | *(5.1)* | 504 | 557 |
| **TOTAL OPERATING CURRENT LIABILITIES** | | **1,809** | **1,636** |
| Borrowings | *(8.3)* | 52 | 86 |
| Income tax payable | | 35 | 59 |
| Other current financial liabilities | *(8.1)* | 2 | 1 |
| Liabilities classified as held for sale | *(12)* | - | 12 |
| **TOTAL CURRENT LIABILITIES** | | **1,898** | **1,794** |
| **TOTAL LIABILITIES** | | **3,677** | **3,798** |
| **TOTAL EQUITY & LIABILITIES** | | **4,381** | **4,535** |

*(*) The opening amounts are restated for December 31, 2015 and do not correspond to the figures published in 2015 financial statements since, pursuant to IFRS 3, adjustments to the valuation of 2015 acquisitions through the purchase price allocation were made during 2016 as detailed in Note 2.3.*

*The accompanying notes on pages 8 to 81 are an integral part of these consolidated financial statements.*

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## CONSOLIDATED STATEMENT OF CASH FLOWS

| (€ in million) | Note | December 31, 2016 | December 31, 2015 restated* |
|---|---|---|---|
| **Net income (loss)** | | **(26)** | **146** |
| Income (loss) from discontinuing activities | | (90) | (43) |
| **Profit (loss) from continuing activities** | | **64** | **189** |
| *Summary adjustments to reconcile profit from continuing activities to cash generated from continuing operations* | | | |
| Depreciation and amortization | | 231 | 191 |
| Impairment of assets (1) | | 14 | 32 |
| Net changes in provisions | | (24) | (48) |
| Gain (loss) on asset disposals | | (17) | (7) |
| Interest (income) and expense | *(8.4)* | 81 | 63 |
| Other non-cash items (including tax) | | 106 | 7 |
| Changes in working capital and other assets and liabilities | | 106 | 58 |
| **Cash generated from continuing activities** | | **561** | **485** |
| Interest paid | | (74) | (58) |
| Interest received | | 3 | 10 |
| Income tax paid | | (44) | (52) |
| **Net operating cash generated from continuing activities** | | **446** | **385** |
| Net operating cash used in discontinued activities | *(12)* | (46) | (23) |
| **NET CASH FROM OPERATING ACTIVITIES (I)** | | **400** | **362** |
| Acquisition of subsidiaries, associates and investments, net of cash acquired | *(11.1)* | (22) | (688) |
| Proceeds from sale of investments, net of cash | *(11.1)* | 52 | 2 |
| Purchases of property, plant and equipment (PPE) | | (68) | (51) |
| Proceeds from sale of PPE and intangible assets | | 1 | 1 |
| Purchases of intangible assets including capitalization of development costs | | (85) | (56) |
| Cash collateral and security deposits granted to third parties | | (4) | (8) |
| Cash collateral and security deposits reimbursed by third parties | | 8 | 9 |
| **Net investing cash used in continuing activities** | | **(118)** | **(791)** |
| Net investing cash used in discontinuing activities | *(12)* | 2 | - |
| **NET CASH FROM INVESTING ACTIVITIES (II)** | | **(116)** | **(791)** |
| Increase of Capital | *(11.2)* | 15 | 227 |
| Proceeds from borrowings | *(11.2)* | 457 | 377 |
| Repayments of borrowings | *(11.2)* | (775) | (62) |
| Fees paid linked to the debt | *(11.2)* | (10) | (25) |
| Dividends and distributions paid to Group's shareholders | | (25) | (17) |
| Other | | 14 | (8) |
| **Net financing cash generated in continuing activities** | | **(324)** | **492** |
| Net financing cash used in discontinuing activities | | - | - |
| **NET CASH FROM FINANCING ACTIVITIES (III)** | | **(324)** | **492** |
| **CASH AND CASH EQUIVALENTS AT BEGINING OF THE YEAR** | | **385** | **328** |
| **Net increase in cash and cash equivalents (I+II+III)** | | **(40)** | **63** |
| Exchange gains / (losses) on cash and cash equivalents | | 26 | (6) |
| **CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR** | | **371** | **385** |

*(*) The opening amounts are restated for December 31, 2015 and do not correspond to the figures published in 2015 financial statements, since, pursuant to IFRS 3, adjustments to the valuation of 2015 acquisitions through the purchase price allocation were made during 2016 as detailed in Note 2.3.*

*(1) Including €1 million and €5 million of impairment of assets as part of restructuring plans respectively in 2016 and in 2015.*

*The accompanying notes on pages 8 to 81 are an integral part of these consolidated financial statements.*

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## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| (€ in million) | Share Capital | Treasury shares | Additional paid-in capital | Perpetual Notes | Other reserves | Retained earnings | Cumulative translation | Equity attributable to equity holders of the Group | Non-controlling interest | Total equity |
|---|---|---|---|---|---|---|---|---|---|---|
| **Balance as of December 31, 2014** | **336** | **(157)** | **939** | **500** | **(43)** | **(1,098)** | **(254)** | **223** | **(4)** | **219** |
| Net income (loss)* | - | - | - | - | - | 150 | - | 150 | (4) | 146 |
| Other comprehensive income* | - | - | - | - | 22 | - | (29) | (7) | - | (7) |
| **Total comprehensive income for the period** | - | - | - | - | 22 | 150 | (29) | 143 | (4) | 139 |
| Capital increases | 75 | - | 311 | - | - | - | - | 386 | - | 386 |
| Capital increase allocated to NCI | - | - | - | - | (12) | - | - | (12) | 12 | - |
| Variation of treasury shares | - | 2 | - | - | - | - | - | 2 | - | 2 |
| Dividend paid | - | - | (17) | - | - | - | - | (17) | - | (17) |
| Shared-based payment to employees(1) | - | - | - | - | 8 | - | - | 8 | - | 8 |
| **Balance as of December 31, 2015* restated** | **411** | **(155)** | **1,233** | **500** | **(25)** | **(948)** | **(283)** | **733** | **4** | **737** |
| Net income (loss) | - | - | - | - | - | (26) | - | (26) | - | (26) |
| Other comprehensive income | - | - | - | - | (39) | - | 54 | 15 | - | 15 |
| **Total comprehensive income for the period** | - | - | - | - | (39) | (26) | 54 | (11) | - | (11) |
| Capital increases | 2 | - | 4 | - | - | - | - | 6 | - | 6 |
| Change in Non-controlling interests | - | - | - | - | - | - | - | - | (1) | (1) |
| Variation of treasury shares | - | (2) | - | - | - | - | - | (2) | - | (2) |
| Dividend paid | - | - | (25) | - | - | - | - | (25) | - | (25) |
| Shared-based payment to employees(1) | - | - | - | - | 8 | - | - | 8 | - | 8 |
| Tax impact on equity(2) | - | - | - | - | - | (8) | - | (8) | - | (8) |
| **Balance as of December 31, 2016** | **413** | **(157)** | **1,212** | **500** | **(56)** | **(982)** | **(229)** | **701** | **3** | **704** |

*(*) The opening amounts are restated for December 31, 2015 and do not correspond to the figures published in 2015 financial statements, since, pursuant to IFRS 3, adjustments to the valuation of 2015 acquisitions through the purchase price allocation were made during 2016 as detailed in Note 2.3.*

*(1) Fair value of Share Based Compensation plans.*

*(2) Depreciation of French deferred tax assets allocated to equity.*

*The accompanying notes on pages 8 to 81 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 detailed 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

**Debt refinancing**

On December 16, 2016, Technicolor raised in market €450 million of Senior Secured Term Loan maturing in 2023 priced at 350 basis points over Euribor with a 0% floor and maturing in 2023. Proceeds have been used to partially refinance its existing term loans due 2020, in particular the U.S dollar portion (see Note 8.3 for further details).

The objective of the refinancing was mainly to allow Technicolor to borrow funds at a lower rate, extend its debt maturity profile, benefit from greater flexibility and diversify its lender base.

## 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, 2016 and adopted by the European Union as of February 22, 2017.

The standards approved by the European Union are available on the following web site: http://ec.europa.eu/internal_market/accounting/ias/index_en.htm.

Technicolor financial statements are presented in euro and has been rounded to the nearest million.

The consolidated financial statements were approved by the Board of Directors of Technicolor SA on February 22, 2017. 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 May 2017.

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 2016 (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, 2016**

| New standard and interpretation | Main provisions |
|---|---|
| Amendments to IAS 16 & IAS 38 | IAS 16 and IAS 38 both establish the principle for the basis of depreciation and amortization as being the expected pattern of consumption of the future economic benefits of an asset. The IASB has clarified that the use of revenue-based methods to calculate the depreciation of tangible assets is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The IASB also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances.<br>There was no significant impact identified. |
| Amendments to IFRS 10, IFRS 12 and IAS 28 | These amendments provide clarifications in the consolidation method of investment entities.<br>There was no significant impact identified as the Group has no significant interests in investment entities. |
| Amendments to IFRS 11 – Joint arrangements | These amendments provide clarifications in accounting for acquisitions of interests in joint-operations.<br>There was no significant impact identified as the Group has no interests in joint-operations. |
| Amendments to IAS 19 - Defined Benefit Plans: Employee Contribution | If the amount of contributions is independent of the number of years of service, the contributions may (but are not required) to be recognized as a reduction in service cost in the period in which the related service is rendered instead of being attributed to the periods of service. If the amount of contributions is dependent on the number of years of service, the contributions are required to be attributed to periods of service using the same method required by IAS 19.70 for the gross benefit. This would involve using either the defined benefit plan's contribution formula, or a straight line basis.<br>There was no significant impact identified. |
| Amendments to IAS 1 – Presentation of financial statements | These amendments aim at improving financial statement disclosures with an emphasis on materiality. |
| Improvements to IFRS 2010 – 2012 and 2012-2014 | These amendments are part of the annual improvement program of the IASB. |

**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 |
|---|---|---|
| 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, principles based five-step model to be applied to all contracts with customers.<br>The IASB issued in April 2016 some clarifications on the way those principles should be applied.<br>The Group has conducted a preliminary analysis of the possible impacts on major contracts of two of its major operating activities (Technology and Connected Home).<br>Our analysis did not identify significant impact.<br>Entertainment Services will be analyzed during the first half of 2017 but, considering the nature of the activity, we do not expect any impact either.<br>Accordingly, the Group does not expect significant changes in the way its revenue will be recognized.<br>The Group intends to apply the cumulative effect method at the transition date without restatement of comparative period amounts as permitted by IFRS 15. |
| IFRS 9 - Financial Instruments | Annual periods beginning on or after January 1, 2018 | IFRS 9 issued on 24 July 2014 will replace IAS 39 - Financial Instruments: Recognition and Measurement. The Standard includes requirements for recognition and measurement, classification, impairment, derecognition and general hedge accounting. The Standard introduces guidance on applying the business model assessment and the contractual cash flow characteristics assessment.<br>The Group is investigating to assess potential impacts. |
| IFRS 16 - Leases | Annual periods beginning on or after January 1, 2019 | IFRS 16 specifies how to measure, present and disclose leases. The standard provides a single lease accounting model, requiring the lessee to recognize assets and liabilities for all leases unless the term lease is 12 months or less or the underlying asset has low value. Lessors continue to classify leases as operating or finance leases, applying substantially a comparable methodology from its predecessor, IAS 17.<br>At this early stage, the Group has prepared an action plan for the years to come. Year 2017 will start with the identification of leases concerned and the collection of necessary data and judgment on renewal probability. By the end of 2017, based on the materiality of the collected data, we will be able to decide the most appropriate transition method. |
| Amendments to IAS 7 – Statement of cash-flows | Annual periods beginning on or after January 1, 2017 | These amendments are intended to clarify IAS 7 to improve information provided to users of financial statements about an entity's financing activities.<br>These amendments are not adopted by the European Union yet. |
| Amendments to IAS 12 – Income taxes | Annual periods beginning on or after January 1, 2017 | These amendments consist of some clarifying paragraphs and an illustrating example related to the recognition of deferred tax asset on debt instrument measured at fair value.<br>These amendments are not adopted by the European Union yet. |
| Amendments to IFRS 2 – Share-based payments | Annual periods beginning on or after January 1, 2018 | These amendments clarify the classification and measurement of share-based payment transactions and in particular:<br>- the accounting for cash-settled share-based payment transactions that include a performance condition,<br>- the classification of share-based payment transactions with net settlement features and<br>- the accounting for modifications of shares-based payment transactions from cash-settled to equity-settled.<br>These amendments are not adopted by the European Union yet. |
| Improvements to IFRS 2014-2016 | Annual periods beginning on or after January 1, 2018 | These amendments are part of the annual improvement program of the IASB.<br>They are not adopted by the European Union yet. |

### 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 profit or loss on exchange.

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 | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| US Dollar (US$) | 1.0526 | 1.0933 | 1.1029 | 1.1076 |
| Pound sterling (GBP) | 0.8575 | 0.7378 | 0.8223 | 0.7244 |
| Canadian Dollar (CAD) | 1.4189 | 1.5173 | 1.4586 | 1.4224 |

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.*

For the years ended December 31, 2016 and 2015, Technicolor's consolidated financial statements include the accounts of all investments in subsidiaries, jointly controlled entities and associates. Their location is summarized below and main entities are listed in Note 14.

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

| Number of companies as of December 31, 2015 | FRANCE | EUROPE (exc. France) | U.S. | OTHER | TOTAL |
|---|---|---|---|---|---|
| Parent company and consolidated subsidiaries | 21 | 44 | 25 | 39 | 129 |
| Companies accounted for under the equity method | 1 | - | 5 | 4 | 10 |
| **TOTAL** | **22** | **44** | **30** | **43** | **139** |

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 is fully consolidated. Tech Finance only relevant activity is to lend the funds it gets from third parties to Technicolor. Any material changes to Tech Finance debt and loan could only be initiated by Technicolor that would decide to early reimburse or amend the characteristics of its debt. Additionally, Tech Finance revenues do not allow to conduct and fund any other sort of activities.

Management has analyzed its influence in Tech Finance in accordance with IFRS 10's control definition and guidance. It has concluded, further to the analysis on power, return and the ability to use the power to affect returns of Tech Finance that this special purpose vehicle should remain in the Group's scope. Tech Finance assets and liabilities are only those related to the Debt (see Note 8.3).

In 2015, Technicolor, with 51% interest in Technicolor Animation Productions (formerly Ouido Productions), applied the full consolidation method because Technicolor has the control over the activity of this affiliate. In 2016, Technicolor acquired the minority interests in this subsidiary.

## 2.2. 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.

As of January 22, 2016, Ouido Productions has been renamed Technicolor Animation Productions.

**Disposal of Media-Navi**

As of 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.

The M-Go activity had 109 employees as of December 31, 2015.

| *(€ in million)* | **M-Go Activity** |
|---|---|
| **Net assets disposed of** | |
| Fixed assets | 21 |
| Other assets | 2 |
| Other liabilities | (9) |
| **Total net assets disposed of** | **14** |
| Share of non-controlling interests in net assets | 1 |
| **Share of Technicolor in net assets disposed of** | **13** |
| **Cash consideration received** | **11** |
| Costs linked to the disposal | - |
| Currency translation adjustment recycled in the statement of operations | 1 |
| **Loss on shares disposed of** | **(1)** |

## 2.3. Change in the scope of consolidation of 2015

Three acquisitions were made in the second semester 2015: Cisco Connected Devices (CCD), The Mill and the North America optical disc replication and distribution business (DVD and Blu-rayTM) acquired from Cinram.

### 2.3.1. Purchase price allocation (PPA) of the main 2015 acquisitions

#### 2.3.1.1. Restatement of the 2015 comparative information

In 2016, Technicolor performed the purchase price allocations of the 2015 acquisitions listed above.

In accordance with IFRS 3, the opening balance sheet has been adjusted and intangible assets have been recognized as if the accounting for the business combination had been completed at the acquisition date together with a catch-up of the amortization for the period from the acquisition date to December 31, 2015 for a total amount of €6 million. The 2015 comparative information presented reflects such adjustments to the 2015 provisional amounts presented last year.

**RESTATEMENT OF 2015 CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

| (€ in million) | December 31, 2015 as published | CCD PPA[1] | The Mill PPA[1] | NA business of Cinram PPA[1] | Update of Ouido Prod. PPA[1] | PPA catch-up of amortization and DT[1] | Currency translation adjustment | December 31, 2015 restated |
|---|---|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | | | |
| Goodwill | 1,221 | (86) | (96) | (38) | (2) | - | 4 | 1,003 |
| Intangible assets | 454 | 186 | 134 | 38 | - | (6) | (3) | 803 |
| Property, plant and equipment | 302 | 2 | - | - | - | - | - | 304 |
| Deferred tax assets | 365 | 19 | - | 15 | - | 72 | 1 | 472 |
| Inventories | 311 | (14) | - | - | - | - | - | 297 |
| Trade accounts and notes receivable | 704 | 5 | - | - | - | - | - | 709 |
| Other assets[2] | 559 | 3 | - | - | - | - | - | 562 |
| Cash | 385 | - | - | - | - | - | - | 385 |
| **TOTAL ASSETS** | **4,301** | **115** | **38** | **15** | **(2)** | **66** | **2** | **4,535** |
| **EQUITY & LIABILITIES** | | | | | | | | |
| Equity | 666 | - | - | - | - | 68 | 3 | 737 |
| Retirement benefits obligations | 382 | - | - | - | - | - | - | 382 |
| Provisions | 150 | 29 | - | - | - | - | - | 179 |
| Borrowings current / non current | 1,293 | - | - | - | - | - | - | 1,293 |
| Deferred tax liabilities | 126 | 72 | 36 | 15 | - | (2) | - | 247 |
| Trade accounts and notes payable | 746 | (1) | - | - | - | - | - | 745 |
| Accrued employee expenses | 166 | (2) | 2 | - | - | - | - | 166 |
| Other liabilities[3] | 772 | 17 | - | - | (2) | - | (1) | 786 |
| **TOTAL EQUITY & LIABILITIES** | **4,301** | **115** | **38** | **15** | **(2)** | **66** | **2** | **4,535** |

(1) PPA stand for Purchase Price Allocation and DT for Deferred Tax
(2) Other assets include other operating and financial current and non-current assets, investments in associates and joint-ventures and available-for-sale, income tax receivable and assets classified as held for sale. Other operating assets includes CCD price post-closing adjustment for €9 million.
(3) Other liabilities include other operating and financial current and non-current liabilities, income tax payable and liabilities classified as held for sale.

**RESTATEMENT OF 2015 CONSOLIDATED STATEMENT OF OPERATIONS**

| (€ in million) | December 31, 2015 as published | CCD catch-up of amortization and DT[1] | The Mill catch-up of amortization and DT[1] | Cinram NA catch-up of amortization and DT[1] | December 31, 2015 restated |
|---|---|---|---|---|---|
| Revenues | 3,652 | - | - | - | 3,652 |
| Cost of sales[2] | (2,818) | (2) | (2) | (1) | (2,823) |
| **Gross Margin** | **834** | **(2)** | **(2)** | **(1)** | **829** |
| **Earning before Interest & Tax from continuing operations[3]** | **264** | **(3)** | **(2)** | **(1)** | **258** |
| Net financial income (expense) | (87) | - | - | - | (87) |
| Share of gain (loss) from associates | (1) | - | - | - | (1) |
| Income tax[4] | (55) | 51 | 23 | - | 19 |
| **Profit (loss) from continuing operations** | **121** | **48** | **21** | **(1)** | **189** |
| Net gain (loss) from discontinuing operations | (43) | - | - | - | (43) |
| **Net income (loss)** | **78** | **48** | **21** | **(1)** | **146** |

(1) PPA stand for Purchase Price Allocation and DT for Deferred Tax
(2) Cost of sales restated to include customer relationship amortizations.
(3) Earning before interest & Tax from continuing operations restated to include CCD customer relationship and research & development amortizations for respectively €2 million and €1 million.
(4) Income tax restated to include deferred tax catch-up.

2.3.1.2. Purchase price allocations of 2015 acquisitions

The following acquisitions are fully consolidated and accounted for by applying the acquisition method of IFRS 3 ''business combination" (see Note 4.1). The purchase price allocations are presented at the spot rate of the acquisition.

No update of the purchase price allocation of Mikros Image performed in 2015 was necessary in 2016. The update of the purchase price allocation of Ouido Productions performed in 2015 related to the probable earn-out is disclosed in Note 2.2.

**Cisco Connected Devices**

On November 20, 2015 Technicolor acquired the Cisco Connected Devices business ("CCD") for a total consideration of USD 532 million (equivalent to €498 million at November 20, 2015 exchange rate).

The purchase price allocation to identified intangible assets has been conducted in 2016 with the help of an external independent appraiser expert. As a result, the following assets were identified:

- Customer relationships for €123 million with a useful life of 8 years (amortization of €15 million per year);
- Technology (existing & in progress) for an aggregate value of €63 million with a useful life of 3 or 4 years (average amortization of €15 million per year).

In accordance with IFRS 3, the identified assets above have been recognized as if the accounting for the business combination had been completed at the acquisition date together with a catch-up of the amortization for the period from November 20, 2015 to December 31, 2015 for a total amount of €3 million. The 2015 comparative information presented reflects such adjustments to the 2015 provisional amounts presented last year.

Residual goodwill has been increased by €53 million (at November 20, 2015 exchange rate) with the recognition of deferred tax liabilities related to the above identified assets, net of deferred tax assets related to the tax goodwill amortizable in the US.

Technicolor pre-existing deferred tax assets of the US tax perimeter, previously fully depreciated, have been recognized up to the amount of the new net deferred tax liabilities identified in the above purchase price allocation, generating a deferred tax gain of €51 million (at 2015 average exchange rate) adjustment to the 2015 provisional amount that was presented in the last year financial statements.

| *(€ in million converted at November 20, 2015 exchange rate)* | **Acquirees' carrying amount before combination** | **Fair value adjustments** | **Fair value** |
|---|---|---|---|
| **Net asset acquired** | | | |
| Property, plant and equipment | 6 | 2 | 8 |
| Intangible assets | - | 186 | 186 |
| Working Capital | 44 | (29) | 15 |
| Cash | - | - | - |
| Deferred tax assets | - | 19 | 19 |
| Provisions | (26) | (29) | (55) |
| Deferred tax liabilities | - | (72) | (72) |
| **Total net asset acquired** | **24** | **77** | **101** |
| Purchase price paid (before post-closing adjustment) | | | 498 |
| Post-closing adjustment | | | (9) |
| **Total purchase consideration paid** | | | **489** |
| **Goodwill after price adjustment** | | | **388** |

**The Mill**

On September 15, 2015 Technicolor acquired The Mill Group for a total consideration of GBP 48 million (equivalent to €66 million at September 15, 2015 exchange rate).

In addition, pursuant to the agreement, Technicolor repaid the existing borrowings of The Mill group amounting to USD 98 million and GBP 74 million (equivalent to € 187 million at September 15, 2015 exchange rate).

The purchase price allocation to identified intangible assets has been conducted in 2016 with the help of an external independent appraiser expert. As a result, the following assets and liabilities were identified:

- Customer relationships for €109 million with a useful life of 12 years (amortization of €9 million per year);
- Tradename "The Mill" for €25 million with indefinite useful life.

In accordance with IFRS 3, the identified assets above have been recognized as if the accounting for the business combination had been completed at the acquisition date together with a catch-up of the amortization for the period from September 15, 2015 to December 31, 2015 for a total amount of €2 million. The 2015 comparative information presented reflects such adjustments to the 2015 provisional amounts presented last year.

Residual goodwill has been increased by €36 million with the recognition of deferred tax liabilities related to the above identified assets.

Technicolor pre-existing deferred tax assets of the US tax perimeter, previously fully depreciated, have been recognized up to the amount of the new deferred tax liabilities identified in the above purchase price allocation, generating a deferred tax gain of €23 million adjustment to the 2015 provisional amount that was presented in the last year financial statements.

| *(€ in million converted at September 15, 2015 exchange rate)* | Acquirees' carrying amount before combination | Fair value adjustments | Fair value |
|---|---|---|---|
| **Net asset acquired** | | | |
| Property, plant and equipment | 22 | - | 22 |
| Intangible assets | - | 134 | 134 |
| Working capital | 10 | (2) | 8 |
| Cash | 7 | - | 7 |
| Borrowings[(1)] | (187) | - | (187) |
| Deferred tax liabilities | - | (36) | (36) |
| **Total net asset acquired** | **(148)** | **96** | **(52)** |
| Purchase price paid (after post-closing adjustment) | | | 66 |
| **Total purchase consideration paid** | | | **66** |
| **Goodwill after price adjustment** | | | **118** |

(1) In accordance with the agreement, the debt assumed of The Mill was fully paid by Technicolor at the date of acquisition

**North America optical disc replication and distribution business (DVD and Blu-Ray™) acquired from Cinram**

On November 12, 2015 Technicolor acquired for U.S. $44 million (equivalent to €40 million at November 12, 2015 exchange rate) relevant North America optical disc manufacturing and distribution business from Cinram Group, Inc to serve two large studio customers.

In addition, pursuant to the agreement, Technicolor repaid the existing borrowings amounting to USD 21 million (equivalent to € 19 million at November 12, 2015 exchange rate).

The purchase price allocation to identified intangible assets has been conducted in 2016 with the help of an external independent appraiser expert. As a result, a customer relationships for €38 million with a useful life of 10 years (amortization of €4 million per year) was identified.

In accordance with IFRS 3, the identified assets above have been recognized as if the accounting for the business combination had been completed at the acquisition date together with a catch-up of the amortization for the period from November 12, 2015 to December 31, 2015 for a total amount of €1 million. The 2015 comparative information presented reflects such adjustments to the 2015 provisional amounts presented last year.

Deferred tax liabilities related to the intangible assets identified in the above purchase price allocation are balanced by the deferred tax assets related to the tax deductible goodwill. Therefore, this acquisition did not generate a deferred tax gain adjustment to the 2015 provisional amount that was presented in the last year financial statements.

| *(€ in million converted at November 12, 2015 exchange rate)* | **Acquirees' carrying amount before combination** | **Fair value adjustments** | **Fair value** |
|---|---|---|---|
| **Net asset acquired** | | | |
| Property, plant and equipment | 20 | - | 20 |
| Intangible assets | - | 38 | 38 |
| Working capital | (4) | - | (4) |
| Cash | - | - | - |
| Borrowings[(1)] | (19) | - | (19) |
| Deferred tax assets | - | 15 | 15 |
| Deferred tax liabilities | - | (15) | (15) |
| **Total net asset acquired** | **(3)** | **38** | **35** |
| Purchase price paid (after post-closing adjustment) | | | 40 |
| **Total purchase consideration paid** | | | **40** |
| **Goodwill after price adjustment** | | | **5** |

(1) In accordance with the agreement, the debt assumed of Cinram was fully paid by Technicolor at the date of acquisition

### 2.3.2. Main 2015 disposals

***Digital Cinema***

On June 4, 2015, Technicolor has partnered its Digital Cinema activity with Deluxe. Under this agreement, Technicolor sold to Deluxe its worldwide activities (except France) in Digital Cinema for a minimum consideration of U.S. $24 million (equivalent to €19 million after discount at the average rate of 2015), payable over three years.

The fixed assets transferred to the partner amounted to €7 million, and Technicolor contributed for €4 million in cash. The total gain related to this disposal amounted to €5 million as of December 31, 2015, after deduction of fees paid for €(1) million. Around 260 permanent employees were transferred.

In 2015, the impacts of this transaction are detailed below:

| *(€ in millions)* | Digital Cinema |
|---|---|
| **Net assets disposed of** | |
| Fixed assets | (7) |
| Cash contribution to the partner | (4) |
| **Total net liabilities / (assets) disposed of** | **(11)** |
| Deferred income recognized on the use of Technicolor Trademark | (2) |
| **Disposal proceeds** | **19** |
| Costs linked to the disposal | (1) |
| CTA recycled in the statement of operations | - |
| **Gain on shares disposed of** | **5** |

In 2016, USD 6 million (€5 million at March 1st,2016 exchange rate) have been received of which USD 4 million part of the minimum consideration and an excess of USD 2 million based on the 2015 result of the Digital Cinema activity partnered with Deluxe.

## 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:

| | Group's share of associates' & joint-ventures net assets | | Profit (loss) from associates and joint-ventures | |
|---|---|---|---|---|
| *(€ in millions)* | 2016 | 2015 | 2016 | 2015 |
| Investment in associates | 2 | 13 | 2 | 3 |
| Investment in joint ventures | 1 | 3 | (1) | (4) |
| **TOTAL** | **3** | **16** | **1** | **(1)** |

All investments are private companies, therefore no quoted market prices are available for its shares. Neither associate nor joint venture is individually material to the Group.

The consolidated financial statements include transactions made by the Group with associates and joint-ventures. These transactions are performed in normal market conditions.

In 2015, transactions with the Group associates and joint-ventures impacted trade receivables for €1 million, trade payables for €2 million and expenses for €4 million mainly related to SV Holdco. In 2016, there is no significant transactions.

# 3. Information on operations

## 3.1. Information by business segments

The Group's Executive Committee makes its operating decisions and assesses performances based on three types of activities. These are therefore the reportable operating segments under IFRS 8: Connected Home, Entertainment Services and Technology. All the remaining activities (including unallocated corporate functions) are grouped in a segment "Other" as a reconciling item.

Following the disposal of the M-Go activity completed in January 2016, and the discontinuation of the Virdata activity, the Group transferred the M-Go & Virdata activities, formerly reported as part of Technology segment, to the Other segment. Accordingly, the information has been restated for 2015.

**Connected Home**

Connected Home segment offers a wide range of solutions to Pay-TV operators and network service providers for the delivery of digital entertainment, data, voice and smart home services, through the design and supply of products such as digital set-top boxes, broadband gateways, managed wireless tablets, and other connected devices, as well as software solutions for multi-device communication and related professional services.

Connected Home segment generate its revenue from the sale of goods and services.

**Entertainment Services**

Entertainment Services segment is organized around the following divisions:

- DVD Services;
- Production Services that comprises the Group's Visual Effects, Animation and Postproduction activities.

The Entertainment Services segment supports content creators from creation to postproduction (Production Services), while offering global packaged media solutions (DVD Services).

Entertainment Services segment generate its revenue from the sale of goods and services.

**Technology**

Technology segment is organized around the following divisions:

- Patent Licensing;
- Trademark & Technology Licensing;
- Technology Research & Innovation.

Technology Research division includes the Group's fundamental research activities which is recorded as a cost center in the Technology segment. Patent Licensing and Trademark & Technology Licensing generate revenues by licensing the Group's IP portfolio.

The Technology segment generates substantially all its revenue from royalties.

### 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 three operating segments;
- IZON Media, M-Go and Virdata activities (these activities are sold or stopped).

| (€ in million) | Connected Home | Entertainment Services | Technology (2) | Other (2) | Adj | TOTAL |
|---|---|---|---|---|---|---|
| | Year ended December 31, 2016 | | | | | |
| **Statement of operations items** | | | | | | |
| Revenues | 2,637 | 1,966 | 285 | 2 | - | **4,890** |
| Intersegment sales | - | 3 | 1 | 1 | (5) | - |
| **Earning before Interest & Tax (EBIT) from continuing operations(*)** | **113** | **76** | **159** | **(86)** | **-** | **262** |
| *Of which:* | | | | | | |
| Net impairment losses on non-current operating assets | (10) | (3) | - | - | - | (13) |
| Restructuring costs | (11) | (17) | (24) | (3) | - | (55) |
| Other income (expenses) | (14) | 8 | 2 | 5 | - | 1 |
| Depreciation & amortization | (73) | (147) | (10) | (3) | - | (233) |
| Other non-cash items (1) | 3 | (3) | (1) | (2) | - | (3) |
| **EBITDA adjusted** | **218** | **238** | **192** | **(83)** | **-** | **565** |
| **Statements of financial position items** | | | | | | |
| Segment assets | 1,522 | 1,755 | 141 | 37 | - | 3,455 |
| Unallocated assets | | | | | | 926 |
| **Total consolidated assets** | | | | | | **4,381** |
| Segment liabilities | 1,081 | 639 | 145 | 516 | - | 2,381 |
| Unallocated liabilities | | | | | | 1,296 |
| **Total consolidated liabilities** | | | | | | **3,677** |
| **Other information** | | | | | | |
| Net capital expenditures | (75) | (74) | (1) | (2) | - | **(152)** |
| Capital employed | 141 | 693 | 16 | (135) | - | **715** |

(*) Formerly Profit (loss) from continuing operations before tax and net financial income (expense).

(1) mainly variation of provisions for risks, litigations and warranties.

(2) Following the disposal of the activity M-GO completed in January 2016 and the discontinuation of the Virdata activity, the Group transferred these activities, formerly reported as part of Technology segment, to the Other segment.

| (€ in million) | Connected Home | Entertainment Services | Technology [2] | Other [2] | Adj | TOTAL |
|---|---|---|---|---|---|---|
| | Year ended December 31, 2015 restated [3] | | | | | |
| **Statement of operations items** | | | | | | |
| Revenues | 1,451 | 1,676 | 490 | 35 | - | **3,652** |
| Intersegment sales | 2 | 4 | - | 1 | (7) | - |
| **Earning before Interest & Tax (EBIT) from continuing operations** [(*)] | **(13)** | **22** | **374** | **(125)** | **-** | **258** |
| *Of which:* | | | | | | |
| Net impairment losses on non-current operating assets | (11) | (4) | - | (12) | - | (27) |
| Restructuring costs | (4) | (28) | (4) | (3) | - | (39) |
| Other income (expenses) | (42) | (1) | 1 | (3) | - | (45) |
| Depreciation & amortization | (33) | (135) | (18) | (5) | - | (191) |
| Other non-cash items [(1)] | 1 | (2) | (1) | (3) | - | (5) |
| **EBITDA adjusted** | **76** | **192** | **396** | **(99)** | **-** | **565** |
| **Statements of financial position items** | | | | | | |
| Segment assets | 1,390 | 1,843 | 210 | 48 | - | 3,491 |
| Unallocated assets | | | | | | 1,044 |
| **Total consolidated assets** | | | | | | **4,535** |
| Segment liabilities | 874 | 699 | 156 | 460 | - | 2,189 |
| Unallocated liabilities | | | | | | 1,609 |
| **Total consolidated liabilities** | | | | | | **3,798** |
| **Other information** | | | | | | |
| Net capital expenditures | (44) | (52) | (7) | (3) | - | **(106)** |
| Capital employed | 186 | 744 | 79 | (63) | - | **946** |

(*) Formerly Profit (loss) from continuing operations before tax and net financial income (expense).

(1) mainly variation of provisions for risks, litigations and warranties.

(2) Following the disposal of the activity M-GO completed in January 2016 and the discontinuation of the Virdata activity, the Group transferred these activities, formerly reported as part of Technology segment, to the Other segment.

(3) The opening amounts are restated for December 31, 2015 and do not correspond to the figures published in 2015 financial statements, since, pursuant to IFRS 3, adjustments to the valuation of 2015 acquisitions through the purchase price allocation were made during 2016 as detailed in Note 2.3.

*The following comments are applicable to the two tables above:*

- *The caption "EBITDA adjusted" 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 |
|---|---|---|---|---|---|---|---|
| **Revenues** | | | | | | | |
| **2016** | 1,141 | 215 | 279 | 2,495 | 569 | 191 | **4,890** |
| **2015** | 1,050 | 208 | 309 | 1,395 | 501 | 189 | **3,652** |
| **Segment assets** | | | | | | | |
| **2016** | 652 | 240 | 104 | 1,990 | 338 | 131 | **3,455** |
| **2015** | 741 | 276 | 117 | 1,916 | 327 | 114 | **3,491** |

Revenues are classified according to the location of the entity that invoices the customer.

#### Information on main clients

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).

As of December 31, 2015, two external customers represented each more than 10% of the Group's consolidated revenues (respectively €391 million and €369 million).

## 3.3. Operating income & charges

### 3.3.1. Research & development expenses

| *(€ in millions)* | 2016 | 2015 |
|---|---|---|
| Research and development expenses, gross [(1)] | (205) | (158) |
| Capitalized development projects | 49 | 34 |
| Amortization of capitalized development projects [(2)] | (36) | (29) |
| Subsidies [(3)] | 14 | 24 |
| **Research and development expenses, net** | **(178)** | **(129)** |

(1) Increase due to Connected Home segment which almost double its activity in 2016 following CCD business acquisition

(2) Of which €14 million in 2016 and €1 million in 2015 due to amortization of the technology assets identified through the CCD Purchase Price Allocation.

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

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

| *(€ in millions)* | 2016[(1)] | 2015[(2)] |
|---|---|---|
| Selling and marketing expenses [(3)] | (170) | (105) |
| General and administrative expenses | (230) | (226) |
| **Selling and administrative expenses** | **(400)** | **(331)** |
| **Other income (expense)** | **1** | **(45)** |

(1) In 2016, Selling and marketing expenses includes €28 million related to the amortization for the customer relationships identified through the purchase price allocation for the 2015 Acquisitions.

(2) In 2015, the customer relationships amortization had not been classified to Selling and marketing expenses. If it had been done, Selling and administrative expenses would have increased by €17 million of which €12 million related to old customer relationships amortization and €5 million related to the amortization of the customer relationship identified through the purchase price allocation for the 2015 Acquisitions.

(3) Increase mainly due to amortization of customer lists for €40 million and to increase of Connected Home activity following CCD business acquisition

In 2015, the line “Other income (expense)” mainly included:

- €18 million related to a settlement in Connected Home segment.
- €8 million related to Brazil antitrust settlement.
- €24 million on fees related to acquisitions.
- a gain of €5 million on disposal of Digital Cinema.

# 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 acquire; 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, 2016 (refer to Note 4.4 for detail on impairment tests).

| *(€ in million)* | Connected Home | Entertainment Services | | Technology | TOTAL |
|---|---|---|---|---|---|
| | | Production Services | DVD Services | | |
| **At December 31, 2014** | **50** | **66** | **332** | **-** | **448** |
| Exchange difference | (8) | 2 | 32 | - | 26 |
| Additions | - | 1 | - | - | 1 |
| Acquisitions of businesses | 474 | 229 | 43 | - | 746 |
| Impairment loss | - | - | - | - | - |
| Other | - | - | - | - | - |
| **At December 31, 2015 as published** | **516** | **298** | **407** | **-** | **1,221** |
| Impact of the PPA[1] | (86) | (98) | (38) | - | (222) |
| Currency translation adj. | (1) | 4 | 1 | - | 4 |
| **At December 31, 2015 restated** | **429** | **204** | **370** | **-** | **1,003** |
| Exchange difference | 13 | (9) | 9 | - | 13 |
| Additions | - | 3 | - | - | 3 |
| Disposals | - | - | - | - | - |
| Impairment loss | - | - | - | - | - |
| Other | - | - | - | - | - |
| **At December 31, 2016** | **442** | **198** | **379** | **-** | **1,019** |

(1) Purchase price allocation

## 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 |
|---|---|---|---|---|
| **At December 31, 2014, Net** | **222** | **173** | **81** | **476** |
| *Cost* | *316* | *716* | *254* | *1,286* |
| *Accumulated depreciation* | *(94)* | *(543)* | *(173)* | *(810)* |
| Exchange differences | 21 | 14 | 6 | 41 |
| Additions | - | 1 | 47 | 48 |
| Acquisitions of businesses | 2 | - | 6 | 8 |
| Depreciation charge | - | (34) | (42) | (76) |
| Impairment loss (see Note 4.4) | - | - | (23) | (23) |
| Assets classified as held for sale | - | - | (20) | (20) |
| Other | - | - | - | - |
| **At December 31, 2015, Net, as published** | **245** | **154** | **55** | **454** |
| *Cost* | *350* | *710* | *260* | *1,320* |
| *Accumulated depreciation* | *(105)* | *(556)* | *(205)* | *(866)* |
| Impact of the PPA[1] | 25 | 270 | 63 | 358 |
| Catch-up of amortization | - | (5) | (1) | (6) |
| Currency translation adj. | - | (1) | (2) | (3) |
| **At December 31, 2015, Net, restated** | 270 | 418 | 115 | 803 |
| *Cost* | 375 | 979 | 321 | 1,675 |
| *Accumulated depreciation* | (105) | (561) | (206) | (872) |
| Exchange differences | 5 | 2 | 4 | 11 |
| Additions | - | 3 | 86 | 89 |
| Disposals | - | (1) | - | (1) |
| Depreciation charge | - | (68) | (53) | (121) |
| Impairment loss (see Note 4.4) | - | (1) | (9) | (10) |
| Other | - | - | - | - |
| **At December 31, 2016, Net** | **275** | **353** | **143** | **771** |
| *Cost* | *282* | *989* | *342* | *1,613* |
| *Accumulated depreciation* | *(7)* | *(636)* | *(199)* | *(842)* |

(1) Purchase price allocation

### 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, 2016, trademarks total €275 million and consist mainly of Technicolor® trademark for €214 million, RCA® trademark for €29 million and The Mill® tradename for €22 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 a long-term growth rate of 0% 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 Technology and MPC®, Mr. X®, and MIKROS IMAGE® in the Production Services.

#### 4.2.2. Patents & Customer relationships

***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.*

As of December 31, 2016 and 2015 management didn't identify any triggering event that may result in a loss of value of such assets.

#### 4.2.3. 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.*

As of December 31, 2016, an impairment of €9 million (€11 million in 2015) has been recognized on development projects within the Connected Home segment.

### 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[1] | TOTAL |
|---|---|---|---|---|---|
| **At December 31, 2014, Net** | **3** | **26** | **163** | **92** | **284** |
| *Cost* | *3* | *54* | *1,026* | *269* | *1,352* |
| *Accumulated depreciation* | *-* | *(28)* | *(863)* | *(177)* | *(1,068)* |
| Exchange differences | - | 1 | 8 | 7 | 16 |
| Additions | - | - | 7 | 50 | 57 |
| Acquisitions of businesses[2] | - | - | 34 | 17 | 51 |
| Disposals | - | - | - | (1) | (1) |
| Disposals of businesses[3] | - | - | (6) | - | (6) |
| Depreciation charge | - | (3) | (58) | (29) | (90) |
| Impairment loss[4] | - | - | (2) | (5) | (7) |
| Assets classified as held for sale | - | - | - | (1) | (1) |
| Other[5] | - | - | 24 | (25) | (1) |
| **At December 31, 2015, Net, published** | **3** | **24** | **170** | **105** | **302** |
| *Cost* | *3* | *57* | *1,181* | *354* | *1,595* |
| *Accumulated depreciation* | *-* | *(33)* | *(1,011)* | *(249)* | *(1,293)* |
| Impact of the PPA(*) | - | - | 2 | - | 2 |
| **At December 31, 2015, Net, restated** | **3** | **24** | **172** | **105** | **304** |
| *Cost* | *3* | *57* | *1,183* | *354* | *1,597* |
| *Accumulated depreciation* | *-* | *(33)* | *(1,011)* | *(249)* | *(1,293)* |
| Exchange differences | - | 1 | 4 | 3 | 8 |
| Additions | - | - | 4 | 71 | 75 |
| Disposals of businesses[3] | - | - | - | (1) | (1) |
| Depreciation charge | - | (3) | (65) | (30) | (98) |
| Impairment loss[4] | - | - | (1) | (1) | (2) |
| Other[5] | - | - | 25 | (25) | - |
| **At December 31, 2016, Net** | **3** | **22** | **139** | **122** | **286** |
| *Cost* | *3* | *61* | *1,243* | *388* | *1,695* |
| *Accumulated depreciation* | *-* | *(39)* | *(1,104)* | *(266)* | *(1,409)* |

(*) Purchase price allocation

(1) Includes assets in progress.
(2) In 2015 related to the acquisition of Mikros Image for €3 million, CCD for €6 million, The Mill for €22 million and Cinram North America activities for €20 million.
(3) In 2016, mainly related to the disposal of M-GO activity. In 2015, mainly related to the disposal of Digital Cinema activities.
(4) In 2015, it also includes an impairment of €5 million in the frame of a restructuring plan which is not included in the impairment losses on non-current operating assets disclosed in Note 4.4.
(5) 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 4 GRUs:*

- *The Entertainment Services segment includes 2 GRUs: DVD Services and Production Services,*
- *The Connected Home segment is considered as a single GRU,*
- *The Technology 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 | Technology | TOTAL |
|---|---|---|---|---|
| **2016** | | | | |
| Impairment loss on goodwill | - | - | - | - |
| Impairment losses on intangible assets | (9) | (2) | - | (11) |
| Impairment losses on tangible assets | (1) | (1) | - | (2) |
| **Impairment losses on non-current operating assets** | **(10)** | **(3)** | **-** | **(13)** |
| Impairment reversal on intangible assets | - | - | - | - |
| **Net impairment losses on non-current operating assets** | **(10)** | **(3)** | **-** | **(13)** |
| **2015** | | | | |
| Impairment loss on goodwill | - | - | - | - |
| Impairment losses on intangible assets | (11) | - | (12) | (23) |
| Impairment losses on tangible assets | - | (2) | - | (2) |
| Impairment losses on contract advances | - | (2) | - | (2) |
| **Impairment losses on non-current operating assets** | **(11)** | **(4)** | **(12)** | **(27)** |
| Impairment reversal on intangible assets | - | - | - | - |
| **Net impairment losses on non-current operating assets** | **(11)** | **(4)** | **(12)** | **(27)** |

As of December 31, 2016, the Group reviewed its triggering indicators and determined that some amortizable assets and cash generating units may have lost value. Consequently, it performed impairment tests for these assets or group of assets which resulted in depreciation of capitalized development costs within Connected Home segment for €9 million.

The impairment tests performed in 2016 and 2015 on goodwill and intangibles assets with indefinite useful lives resulted in no impairment.

In addition to these impairment expenses, €1 million and €5 million respectively have been written-off as part of a restructuring plan in 2016 and 2015. Total net impairment of assets amounts therefore to €14 million and €32 million in 2016 and 2015 respectively.

### 4.4.1. Main assumptions at December 31, 2016

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 | Value in use |
| Description of key assumptions | | Budget and cash flow projections | |
| 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, 2016 | (*) | 2.0% | 0.5% |
| - As of December 31, 2015 | (*) | 2.0% | 0.3% |
| Post-tax discount rate applied[(1)]: | | | |
| - As of December 31, 2016 | 8.0% | 8.0% | 11.0% |
| - As of December 31, 2015 | 8.0% | 8.0% | 11.0% |

(1) The corresponding pre-tax discount rates are within a range from 12.1% to 17.1%.

(*) The main activities of the DVD Services division has 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 the Group will need to make to adapt to a quickly changing technological environment. Such restructuring would be taken into account 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.

For Production Services and Connected Home, their recoverable values have been based on value in use in 2016 (fair value was used in 2015) as major reorganization and restructuring, following the acquisition of The Mill Group for Production Services and Cisco Connected Devices Business for Connected Home, are now performed.

The Group didn't record any impairment charge on goodwill as of December 31, 2015 and 2016.

#### 4.4.2. Sensitivity of recoverable amounts at December 31, 2016

For DVD Services, as the fair value is slightly higher than the book value as of December 31, 2016, a negative change in the main assumptions could bring the recoverable value below the book value. Additional to these elements, the main assumptions that drive DVD Services recoverable value include the evolution of the DVD and Blu-ray™ markets volume over the projection period, the selling prices of these products and the capacity of DVD Services to adapt its cost structure to a quickly changing market environment.

- an increase of 0.5 point in the post-tax discount rate assumption would decrease the enterprise value by of €19 million without generating an impairment;
- a decrease of 1 point of the EBITDA after 2019 would decrease the enterprise value of €34 million and would bring the net book value to slightly exceed its fair value;
- a decrease of 5% in the Blu-ray™ volume after 2019 would decrease the enterprise value of €10 million without generating an impairment.

For Connected Home:

- an increase of 1 point in the post-tax discount rate assumption would decrease the enterprise value of €132 million without generating an impairment;
- a decrease of 1 point of the EBITDA margin from 2017 would decrease the enterprise value by €214 million without generating an impairment;
- the enterprise value would be decreased by €326 million with a sales growth assumption at 0.5% for 2020 and 2021 (similar to long term growth), without generating an impairment.

For Production Services:

- an increase of 1 point in the post-tax discount rate assumption would decrease the enterprise value of €200 million without generating an impairment;
- a decrease of 1 point of the EBITDA margin from 2017 would decrease the enterprise value of €80 million without generating an impairment.

## 4.5. Commitments related to assets operated under operating lease

| *(€ in millions)* | Minimum future lease commitments | Future lease commitments received | Net value of future lease commitments |
|---|---|---|---|
| 2017 | 94 | (5) | 89 |
| 2018 | 78 | (4) | 74 |
| 2019 | 53 | (2) | 51 |
| 2020 | 34 | - | 34 |
| 2021 | 21 | - | 21 |
| After 5 years | 99 | - | 99 |
| **Total**[(1)] | 379 | (11) | 368 |

(1) Minimum operating lease payments shown are not discounted.

The above table includes the leases accrued as restructuring reserve for €1 million for 2016 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 2016 was €103 million (€107 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

| *(€ in millions)* | 2016 | 2015[(1)] |
|---|---|---|
| Customer contract advances and up-front prepaid discount | 24 | 39 |
| Other | 32 | 38 |
| **Other operating non-current assets** | **56** | **77** |
| | | |
| Payable on acquisitions of business & fixed assets | (50) | (68) |
| Deferred income | (65) | (42) |
| Other | (38) | (47) |
| **Other operating non-current liabilities** | **(153)** | **(157)** |

(1) Amounts are restated as of December 31, 2015 following the update of 2015 acquisition purchase price allocation (Note 2.3).

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)* | **2016** | **2015[(1)]** |
|---|---|---|
| Raw materials | 40 | 40 |
| Work in progress | 42 | 22 |
| Finished goods and purchased goods for resale | 179 | 257 |
| **Gross value** | **261** | **319** |
| Less: valuation allowance | (27) | (22) |
| **Total inventories** | **234** | **297** |

(1) Amounts are restated as of December 31, 2015 following the update of 2015 acquisition purchase price allocation (Note 2.3).

### 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)* | **2016** | **2015[(1)]** |
|---|---|---|
| Trade accounts and notes receivable | 826 | 728 |
| Less: valuation allowance | (20) | (19) |
| **Total trade accounts and notes receivable** | **806** | **709** |

(1) Amounts are restated as of December 31, 2015 following the update of 2015 acquisition purchase price allocation (Note 2.3).

Trade accounts receivable include €79 million and €70 million which are past due respectively as of December 31, 2016 and December 31, 2015 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 (806€ million as of December 31, 2016 compared to 709€ million as of December 31, 2015).

#### 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)* | **2016** | **2015(1)** |
|---|---|---|
| Value added tax receivable | 26 | 38 |
| Research tax credit and subsidies | 24 | 33 |
| Prepaid expenses | 48 | 40 |
| Accrued royalty income | 18 | 48 |
| Other | 168 | 139 |
| **Other current operational assets** | **284** | **298** |
| | | |
| Taxes payable | (37) | (30) |
| Accrued royalties expense | (71) | (116) |
| Payables for fixed assets | (30) | (44) |
| Other | (366) | (367) |
| **Other current operational liabilities** | **(504)** | **(557)** |

(1) Amounts are restated as of December 31, 2015 following the update of 2015 acquisition purchase price allocation (Note 2.3).

### 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 a related party since March 2011 as Mr. Lombard, Director of Technicolor, is member of the Supervisory Board of ST Microelectronics. Transactions with ST Microelectronics impact trade payables for €2 million (€3 million in 2015) and expenses for €1 million (€18 million in 2015);
- NDS is a related party of Technicolor since Cisco Systems Inc. (the parent company of NDS) holds 5.21% of the share capital of Technicolor. In 2016, transactions with NDS impact expenses for €4 million (€3 million in 2015) and trade payables for €1 million.

There is no contractual obligation and other commitment with these related parties in 2016 and in 2015.

# 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)* | 2016 | 2015 |
|---|---|---|
| **Current income tax** | | |
| France | (14) | (34) |
| Foreign | (15) | (22) |
| **Total current income tax** | **(29)** | **(56)** |
| **Deferred income tax** | | |
| France | (59) | - |
| Foreign[(1)] | 44 | 75 |
| **Total deferred income tax** | **(15)** | **75** |
| **Income tax on continuing operations** | **(44)** | **19** |

(1) Amounts are restated as of December 31, 2015 following the update of 2015 acquisition purchase price allocation (Note 2.3).

In 2016 and 2015, the current income tax charge was notably the result of current taxes due in France, Mexico, India, Canada and Australia, as well as withholding taxes, which were mostly credited against taxes payable in France.

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".

The 2016 restatement of €74 million compared to the deferred tax profit of €1 million in the 2015 published consolidated statement of operations is related to the purchase price allocation of the 2015 main acquisitions. The net deferred tax liabilities recognized in the purchase price allocation of CCD and The Mill for €51 million and €23 million respectively permitted the reversal of allowance on pre-existing deferred tax assets in the U.S. for the same amount.

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 34% – and the reported tax expense. Following the non-renewal in 2016 of the extraordinary contribution of 10.7% due by companies with revenues over €250 million, the applicable French corporate tax rate of the Group is decreased from 38% to 34%. The reconciling items are described below:

| *(€ in millions)* | 2016 | 2015* |
|---|---|---|
| **Profit (loss) from continuing operations** | **64** | **189** |
| Income tax | (44) | 19 |
| Share of profit (loss) from associates | 2 | (1) |
| **Pre-tax accounting income on continuing operations** | **106** | **171** |
| | *34%* | *38%* |
| **Expected tax expense** | **(35)** | **(65)** |
| Effect of unused tax losses and tax offsets not recognized as deferred tax assets (1) | (25) | 55 |
| Effect of different tax rates applied (2) | 33 | 53 |
| Effect of change in applicable tax rate | (1) | (3) |
| Effect of permanent differences | (8) | (4) |
| Withholding taxes not recovered (3) | (4) | (1) |
| Other(4) | (4) | (16) |
| **Effective tax expense on continuing operations** | **(44)** | **19** |
| | | |
| **Effective Tax Rate on continuing operations** | **42%** | **N/R(5)** |

(*) Amounts are restated as of December 31, 2015 following the update of 2015 acquisition purchase price allocation (Note 2.3).
(1) In 2016, mainly related to the depreciation of deferred tax assets in France. In 2015, relates mainly to the reversal of allowance on U.S. deferred tax assets up to the deferred tax liabilities recognized in the purchase price allocation of the 2015 main acquisitions for € 74 million, partially offset by the depreciation of deferred tax assets in the U.S and the release of depreciation in France due to the extension of Licensing visibility for one additional year.
(2) In 2016, the mother company benefited from reduced rate taxation, resulting in a tax benefit of €28 million related to the licensing revenue (€32 million in 2015).
(3) Related to withholding tax paid on licensing revenues but not refunded through current income tax in France and in the U.S.
(4) In 2016 comprises €3 million related to "CVAE" of French entities (€7 million in 2015).
(5) Non relevant.

### 6.2. Tax position in the statement of financial position

*Deferred taxes result from:*
*- Temporary differences arising from differences between the tax bases of assets and liabilities and their carrying amounts in the Group consolidated balance sheets; and*
*- The carry forward of unused tax losses and tax credits.*

*Deferred taxes for all temporary differences are calculated for each taxable entity (or group of entities) using the balance sheet liability method.*

*All deferred tax liabilities are recorded except:*
*- When the deferred tax liability results from the initial recognition of goodwill, or from the initial recognition of an asset or a liability in a transaction which is not a business combination and, at the trade date, affects neither the net income nor the taxable income or loss; and*
*- For taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the Group is able to control the timing of the reversal of the temporary differences and when it is probable that these temporary differences will not reverse in the foreseeable future.*

*Deferred tax assets are recorded:*
*- For all deductible temporary differences, to the extent that it is probable that future taxable income will be available against which these temporary differences can be utilized, except when the related deferred tax asset results from the initial recognition of an asset or a liability in a transaction which is not a business combination and, at the trade date, affects neither the net income nor the taxable income or loss; and*

*- For the carry forward of unused tax losses and unused tax credits, to the extent that it is probable that future taxable income will be available against which the unused tax losses and credits can be utilized.*

*The recoverable amount of the deferred tax assets is reviewed at each balance sheet date and adjusted to take into account the level of taxable profit available to allow the benefit of part or all of the deferred tax assets to be utilized.*

*Deferred tax assets and liabilities are valued using the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. Deferred taxes are classified as non-current assets and liabilities.*

***Accounting estimates and judgments***

*Management judgment is required to determine the Group's deferred tax assets and liabilities. When a specific subsidiary has a history of recent losses, future positive taxable income is assumed improbable, unless the asset recognition can be supported for reasons such as*
*- the losses having resulted from exceptional circumstances which are not expected to re-occur in the near future, and/or*
*- the expectation of exceptional gains or*
*- future income to be derived from long-term contracts.*
*The Group considered tax-planning in assessing whether deferred tax assets should be recognized.*

### 6.2.1. Change in net deferred taxes

| *(€ in millions)* | Deferred tax assets | Deferred tax liabilities | Total, net deferred tax assets |
|---|---|---|---|
| **Year ended December 31, 2014** | **342** | **(106)** | **236** |
| Changes impacting continuing profit or loss | 14 | (13) | 1 |
| Other movement | 9 | (7) | 2 |
| **Year ended December 31, 2015 as published** | **365** | **(126)** | **239** |
| Impact of purchase price allocation | 34 | (123) | (89) |
| Changes impacting continuing profit or loss | 72 | 2 | 74 |
| Other movement | 1 | - | 1 |
| **Year ended December 31, 2015 restated** | **472** | **(247)** | **225** |
| Changes impacting continuing profit or loss | (46) | 32 | (14) |
| Other movement | (3) | (2) | (5) |
| **Year ended December 31, 2016** | **423** | **(217)** | **206** |

As of December 31, 2016, the net deferred tax assets of €206 million include €195 million related to losses carry forward mainly in France and in the US. These losses are mainly expected to be consumed in the five next years except for the €92 million of French long-term deferred tax asset. The French long-term deferred tax assets correspond to a usage of tax losses carry forward by the Licensing activity in France until 2030 which represents the estimated predictable taxable income based on existing and future licensing programs.

Following the activities acquired in 2015, the US perimeter of the Group was significantly enlarged and the Group recapitalized its US activities which led to a significant increase of the expected taxable income in the US and a decrease in the expected taxable income in France.

The expected decrease of the current corporate tax rate in France has no significant impact on the deferred tax assets related to losses carry forward as the Licensing activity is taxed at reduced rate.

### 6.2.2. Source of deferred taxes

| *(€ in millions)* | 2016 | 2015* |
|---|---|---|
| **Tax losses carried forward** | **1,578** | **1,569** |
| **Tax effect of temporary differences related to:** | | |
| Property, plant and equipment | 25 | 29 |
| Goodwill | 33 | 32 |
| Intangible assets | (185) | (182) |
| Investments and other non-current assets | (9) | (67) |
| Inventories | 10 | (10) |
| Receivables and other current assets | 3 | 22 |
| Borrowings | 200 | 201 |
| Retirement benefit obligations | 77 | 71 |
| Restructuring provisions | 6 | 6 |
| Other provisions | 31 | 19 |
| Other liabilities current and non-current | 78 | 84 |
| **Total deferred tax on temporary differences** | **269** | **205** |
| **Deferred tax assets / (liabilities) before netting** | **1,847** | **1,774** |
| Valuation allowances on deferred tax assets | (1,641) | (1,549) |
| **Net deferred tax assets / (liabilities)** | **206** | **225** |

* Amounts are restated as of December 31, 2015 following the update of 2015 acquisition purchase price allocation (Note 2.3).

Technicolor benefits from tax losses carried forward in countries where the Group still conduct business amount to €3,391 million. These losses expire mainly after 2021 (€3,328 million) and arise mainly from France and United States.

# 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 |
|---|---|---|---|
| **Share Capital as of December 31, 2014** | **335,907,670** | 1 | **335,907,670** |
| Issuance of new shares for LTIP* purpose | 738,205 | **1** | **738,205** |
| Issuance of new shares for MIP* purpose | 5,002,790 | **1** | **5,002,790** |
| Share capital increase with preferential subscription rights | 48,376,485 | **1** | **48,376,485** |
| Share capital increase reserved to Cisco Systems Inc | 21,418,140 | **1** | **21,418,140** |
| **Share Capital as of December 31, 2015** | **411,443,290** | 1 | **411,443,290** |
| Issuance of new shares for MIP* purpose | 1,802,677 | **1** | **1,802,677** |
| **Share Capital as of December 31, 2016** | 413,245,967 | **1** | **413,245,967** |

* LTIP and MIP are management incentive plan described in Note 9.3.

On June 8, 2015, the share capital was increased by 738,205 new shares of €1 each in order to deliver the free shares vested under the management long-term incentive plan (LTIP 2011) share based plan. The counterpart of the share capital increase was a corresponding decrease of the additional paid-in-capital by €738,205.

Between May 23, 2015 and December 31, 2015, as part of the 2015 Management Incentive Plan (MIP 2015), some share subscription options were exercised, giving rise to the creation of 5,002,790 new shares at an average price of €3.33 euros for a total €16,651,582 corresponding to an increase in the share capital of €5,002,790 and additional paid-in-capital by €11,648,792.

On November 17, 2015 Technicolor issued 48 376 485 new shares in a capital increase with preferential subscription rights at a price of €4.70 per share and representing a gross proceed of €227,369,479.

On November 20, 2015 Technicolor issued 21,418,140 new shares through a reserved capital increase to Cisco Systems, Inc. and representing a gross amount of €150 million (at Fair value of Technicolor shares as of November 20, 2015) in partial payment of the acquisition of CCD.

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 December 31, 2016, and to the Company's knowledge, the following entities held more than 5% of the Company' share capital:

- OppenheimerFunds, Inc. declared that it held 41,484,036 shares which represent 10.04% of the share capital and 10.06% of the voting rights of the Company;
- The Caisse des Dépôts et Consignations declared that it held, jointly with Bpifrance Participations SA, 32,970,309 shares which represent 7.98% of the share capital and 7.99% of the voting rights of the Company;
- Cisco Systems, Inc. declared that it held 21,418,140 shares which represent 5.18% of the share capital and 5.19% of the voting rights of the Company;
- DNCA Finance, SA and DNCA Finance Luxembourg declared that they held 20,838,421 shares which represent 5.04% of the share capital and 5.05% 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 and April 9, 2015.

| | 2016 | 2015 |
|---|---|---|
| **Number of Treasury shares at opening** | **401,524** | **644,331** |
| Variation related to the Share Management Agreement | 351,494 | (242,557) |
| Other variations | (250) | (250) |
| **Number of Treasury shares at closing** | **752,768** | **401,524** |

Under the Share Management Agreement 4,360,512 shares were repurchased and 4,009,018 shares were sold for a net cash outflow of €2,013,935 in 2016. In 2015, the number of treasury shares was decreased by 242,557 for a total net proceed of €1,558,893.

In 2015, 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 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 (the "change of control" event represents a non-financial event excluded from 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). The notes could be redeemed at Technicolor's option at par on September 25, 2015 and at each interest payment date thereafter.

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, since September 2015 or following 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 the course of the 2010 debt restructuring.

#### 7.2.3. Dividends and distribution

The Shareholders' Meeting held on April 29, 2016 has voted the payment of a dividend of €0.06 per share for the fiscal year 2015. The amount of €25 million has been paid to shareholders on May 2016.

In 2015, for the fiscal year 2014, a €17 million dividend (€0.05 per share) has been paid to shareholders.

#### 7.2.4. 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.

There was no significant change in non-controlling interests in 2015.

### 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**

| | 2016 | 2015(1) |
|---|---|---|
| **Net income** (€ in million) | **(26)** | **146** |
| Net (income) loss attributable to non-controlling interest | - | (4) |
| Net (gain) loss from discontinued operations | (90) | (43) |
| **Numerator:** Adjusted profit "Group share" from continuing operations attributable to ordinary shareholders | **64** | **193** |
| **Basic weighted average number of outstanding shares ('000)** | **411,932** | **357,355** |
| Dilutive impact of stock-option & free share plans | 5,618 | 7,186 |
| **Denominator:** Weighted shares *('000)* | **417,550** | **364,541** |

(1) Amounts are restated as of December 31, 2015 following the update of 2015 acquisition purchase price allocation (Note 2.3).

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.

| (€ in million) | December 31, 2016 | Fair value measurement by accounting categories as of December 31, 2016 | | | | | December 31, 2015 |
|---|---|---|---|---|---|---|---|
| | | Amortized costs | Fair value through profit & loss | Faire value through equity | Derivative instruments (see Note 8.5) | Fair Value measurement | |
| **Investments and available-for-sale assets** | **19** | | | **19** | | **Level 2** | **22** |
| *Cash collateral & security deposits* | 24 | | 24 | | | Level 1 | 23 |
| *Loans & others* | 15 | 15 | | | | | 17 |
| **Other non-current financial assets** | **39** | | | | | | **40** |
| **Total non-current financial assets** | **58** | | | | | | **62** |
| *Cash collateral and security deposits* | 10 | | 10 | | | Level 1 | 15 |
| *Other financial current assets* | 4 | 4 | | | | | 5 |
| *Derivative financial instruments* | 3 | | | | 3 | Level 2 | 3 |
| **Other financial current assets** | **17** | | | | | | **23** |
| *Cash* | 229 | | | 229 | | Level 1 | 213 |
| *Cash equivalents* | 142 | | 142 | | | Level 1 | 172 |
| **Cash and cash equivalents** | **371** | | | | | | **385** |
| **Total current financial assets** | **388** | | | | | | **408** |
| Borrowings [1] | (1,050) | (1,050) | | | | | (1,293) |
| Other current financial liabilities | (2) | (1) | | | (1) | Level 2 | (1) |
| **Total financial liabilities** | **(1,052)** | | | | | | **(1,294)** |

(1) Borrowings are recognized at amortized costs. The fair value of the Group debt is €1,081 million as of December 31, 2016 (€1,376 million as of December 31, 2015). 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 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.

In 2016, exchange rate fluctuations of all currencies had a negative impact of €35 million on revenue and a negative impact of €2 million on profit/(loss) from continuing operations before tax and net finance costs.

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, but in 2016 the average rate of the USD was stable compared to 2015. The main translation impact on revenues in 2016 versus 2015 was due to the British pound (average rate versus the euro depreciated by 12% compared to 2015) and on profit/(loss) was due to currency movements of several currencies.

The Group estimates that its sensitivity to translation risk has not significantly changed since the end of 2016.

*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 revenue of U.S. $63 million in 2016 (net revenue of U.S. $447 million in 2015). The change in 2016 versus 2015 is due to the loss of licensing revenues in U.S. dollars as well as the impact of the purchase of Cisco Connected Devices which led to larger U.S. purchases against the euro.

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, 2016, 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, were a charge of 1 million euro in 2016 and were a charge of 1 million euro in 2015.

*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.

| **2016** (€ in millions) | **Transaction** | **Translation** | **Total** |
|---|---|---|---|
| Profit from continuing operations before tax and net finance costs [(1)] | 6 | (5) | 0 |
| Equity Impact (cumulative translation adjustment) [(2)] | | | 107 |

| **2015** (€ in millions) | **Transaction** | **Translation** | **Total** |
|---|---|---|---|
| Profit from continuing operations before tax and net finance costs[(1)] | 40 | (16) | 24 |
| Equity Impact (cumulative translation adjustment)[(2)] | | | 53 |

(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. Virtually all of the Group's non-current debt is currently at floating interest rate.

At the nominal interest rates of the Term Loan Debt, cash interest charges for a full year (at the December 31, 2016 exchange rate) would be €45 million on the amount of the Term Loan Debt of €1,050 million (nominal amount rather than the IFRS amount in the consolidated statement of financial position) compared to total gross interests paid for 2016 of €74 million. In 2015 total gross interests paid were €58 million. 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, 2016.

*Effective interest rates*

The average effective interest rates on the Group's consolidated debt are as follows:

| | 2016 | 2015 |
|---|---|---|
| Average interest rate on borrowings | 6.31% | 6.69% |
| Average interest rate after currency swaps | 6.41% | 6.76% |

The average effective interest rate in 2016 on the Group's consolidated deposits was 1.30% (3.12% in 2015). 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 2016 and 2015 at floating rates is shown below. The Group considers all debt with interest rates fixed for remaining periods of less than one year to be at floating rate. A threshold of one year is pertinent as it represents the limit between current and non-current debt.

| *(€ in millions)* | 2016 | 2015 |
|---|---|---|
| Average debt | 1,209 | 1,062 |
| Percentage at floating rate (*) | 99% | 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 2016 amounted to €344 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 rate on which is based on Libor with a floor of 1% and Euribor with a floor of 1% for the Term Loan Debt issued in 2013, 2014 and 2015 (the "Old Term Loan Debt") and 0% floor for the €450 million issued in 2016 (the "New Term Loan Debt"). 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, 2016 of a variation versus current rates (*) | |
|---|---|---|
| *(€ in millions)* | 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.

| | Maximum impact over one year on the net exposure as of December 31, 2015 of a variation versus current rates (*) | |
|---|---|---|
| *(€ in millions)* | Impact on cash net interest | Impact on equity before taxes |
| Impact of interest rate variation of +1% | (3) | (3) |
| Impact of interest rate variation of -1% | (1) | (1) |

(*) At December 31, 2015, 3 month Euribor and 3 month Libor were -0.131% and 0.613% 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, 2016 and December 31, 2015, respectively.

| | At December 31, 2016 | | | | | | |
|---|---|---|---|---|---|---|---|
| *(€ in millions)* | 2017 | 2018 | 2019 | 2020 | 2021 | There after | Total |
| Floating rate Term Loan Debt – principal | 33 | 33 | 33 | 507 | - | 450 | **1,056** |
| Floating rate Term Loan Debt – accrued interest | 5 | | | | - | | **5** |
| Other debt – principal and accrued interest | 14 | 5 | 1 | | - | 2 | **22** |
| **Total debt principal payments** | **52** | **38** | **34** | **507** | **-** | **452** | **1,083** |
| IFRS Adjustment | | | | | | | **(33)** |
| **Debt in IFRS** | | | | | | | **1,050** |
| Floating rate Term Loan Debt – interest | 46 | 44 | 43 | 34 | 16 | 32 | **215** |
| **Total interest payments** | **46** | **44** | **43** | **34** | **16** | **32** | **215** |

| | At December 31, 2015 | | | | | | |
|---|---|---|---|---|---|---|---|
| *(€ in millions)* | 2016 | 2017 | 2018 | 2019 | 2020 | There after | Total |
| Floating rate Term Loan Debt – principal | 69 | 69 | 69 | 70 | 1,074 | - | **1,351** |
| Floating rate Term Loan Debt – accrued interest | 11 | - | - | - | - | - | **11** |
| Other debt – principal and accrued interest | 6 | 1 | 1 | - | - | - | **8** |
| **Total debt principal payments** | **86** | **70** | **70** | **70** | **1,074** | **-** | **1,370** |
| IFRS Adjustment | | | | | | | **(77)** |
| **Debt in IFRS** | | | | | | | **1,293** |
| Floating rate Term Loan Debt – interest | 67 | 64 | 60 | 57 | 37 | - | **285** |
| **Total interest payments** | **67** | **64** | **60** | **57** | **37** | **-** | **285** |

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 (€119 million at the December 31, 2016 exchange rate) which matures in 2019 and a €250 million revolving credit facility maturing in 2021 (the “RCF”). Neither was drawn at December 31, 2016. The availability of the receivables backed credit line varies depending on the amount of receivables. The €250 million RCF was entered into in December 2016 and replaces the €100 million 2013 RCF and €125 million 2016 RCF both of which were cancelled.

| *(€ in millions)* | 2016 | 2015 |
|---|---|---|
| Undrawn, committed lines expiring in more than one year | 369 | 214 |

### 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 €371 million at December 31, 2016. 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, 2016, 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 (87% as of December 31, 2015).

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 Tech Finance & Co. S.C.A in 2013, 2014 and 2015 and maturing in 2020 (the "Old Term Loan Debt") and issued by Technicolor SA in 2016 and maturing in 2023 (the "New Term Loan Debt").

In June 2015, Technicolor repriced its Old Term Loan Debt and in September and November 2015 issued additional Old Term Loan Debt in the amounts of $200 million and €197 million to fund the acquisition of The Mill and in part the acquisition of Cisco Connected Devices. The Group prepaid in 2016 an amount of $589 million and €150 million of this debt from the proceeds of the New Term Loan Debt and from cash on hand.

The New Term Loan Debt in an amount of €450 million was raised in December 2016 at a rate of Euribor + 350bps subject to a 0% Euribor floor. The Group also signed in December 2016 a financing agreement with the European Investment Bank under which it borrowed on January 3, 2017 €90 million at a fixed rate of 2.542% for 6 years (the "EIB Loan").

### 8.3.1. Analysis by nature

| *(€ in millions)* | 2016 | 2015 |
|---|---|---|
| Debt due to financial institutions | 1,022 | 1,277 |
| Bank overdrafts | - | - |
| Other financial debt | 22 | 5 |
| Accrued interest | 6 | 11 |
| **Debt under IFRS** | **1,050** | **1,293** |
| *Total non-current* | *998* | *1,207* |
| *Total current* | *52* | *86* |

### 8.3.2. Summary of debt

Details of the Group's debt (under IFRS) as of December 31, 2016 are given in the table below:

| *(in million currency)* | Currency | Nominal Amount | IFRS Amount (see Note 8.3.3.4) | Type of rate | Nominal rate | Effective rate (1) | Repayment Type | Final maturity |
|---|---|---|---|---|---|---|---|---|
| Term Loan Debt | USD | 290 | 279 | Floating (2) | 5.00% | 6.42% | Amortizing | July 10, 2020 |
| Term Loan Debt | EUR | 315 | 297 | Floating (3) | 5.00% | 6.98% | Amortizing | July 10, 2020 |
| Term Loan Debt | EUR | 450 | 446 | Floating (4) | 3.50% | 3.63% | Bullet | Dec 6, 2023 |
| **Total Term Loan Debt** | **EUR** | **1,055** | **1,022** | | **4.36%** | **5.37%** | | |
| **Total Other Debt(5)** | **EUR** | **28** | **28** | | **3.97%** | **3.97%** | | |
| **TOTAL** | **EUR** | **1,083** | **1,050** | | **4.34%** | **5.33%** | | |

(1) Rates as of December 31, 2016.
(2) 3 month Libor with a floor of 1.00% + 400bp.
(3) 3 month Euribor with a floor of 1.00% + 400bp
(4) 3 month Euribor with a floor of 0% + 350bp
(5) Of which €6 million are accrued interest.

### 8.3.3. Main features of the Group's borrowings

#### 8.3.3.1. Analysis by maturity

The table below gives the contractual maturity schedule of the Group's debt.

| *(€ in millions)* | 2016 | 2015 |
|---|---|---|
| Less than 1 month | 22 | 30 |
| Between 1 and 6 months | 13 | 20 |
| Between 6 months and less than 1 year | 17 | 36 |
| **Total current debt less than 1 year** | **52** | **86** |
| Between 1 and 2 years | 38 | 70 |
| Between 2 and 3 years | 34 | 70 |
| Between 3 and 4 years | 507 | 70 |
| Between 4 and 5 years | - | 1,074 |
| Over 5 years | 452 | - |
| **Total non-current debt** | **1,031** | **1,284** |
| **Total nominal debt** | **1,083** | **1,370** |
| IFRS Adjustment (see Note 8.3.3.4) | (33) | (77) |
| **Debt under IFRS** | **1,050** | **1,293** |

#### 8.3.3.2. Interest rate characteristics

At December 31, 2016 99% of the Group's debt was at floating rate.

#### 8.3.3.3. Analysis of borrowings by currency

| *(€ in millions)* | 2016 | 2015 |
|---|---|---|
| Euro | 756 | 465 |
| U.S. Dollar | 292 | 826 |
| Other currencies | *2* | *2* |
| **Debt under IFRS** | **1,050** | **1,293** |

#### 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 fees incurred in the New Term Loan Debt issuance in December 2016 (€4 million) were booked as an IFRS adjustment to the carrying amount of the New Term Loan Debt.

The evolution of the IFRS discount in 2016, that is the difference between the nominal and IFRS amount of the Term Loan Debt, is as follows:

| *(€ in millions)* | |
|---|---|
| **IFRS discount of the Term Loan Debt as of December 31, 2015** | **(77)** |
| Impact of 2016 prepayments of the Old Term Loan Debt | 31 |
| Transaction costs related to the New Term Loan Debt issuance in 2016 | (4) |
| 2016 EIR effect and variation due to exchange rates | 17 |
| **IFRS discount of the Term Loan Debt as of December 31, 2016** | **(33)** |

This IFRS discount of €33 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 5.37%.

8.3.3.5. Financial covenants and other limitations

In respect of:

- the Old Term Loan Debt Agreement entered into in 2013 as amended in 2014 and 2015,
- the New Term Loan Debt Agreement entered into in 2016,
- the RCF entered into in December 2016,
- 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 and Tech Finance (the “Debt Parties”). The events of defaults include among other things and subject to certain exceptions, thresholds and grace periods:

- failure by the Debt Parties 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 Debt Parties’ ability to continue as a going concern or the accuracy of the information given.

Technicolor is also required to prepay the outstanding Term Loan Debt and EIB Loan in certain circumstances, including:

- the identification of excess cash-flow in respect of certain definitions and thresholds detailed in the Term Loan Debt Agreements;
- the recognition of net proceeds on asset disposal which are not reinvested in useful assets;
- the recognition of net proceeds on casualty events.

Technicolor can also, at its election, prepay all or part of its outstanding term loans and the EIB loan.

***Covenants***

The Old Term Loan Debt and the EIB Loan contain a single affirmative financial covenant which requires that the total gross debt be no more than 4.00 times EBITDA on a trailing twelve-month basis ("Leverage covenant") on June 30 and December 31 of each financial year.

The New Term Loan Debt does not contain a financial affirmative covenant.

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 total gross debt and EBITDA are calculated on the basis of the entire Group perimeter. Therefore, the variance of €(2) million between the EBITDA determined in respect of leverage covenant definition and the adjusted EBITDA (see Note 3.1) is equal to the EBITDA on the discontinued activities.

Leverage covenant

Total gross debt of the Group at December 31, 2016 must be no more than 4.00 times the EBITDA of the Group for the twelve months ending December 31, 2016.

| | |
|---|---|
| Gross Debt | €1,050 million |
| Covenant EBITDA* | € 563 million |
| Gross Debt / Covenant EBITDA Ratio | 1.87 |

Since 1.87 is less than the maximum allowed level of 4.00, the Group meets this financial covenant.

** 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 the Debt Parties 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.

## 8.4. Net financial income (expense)

| *(€ in millions)* | 2016 | 2015 |
|---|---|---|
| Interest income | 4 | 9 |
| Interest expense | (85) | (72) |
| **Net interest expense [(1)]** | **(81)** | **(63)** |
| | | |
| Net interest expense on defined benefit liability (Note 9.2.2.1) | (9) | (8) |
| Foreign exchange gain / (loss) | (16) | (5) |
| Other [(2)] | (50) | (11) |
| **Other financial income (expense)** | **(75)** | **(24)** |
| | | |
| **Net financial income (expense)** | **(156)** | **(87)** |

(1) In 2016 interest expense includes €16 million (€14 million in 2015) due to the difference between the effective interest rate and the nominal rate of the debt.

(2) Includes the partial reversal of the IFRS adjustment of €(31) 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.

| | 2016 | | 2015 | |
|---|---|---|---|---|
| *(€ in millions)* | **Assets** | **Liabilities** | **Assets** | **Liabilities** |
| Forward foreign exchange contracts - cash flow and fair value hedges | 3 | 1 | 3 | 1 |
| **Total** | **3** | **1** | **3** | **1** |

### 8.5.1. Cash-flow hedges

Forward foreign currency operations hedging forecast exposures of commercial purchases and sales in foreign currencies are designated as cash flow hedges.

During 2016, of the result on hedging instruments recognized in OCI at December 31, 2015, a loss of €1.4 million was recognized in profit (loss) from continuing operations as the underlying hedged amounts were realized. At December 31, 2016, a gain of €1.6 million on hedging instruments was recognized in OCI.

In 2016 a total of €32 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, 2016, there was a gain of €10.1 million on the hedging instruments and a loss of €10.1 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 2016 and 2015 this impact was nil and a loss of €1.3 million, respectively, booked in “Other financial income (expense), net”.

Ineffectiveness of interest rate options is recognized in profit and loss. The impact was nil in 2016 and 2015.

### 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;
- Interest rate swaps: for the underlying nominal debt amounts.

| *(€ in millions)* | **2016** |
|---|---|
| Currency swaps | 445 |
| **Total commitments given** | **445** |
| | |
| Currency swaps | 446 |
| **Total commitments received** | **446** |

# 9. Employee benefit

## 9.1. Information on employees

The total headcount of the Group consolidated entities as of December 31, 2016 is 17,017 employees (16,720 as of December 31, 2015). Please refer to section 6.1 of the Registration Document for more detail on employees of the Group.

There were no employees reported under the discontinued perimeter as of December 31, 2016 and 2015.

The employee benefits expenses (including only employees in the consolidated entities) are detailed below:

| *(€ in millions)* | 2016 | 2015 |
|---|---|---|
| Wages and salaries | 878 | 748 |
| Social security costs | 125 | 92 |
| Compensation expenses linked to share-base payments granted to Directors and employees (Note 9.3.3) | 8 | 8 |
| Pension costs - defined benefit plans (Note 9.2.2) | 9 | 11 |
| Termination benefits | 48 | 11 |
| **Total Employee benefits expenses (excluding defined contribution plans)** | **1,068** | **870** |
| Pension costs - defined contribution plans | **21** | 19 |

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 | |
|---|---|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| **Opening provision** | **375** | **407** | **7** | **7** | **382** | **414** |
| Net periodic pension cost | 12 | 11 | - | - | 12 | 11 |
| Curtailment gain | (3) | - | - | - | (3) | - |
| Benefits paid and contributions | (28) | (29) | - | - | (28) | (29) |
| Change in perimeter | - | 1 | - | - | - | 1 |
| Actuarial (gains) losses recognized in OCI | 43 | (21) | - | - | 43 | (21) |
| Currency translation differences | (2) | 6 | - | - | (2) | 6 |
| **Closing provision** | **397** | **375** | **7** | **7** | **404** | **382** |
| *Of which current* | *28* | *29* | - | - | *28* | *29* |
| *Of which non-current* | *369* | *346* | *7* | *7* | *376* | *353* |

#### 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 2016 (€19 million in 2015).

#### 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 2016, the geographical breakdown of such net obligations was as follows:

| *(€ in millions)* | Germany | U.S. | U.K. | France | Others | Total |
|---|---|---|---|---|---|---|
| Present value of defined benefit obligation | 293 | 139 | 136 | 22 | 10 | **600** |
| Fair value of plan assets | - | (89) | (107) | - | - | **(196)** |
| **Retirement benefit obligations** | **293** | **50** | **29** | **22** | **10** | **404** |
| Cash flows | (18) | (6) | (3) | - | (1) | **(28)** |
| Average duration (in years) | 11 | 9 | 19 | 13 | N/A | **N/A** |

In addition, the Group pays an average yearly funding contribution to the plan assets for around €9 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 less than €1 million.

### 9.2.2. Elements of the statement of operations and other comprehensive income

#### 9.2.2.1. Statements of operations

| *(€ in millions)* | Pension plan benefits | | Medical Post-retirement benefits | | TOTAL | |
|---|---|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| **Service cost:** | | | | | | |
| - Current service cost | (3) | (3) | - | - | (3) | (3) |
| - Past service cost and gain from settlements | 3 | - | - | - | 3 | - |
| **Financial interest expense, net:** | | | | | | |
| - Interest cost on obligation | (15) | (16) | - | - | (15) | (16) |
| - Interest income on plan assets | 6 | 8 | - | - | 6 | 8 |
| **Components of defined benefit costs recognized in profit or loss** | **(9)** | **(11)** | **-** | **-** | **(9)** | **(11)** |

#### 9.2.2.2. Other comprehensive income

| *(€ in millions)* | Pension plan benefits | | Medical Post-retirement benefits | | TOTAL | |
|---|---|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| **Opening** | | | | | **(146)** | **(167)** |
| Actuarial gains/(losses) arisen on plan assets: | | | | | | |
| - due to the return on plan assets | 11 | (8) | - | - | 11 | (8) |
| Actuarial gains/(losses) arisen on benefit obligation: | | | | | | |
| - due to changes in demographic assumptions | 1 | 1 | - | - | 1 | 1 |
| - due to changes in financial assumptions (1) | (58) | 12 | - | - | (58) | 12 |
| - due to experience adjustments | 3 | 16 | - | - | 3 | 16 |
| **Components of defined benefit costs recognized in OCI** | **(43)** | **21** | **-** | **-** | **(43)** | **21** |
| **Closing** | | | | | **(189)** | **(146)** |

(1) In 2016, the decrease in discount rates (see Note 9.2.5) led to actuarial losses amounting to €58 million. In 2015, the increase in discount rates resulted in actuarial gains for €12 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 | |
|---|---|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| **Benefit obligation at opening** | **(578)** | **(601)** | **(7)** | **(7)** | **(585)** | **(608)** |
| Current service cost | (3) | (3) | - | - | (3) | (3) |
| Interest cost | (15) | (16) | - | - | (15) | (16) |
| Remeasurement - actuarial gains / (losses) arising from: | | | | | | |
| - changes in demographic assumptions | 1 | 1 | - | - | 1 | 1 |
| - changes in financial assumptions | (58) | 12 | - | - | (58) | 12 |
| - experience adjustments | 3 | 16 | - | - | 3 | 16 |
| Past service cost, including gains / (losses) on curtailments | 3 | - | - | - | 3 | - |
| Benefits paid | 39 | 36 | - | - | 39 | 36 |
| Currency translation adjustments | 15 | (22) | - | - | 15 | (22) |
| Change in perimeter [(1)] | - | (1) | - | - | - | (1) |
| **Benefit obligation at closing** | **(593)** | **(578)** | **(7)** | **(7)** | **(600)** | **(585)** |
| *Benefit obligation wholly or partly funded* | *(262)* | *(257)* | *-* | *-* | *(262)* | *(257)* |
| *Benefit obligation wholly unfunded* | *(331)* | *(321)* | *(7)* | *(7)* | *(338)* | *(328)* |
| **Fair value of plan assets at opening** | **203** | **194** | - | - | **203** | **194** |
| Interest income | 6 | 8 | - | - | 6 | 8 |
| Remeasurement gains / (losses) | 11 | (8) | - | - | 11 | (8) |
| Employer contribution | 8 | 10 | - | - | 8 | 10 |
| Benefits paid | (19) | (17) | - | - | (19) | (17) |
| Currency translation adjustments | (13) | 16 | - | - | (13) | 16 |
| **Fair value of plan assets at closing** | **196** | **203** | - | - | **196** | **203** |
| **Retirement benefit obligations** | **(397)** | **(375)** | **(7)** | **(7)** | **(404)** | **(382)** |

(1) In 2015, changes in perimeter are mainly related to the acquisition of Mikros Image (€1 million).

The Group expects the overall 2017 benefits paid to be equal to €33 million for defined benefits plans, of which €21 million directly by the company to the employees and €12 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 (€3 million at 2016 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 6 million of U.S. dollars (€5 million at 2016 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 70%). 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 around 80%. Asset mix is based on 40% of insurance contracts that cover obligations with pensioners, 42% of bonds and cash equivalents, 16% of equity instruments, and 14% 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

| *(in % and € in millions)* | Plan assets allocation at December 31 | | Fair value of plan assets at December 31 | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| Cash and cash equivalents | 2% | 2% | 4 | 4 |
| Equity investments | 8% | 30% | 16 | 61 |
| Debt securities | 64% | 36% | 125 | 73 |
| Properties | 7% | 13% | 13 | 26 |
| Annuity contracts | 19% | 19% | 38 | 39 |
| **Total** | **100%** | **100%** | **196** | **203** |

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 2016 actual return on plan assets amounts to €17 million (less than €1 million in 2015).

### 9.2.5. Assumptions used in actuarial calculation

| | Pension plan benefits | | Medical post-retirement benefits | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| Weighted average discount rate | 2.2% | 2.8% | 3.3% | 3.7% |
| Weighted average long-term rate of compensation increase | 1.7% | 1.6% | 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. | 2.7% | N/A | N/A | Aon Hewitt AA curve |
| U.S. | 3.6% | N/A | 3.8% | 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 €18 million;
- If the discount rate is 0.25% lower, the obligation would increase by €20 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, 2016, 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, 2016, 13,162,578 subscription options are still outstanding (respectively 7,266,130 options, 4,312,654 options, 103,794 options and 1,480,000 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 it 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.

The compensation expense related to the Free Share Plan has been estimated with a pricing model similar to the one used for the other option plans. As of December 31, 2016, the outstanding share rights under the plan amounts to 879,375 free shares rights.

**2016 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 the implementation of a 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 and the satisfaction of a continued employment condition for the full duration of the Plan (through April 30, 2019).

As of December 31, 2016, the outstanding share rights under the plan amounts to 2,759,500 performance shares rights.

As of December 31, 2016, the total number of outstanding stock options amounted to a maximum of 13,968,054 options and the total number of rights to receive shares amounted to 3,638,875 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 (2) | Initial number of beneficiaries | Vesting date | Contractual option life | Exercise price (2) | Estimated fair values granted(2) |
|---|---|---|---|---|---|---|---|---|---|
| **MIP Options (*)** | Subscription options | June 17, 2010 | 1,216,700 (1) | 805,476 | 18 | April 30, 2013 for France<br>June 17, 2014 for other countries | 8 years | €6.29 | €2.22 |
| **MIP 2015 Options (**)** | Subscription options | May 23, 2013 and June 7, 2013 | 16,398,000 | 7,094,870 | 94 | May 2015 (50%)<br>May 2016 (25%)<br>May 2017 (25%) | 8 years | €3.19 | €1.06 |
| **MIP 2015 Options (**)** | Subscription options | October 24, 2013 | 200,000 | 103,794 | 1 | May 2015 (50%)<br>May 2016 (25%)<br>May 2017 (25%) | 8 years | €3.93 | €1.40 |
| **MIP 2015 Options (**)** | Subscription options | March 26, 2014 | 215,000 | 67,466 | 2 | May 2015 (50%)<br>May 2016 (25%)<br>May 2017 (25%) | 8 years | €4.53 | €1.73 |
| **MIP 2016 Options (**)** | Subscription options | June 20, 2014 | 2,830,000 | 2,527,392 | 40 | June 2016 (50%)<br>June 2017 (25%)<br>June 2018 (25%) | 8 years | €5.79 | €1.82 |
| **MIP 2016 Options (**)** | Subscription options | October 21, 2014 | 1,915,000 | 1,370,086 | 24 | October 2016 (50%)<br>October 2017 (25%)<br>October 2018 (25%) | 8 years | €4.92 | €1.45 |
| **MIP 2016 Options (**)** | Subscription options | April 9, 2015 | 400,000 | 415,176 | 1 | October 2016 (50%)<br>October 2017 (25%)<br>October 2018 (25%) | 8 years | €5.83 | €1.88 |
| **MIP June 2017 Options (**)** | Subscription options | June 26, 2015 | 250,000 | 103,794 | 2 | June 2017 (50%)<br>June 2018 (25%)<br>June 2019 (25%) | 8 years | €5.88 | €1.91 |
| **MIP October 2017 Options (**)** | Subscription options | December 3, 2015 | 1,710,000 | 1,480,000 | 22 | October 2017 (50%)<br>October 2018 (25%)<br>October 2019 (25%) | 8 years | €7.11 | €2.27 |
| **Free Share Plan** | Free shares (to be issued) | November 12, 2013 | 1,604,000 | 879,375 | 12,832 | November 2017 | - | - | €3.87 |
| **2016 LTIP (***)** | Free shares | April 29, 2016 | 2,760,500 | 2,495,500 | 187 | April 2019 | - | - | €5.69 |
| **2016 LTIP (***)** | Free shares | July 27, 2016 | 66,000 | 60,000 | 12 | April 2019 | - | - | €5.47 |
| **2016 LTIP (***)** | Free shares | October 20, 2016 | 214,000 | 204,000 | 18 | April 2019 | - | - | €5.14 |

(*) 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 2016 and 2015:

| | Number of options and free shares | Weighted Average Exercise Price *(in €)* |
|---|---|---|
| **Outstanding as of December 31, 2014** (with an average remaining contractual life of 7 years – excluding free shares) | **23,020,213** | **4.77** *(ranging from 0 to 171)* |
| *Of which exercisable* | *130,089* | *47.27* |
| Granted | 2,360,000 | 6.76 |
| Delivered (Free Share Plan) | (250) | na |
| Delivered (LTIP and MIP) | (5,744,815) | 3.33 |
| Adjusted following the 2015 capital increase (with PSR) | 684 998 | 3.99 |
| Forfeited & other | (2,412,323) | 11.48 |
| **Outstanding as of December 31, 2015** (with an average remaining contractual life of 6 years – excluding free shares) | **17,907,823** | **4.43** *(ranging from 0 to 7)* |
| *Of which exercisable* | *3,251,110* | *4.03* |
| Granted(*) | 3,040,500 | na |
| Delivered (Free Share Plan) | (250) | na |
| Delivered (MIP) | (1,802,677) | 3.36 |
| Forfeited & other | (1,538,467) | 4.79 |
| **Outstanding as of December 31, 2016** (with an average remaining contractual life of 5 years – excluding free shares) | **17,606,929** | **4.53** *(ranging from 0 to 7)* |
| *Of which exercisable* | *5,838,077* | *4.45* |

(*) Only related to Free Share Plan

**Significant assumptions used**

The estimated fair values of the options granted were calculated using the Black&Scholes valuation model. The inputs into the model were as follows:

| | Stock options plan granted in | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| *(in % and in euro)* | December 2015 | June 2015 | April 2015 | October 2014 | June 2014 | March 2014 | October 2013 | May & June 2013 | June 2010 |
| Weighted average share price at measurement date | 7.05 | 6.13 | 6.06 | 4.71 | 5.68 | 4.88 | 4.06 | 3.20 | 5.50 |
| Weighted average exercise price | 7.11 | 5.88 | 5.83 | 4.92 | 5.79 | 4.53 | 3.93 | 3.19 | 6.29 |
| Expected volatility | 40% | 40% | 40% | 40% | 40% | 40% | 40% | 40% | 52% |
| Expected option life (*) | 5 years | 5 years | 5 years | 5 years | 5 years | 5 years | 5 years | 5 years | 5 years |
| Risk free rate | 0.12% | 0.17% | 0.17% | 0.13% | 0.31% | 0.62% | 0.77% | 0.62% | 1.85% |
| Expected dividend yield | 0.7% | 0.8% | 0.8% | 0% | 0% | 0% | 0% | 0% | 0% |
| Fair value of option at measurement date | 2.27 | 1.91 | 1.88 | 1.45 | 1.82 | 1.73 | 1.40 | 1.06 | 2.22 |

(*) Expected option life is shorter than the contractual option life as it represents the period from grant date to the date on which the option is expected to be exercised.

Factors that have been considered in estimating expected volatility for the long-term maturity stock option plans include:

- the historical volatility of Technicolor's shares over the longest period available;
- adjustments to this historical volatility based on changes in Technicolor's business profile.

For shorter maturity options, expected volatility was determined based on implied volatility on Technicolor's share observable at grant date.

For the 2011 and 2010 free shares granted as part of the MIP and the LTIP, Technicolor considered an expected turnover of 4% based on historical data of related beneficiaries, an average initial share price of €5.2 in 2011 (€5.5 in 2010), and a dividend rate of 0% (in 2011 and 2010).

For the 2013 free shares granted as part of Free Share Plan, Technicolor considered an expected turnover of 5% based on historical data of related beneficiaries, an average initial share price of €3.87 and a dividend rate of 0%.

For the 2016 free 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.

#### 9.3.3. Compensation expenses charged to income

The compensation expenses charged to income for the services received during the period amount to €8 million for the years ended December 31, 2016 and 2015. 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 €0.5 million respectively in 2016 and 2015. 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 2016 will be paid in 2017.

Compensation expenses allocated by the Group to Members of the executive committee (including those who left this function during 2016 and 2015), during 2016 and 2015 are shown in the table below:

| *(€ in millions)* | **2016[2]** | **2015[2]** |
|---|---|---|
| Short-term employee benefits[1] | 12 | 13 |
| Share-based payment | 2 | 4 |
| **Total** | **14** | **17** |

(1) In case of retirement the Group has an obligation almost nil as of December 31, 2015 and 2016.

(2) 12 members in 2016 and 9 members in 2015.

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

| (€ in million) | Provisions for warranty | Provisions for risks & litigations related to continuing businesses | Provisions for risks & litigations related to businesses disposed of | Provisions for restructuring | Total |
|---|---|---|---|---|---|
| **As of December 31, 2015, as published** | **40** | **41** | **49** | **20** | **150** |
| Impact of purchase price allocations | 11 | 18 | - | - | 29 |
| **As of December 31, 2015, restated** | **51** | **59** | **49** | **20** | **179** |
| Current period additional provision | 25 | 18 | 13 | 58 | 114 |
| Release | (2) | (2) | (3) | (3) | (10) |
| Usage during the period | (29) | (13) | (2) | (56) | (100) |
| Other movements and currency translation adjustments | 1 | 6 | (21) | (1) | (15) |
| **As of December 31, 2016** | **46** | **68** | **36** | **18** | **168** |
| *Of which current* | *46* | *58* | *11* | *18* | *133* |
| *Of which non-current* | *-* | *10* | *25* | *-* | *35* |

The provisions for restructuring are mainly composed of termination costs related to continuing operations (for both employees and facilities).

Restructuring costs related to continuing operations amount to €55 million in 2016 and €39 million in 2015.

## 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 France and in the United Kingdom but are still pending in Germany and Italy, where Technicolor appealed against unfavorable decisions.

In France, the French Supreme Court (*Cour de cassation*) cancelled on February 2, 2016 an adverse decision rendered by the Appeals Court of Paris, pursuant to which Technicolor had paid a fine of €9.5 million (including VAT) in 2014. The French customs authority paid back that full amount to Technicolor in April 2016. This closes the case in France.

In the United Kingdom, Technicolor paid in July 2013 €1 million in full and final settlement of the reassessment, which closed the case in the United Kingdom.

In Italy, an Italian subsidiary of Technicolor was held liable by the Italian Supreme Court in September 2012 for the payment of a €7.6 million reassessment to the customs authority. Technicolor considers the Supreme Court decision to be unlawful in view of European Community law and introduced an indemnity action against the Italian government.

In Germany, the Bremen courts partially in November 2016 confirmed the customs reassessments against Technicolor subsidiaries. Based on this decision Technicolor paid € 3 million to the customs authority in February 2017, in full settlement of the case. Technicolor appealed against this decision.

***Poland tax Proceedings***

To complete two requests for arbitrage on 2003 transfer prices between France and the United Kingdom on one side and Poland on the other side, Technicolor's Polish entity, Technicolor Polska, submitted an €8 million tax refund request to the Polish Tax Authorities in June 2009. At the same time, the Polish Tax Authorities launched an audit on the entity's 2003 income tax and 2004 withholding tax returns.

After lengthy proceedings, the Polish Tax Authorities issued provisional assessments in 2010 with respect to 2003 deductibility of research and development costs and 2004 withholding taxes resulting in additional taxes amounting to €10 million and interest amounting to €7 million. In the interim, Polish Tax Authorities had established a €17 million mortgage on Technicolor Polska's assets which prevented, as an indirect consequence, the statute of limitations from expiring. In May 2010, the Polish Tax Authorities launched another audit on the 2004 corporate income tax and 2005 withholding tax returns. In January 2011, they issued provisional assessments equivalent to the previous year assessments, i.e. deductibility of 2004 research and development costs and 2005 withholding taxes, amounting to €5 million in principal and €3 million in interest. In August 2011, the First Level Administrative Court of Warsaw rejected 98% of the 2010 assessments (on 2003 deductibility of research and development costs and 2004 withholding taxes) notified by the Polish Tax Authorities. In December 2011, this verdict became final as the Polish Tax Authorities did not appeal. The Polish Tax Administration decided to review the final aspects of the proceedings and has interviewed around 20 former employees. In June 2013, the Polish Tax Administration issued new assessments for tax year 2004, alleging that the 2003 research and development expenses are non-deductible, while they took the opposite position in 2010. In November 2013, the Polish tax authorities waived the 2004 and 2005 withholding taxes reassessments, for an amount of €8.9 million. At the beginning of 2014, the Polish tax authorities waived the 2004 Current Income Tax reassessments, for an amount of €3.5 million. The Polish Tax Authorities also launched an audit for tax year 2007 and issued a preliminary assessment for approximately €0.4 million without interest and Technicolor is challenging this assessment. Currently only one mortgage for €12.6 million related to 2003 Current Income Tax remains.

Technicolor Polska continues to contest the assessments and considers them to be invalid.

***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 €5.6 million in principal and €0.8 million of interest.

Out of this principal amount, one VAT assessment amounting to €1.3 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 €3.7 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 €1.1 million assessment related to the subsidy and a €7.5 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. €3.7 million for 2009 and €7.5 million for 2010).

Following receipt of the recovery notice in September 2014, the Company paid the remaining assessments (i.e. €1.3 million and €1.1 million for 2009 and 2010 and €0.3 million of 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.

***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 (€17 million at the December 31, 2016 exchange rate) plus interest. The Technicolor entities and the Association have appealed the ruling.

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 (€218 million at the December 31, 2016 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***

<u>United States</u>

Technicolor has been defending among other defendants against the following three legal actions in the United States pertaining to alleged anticompetitive conduct in the Cathode Ray Tubes ("CRT") industry (Color Picture Tubes ("CPT") and Color Display Tubes ("CDT") businesses):

- One class action brought by a group of direct purchasers of CRT that was filed in 2008;
- One class action brought by a group of indirect purchasers of CRT that was filed in 2008;
- Lawsuits brought in 2013 and 2014 against Technicolor SA, Technicolor USA and other defendants by 15 direct action plaintiffs (mostly US retailers), including Sharp Electronics; Best Buy Co., Inc.; Sears, Roebuck and Co.; Kmart Corp.; the trustee for the Circuit City Stores, Inc., liquidating trust; Target Corporation and ViewSonic.

In 2015 and 2016, Technicolor SA and Technicolor USA entered into settlement agreements with the direct purchasers class, the indirect purchasers class and confidential settlement agreements with most direct action plaintiffs.

As a result of those settlements, the group recognized in 2016 a non-current expense of €94 million covering the settlement agreements entered in 2016 as well as estimated future cash out flow from ongoing litigations. The cash impact of the executed settlements is €48 million for 2016 and will be €77 million for 2017.

This leaves Technicolor as a defendant in the US only against a group of direct plaintiffs with smaller claims.

The Group sold the CPT business in 2005 and never had activity in the CDT business.

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.

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.

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.

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:

| *(€ in millions)* | 2016 | 2015 |
|---|---|---|
| Cisco Connected Devices | 3 | (357) |
| Cinram NA | (18) | (44) |
| The Mill | (1) | (258) |
| Mikros Image | - | (16) |
| Mr. X Inc | (1) | (2) |
| Others | (6) | (20) |
| **Acquisition of investments** | **(23)** | **(697)** |
| Less cash position of companies acquired | 1 | 9 |
| **Acquisition of investments, net** | **(22)** | **(688)** |

The details for the disposal of subsidiaries and activities, net of cash position of companies disposed off, are as below:

| *(€ in millions)* | 2016 | 2015 |
|---|---|---|
| IZON Media LLC | - | 2 |
| SV Holdco | 29 | - |
| M-GO activity | 10 | - |
| Digital Cinema activity (1) | 5 | - |
| Gainspeed investment | 6 | - |
| Other | 3 | - |
| **Disposal of investments** | **53** | **2** |
| Less cash position of companies disposed off | (1) | - |
| **Disposal of investments, net** | **52** | **2** |

(1) Activity sold to Deluxe in 2015 and first payment received in 2016 as per the agreement.

## 11.2. Cash impact of debt repricing and financing operations

| (€ in millions) | Note | 2016 | 2015 |
|---|---|---|---|
| Proceed from borrowings [2] | (1.1) | 457 | 377 |
| Reimbursement of borrowings to bank holders [4] | (1.1) | (775) | (62) |
| **Cash impact of borrowings variation** | | **(318)** | **315** |
| Increase of Capital (net of fees paid) [1] | | 15 | 227 |
| Fees paid for debt repricing [3] | (8.4) | (10) | (25) |
| **Total cash impact of refinancing and share capital operations** | | **(313)** | **517** |

(1) In 2016, it includes the MIP/LTIP cash impact for €15 million.

In 2015, due to the net share capital increase on November 17, (Share capital increase of €227 million with the deduction of the fees paid after tax for €8 million), and the MIP/LTIP cash impact for €8 million.

(2) In 2016, it mainly links to the issuance of new Term Loan Debt done on December for €450 million.

In 2015, it mainly related to the issuance of Term Loan Debt done on September and November 2015 for €374 million.

(3) The fees paid directly linked to the debt repricing have been classified into financing cash flows. In 2016, it includes €3 million for the issuance of 2016 new Term Loan Debt and €7 million for revolving credit facility fees. In 2015, it included €6 million for 2015 repricing transaction and €18 million for the issuance of Term Loan Debt.

(4) In 2016, in addition to debt contractual refunds, €701 million of 2015 Term Loan Debt were reimbursed.

In 2015, in addition to debt contractual refunds, €7 million of other debts were reimbursed.

The tables below rationalize the Group's borrowing variation in the Balance Sheet:

| (€ 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 | (318) | 4 | 44 | 21 | 39 | 1 | 998 |
| Current Borrowing | 86 | - | 10 | - | - | (39) | (5) | 52 |
| **Total Borrowing** | **1,293** | **(318)** | **14** | **44** | **21** | **-** | **(4)** | **1,050** |

| (€ in million) | December 31, 2014 | Cash impact of borrowing variation | Non cash variation | | | | | December 31, 2015 |
|---|---|---|---|---|---|---|---|---|
| | | | Capital leases recognition | IFRS Discount of Term Loan Debt | Currency Translation Adjustments | Transfer Current - Non Current | Other Movements | |
| Non Current Borrowing | 852 | 315 | 2 | (15) | 79 | (26) | 0 | 1,207 |
| Current Borrowing | 59 | - | (1) | - | - | 26 | 2 | 86 |
| **Total Borrowing** | **911** | **315** | **1** | **(15)** | **79** | **-** | **2** | **1,293** |

## 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, 2016 for which the Group is either obliged or conditionally obliged to make future cash payments but cannot be recognized in the balance sheet. This table includes firm commitments that would result in unconditional or conditional future payments, but excludes all options since the latter are not considered as firm commitments or obligations. When an obligation leading to future payments can be cancelled through a penalty payment, the future payments included in the tables are those that management has determined most likely to occur.

| | | Amount of commitments by maturity | | | |
|---|---|---|---|---|---|
| *(€ in millions)* | 2016 | Less than 1 year | 1 – 3 years | 3 – 5 years | More than 5 years |
| **Off-balance sheet obligations** | | | | | |
| **Unconditional future payments** | | | | | |
| Operating leases (see Note 4.5) | 379 | 94 | 131 | 55 | 99 |
| Other unconditional future payments [(1)] | 45 | 20 | 15 | 5 | 5 |
| **Total Unconditional future payments** | **424** | **114** | **146** | **60** | **104** |
| **Conditional future payments** | | | | | |
| Guarantees given and other conditional future payments | 60 | 13 | 0 | 0 | 47 |
| **Total Conditional future payments** | **60** | **13** | **0** | **0** | **47** |

(1) Other unconditional future payments relate mainly to the maintenance costs associated with the lease.

The Group provides certain guarantees to third parties (financial institutions, customers, partners and government agencies) to ensure the fulfilment of contractual obligations by Technicolor and its consolidated subsidiaries in the ordinary course of their business. The guarantees are not shown in the table above as they do not increase the Group's commitments in relation to the initial commitments undertaken by the entities concerned.

Subsidiaries within the Entertainment Services segment may provide guarantees to its customers on the products stored and then distributed against any risk or prejudice that may occur during manufacturing, storage or distribution. Such guarantees provided are covered by insurance and are therefore excluded from the table above.

The disclosed guarantees comprise:

- Guarantees given to tax offices for €12 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 match the one-month renewable term of the agreements.

Guarantees and commitments received amount to €73 million as of December 31, 2016. This amount is mainly related to the royalties from licensees (patents, trademarks) within the Technology segment.

The above table is only related to continuing entities. There are no more contractual obligations and commercial commitments taken by discontinued entities as of December 31, 2016.

Total off-balance sheet unconditional future payments and conditional future payments as of December 31, 2015 amounted respectively to €389 million and €64 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.*

For the year 2016, there has been no change in discontinued perimeter compared to 2015.

It relates to remaining subsequent impacts of activities disposed of or abandoned such as Grass Valley from 2009, Silicon Solutions businesses, Audio-Video Accessories businesses (AVA), TV business and Cathode Tubes activities from 2004 and 2005.

In 2016, the loss of €90 million from discontinued operations (€43 million in 2015) consists mainly of settlements of some risk and litigation which were related to businesses discontinued several years ago (see Note 10.2).

| *(€ in millions)* | **2016** | **2015** |
|---|---|---|
| **Profit (Loss) from discontinued operations** | **(90)** | **(43)** |
| *Summary adjustments to reconcile loss from discontinued operations to cash used in discontinued operations:* | | |
| Net changes in provisions | 8 | 3 |
| (Profit) / Loss on asset sales | - | (2) |
| Other non-cash items (including tax)(1) | 73 | 18 |
| Changes in working capital and other assets and liabilities | (37) | 1 |
| **Net operating cash used in discontinued operations (I)** | **(46)** | **(23)** |
| Net cash impact from sale of investments | 2 | - |
| **Net investing cash used in discontinued operations (II)** | **2** | **-** |
| **Net financing cash used in discontinued operations (III)** | **-** | **-** |
| **Net decrease in cash and cash equivalents (I+II+III)** | **(44)** | **(23)** |

(1) Includes non-cash impact of settlements accrued in 2016 but not yet paid, on some risk and litigation (see above).

### 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, 2016, there was no activity classified as held for sale.

As of December 31, 2015, the M-GO activity was classified as held for sale. This business has been sold on January 29, 2016 (see Note 2.2). As this activity was small compared to the Group's financial statements, it was therefore not classified as discontinued, however it was transferred from the Technology segment to the Other segment (see Note 3.1).

## 13. Subsequent events

On January 3, 2017, the Group borrowed €90 million at a fixed rate of 2.542% for 6 years in respect of the financing agreement signed in December 2016 with the European Investment Bank (the "EIB Loan").

## 14. List of main consolidated subsidiaries

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

| | % share held by Technicolor (% rounded to one decimal) | |
|---|---|---|
| **COMPANY - (Country)** | **2016** | **2015** |
| ***Fully consolidated*** | | |
| Technicolor SA<br>1-5 rue Jeanne d'Arc, 92130 Issy-Les-Moulineaux (France) | Parent company | Parent company |
| **Technology** | | |
| Thomson Licensing SAS (France) | 100.0 | 100.0 |
| Technicolor R&D France SNC (France) | 100.0 | 100.0 |
| Technicolor Trademark Management SAS (France) | 100.0 | 100.0 |
| RCA Trademark Management SAS (France) | 100.0 | 100.0 |
| Deutsche Thomson OHG (Germany) | 100.0 | 100.0 |
| Thomson Licensing LLC (USA) | 100.0 | 100.0 |
| MediaNaviCo LLC (USA) | 0.0(*) | 89.6 |
| **Connected Home** | | |
| Technicolor Delivery Technologies SAS (France) | 100.0 | 100.0 |
| Technicolor Connected Home Rennes SNC (France) | 100.0 | 100.0 |
| Technicolor Brasil Midia E Entretenimento Ltda (Brasil) | 100.0 | 100.0 |
| Technicolor Connected Home USA LLC (USA) | 100.0 | 100.0 |
| Thomson Telecom Mexico, S.A. de C.V. (Mexico) | 100.0 | 100.0 |
| Comercializadora Thomson de Mexico S.A. de C.V. (Mexico) | 100.0 | 100.0 |
| Technicolor Connected Home Canada Inc. (Canada) | 0.0(**) | 100.0 |
| Technicolor Delivery Technologies Australia, Pty, Ltd (Australia) | 100.0 | 100.0 |
| Technicolor (China) Technology Co., Ltd. (China) | 100.0 | 100.0 |
| Technicolor Malaysia Sdn Bhd (Malaysia) | 100.0 | 100.0 |
| Connected Home Hong Kong Ltd. (Hong Kong) | 100.0 | 100.0 |
| Technicolor Connected Home India Private Ltd. (India) | 100.0 | 100.0 |
| **Entertainement Services** | | |
| Technicolor Distribution Services France SARL (France) | 100.0 | 100.0 |
| Technicolor Entertainment Services France SAS (France) | 100.0 | 100.0 |
| Mikros Image SAS (France) | 100.0 | 100.0 |
| Technicolor Animation Productions (former Ouido Productions SAS) (France) | 100.0 | 51.0 |
| MTC (France) | 0.0(**) | 100.0 |
| Technicolor Polska Sp.Z.o.o. (Polska) | 100.0 | 100.0 |
| The Moving Picture Company Ltd. (MPC) (UK) | 100.0 | 100.0 |
| Technicolor Disc Services International Ltd. (Hammersmith) (UK) | 100.0 | 100.0 |
| Technicolor Video Services (UK) Ltd. (UK) | 100.0 | 100.0 |
| Thomson Multimedia Distribution (Netherlands) BV (Netherlands) | 100.0 | 100.0 |
| Technicolor Ltd. (UK) | 100.0 | 100.0 |
| The Mill (Facility) Ltd. (UK) | 100.0 | 100.0 |
| Badger Bidco Limited (UK) | 100.0 | 100.0 |
| Technicolor USA Inc. (USA) | 100.0 | 100.0 |
| Technicolor Videocassette of Michigan, Inc. (USA) | 100.0 | 100.0 |
| Technicolor Home Entertainment Services 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 Home Entertainment Services de Mexico S. de R.L. de C.V. (Mexico) | 100.0 | 100.0 |
| Technicolor Mexicana, S. de R.L. de C.V. (Mexico) | 100.0 | 100.0 |

| | | |
|---|---|---|
| Mr. X Inc. (Canada) | 100.0 | 100.0 |
| Technicolor Global Logistics, LLC (USA) | 100.0 | 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 Holdings of Canada Inc (Canada) | 0.0(**) | 100.0 |
| Technicolor Holdings USA, Inc. (USA) | 0.0(**) | 100.0 |
| The Mill Group Inc. (USA) | 100.0 | 100.0 |
| Beam Tv Inc. (USA) | 100.0 | 100.0 |
| Badger USA, Inc (USA) | 100.0 | 100.0 |
| MPC (Shanghai) Digital technology CO., Ltd (China) | 89.8 | 89.8 |
| Technicolor, Pty, Ltd. (Australia) | 100.0 | 100.0 |
| Technicolor India Privat Ltd. (India) | 100.0 | 100.0 |
| Technicolor Distribution Australia, Pty. Ltd. (Australia) | 100.0 | 100.0 |
| Trace VFX LLC (USA) | 100.0 | - |
| **Others (Corporate)** | | |
| Gallo 8 SAS (France) | 100.0 | 100.0 |
| Sté Fr.d'Invest.et d'Arbitrage - Sofia (France) | 100.0 | 100.0 |
| Technicolor Treasury USA LLC (USA) | 100.0 | 100.0 |
| Technicolor Asia Pacific Investments Pte. Ltd. (Singapore) | 0.0(**) | 100.0 |
| Technicolor Asia Pacific Holdings Pte. Ltd (Singapore) | 100.0 | 100.0 |
| ***Accounted for under the equity method*** | | |
| SV Holdco, LLC (USA) | 0.0(*) | 17.5 |
| TechFund Capital Europe (France) | 19.8 | 19.8 |
| Technicolor SFG Technology Co. Ltd (China) | 49.0 | 49.0 |
| HEVC Advance LLC (USA) | 0.0(**) | 20.0 |
| Trace VFX LLC (USA) | 0.0 | 20.0 |

(*) Entities acquired or sold by the Group in 2016 (see Note 2.2)

(**) Entities created, merged, liquidated or deconsolidated in 2016 for reorganization purpose